



MARKET AND POLICY ANALYSIS:

Prospective Internet Casino Gaming in Indiana

Prepared for the Indiana Gaming Commission
Updated December 28, 2023



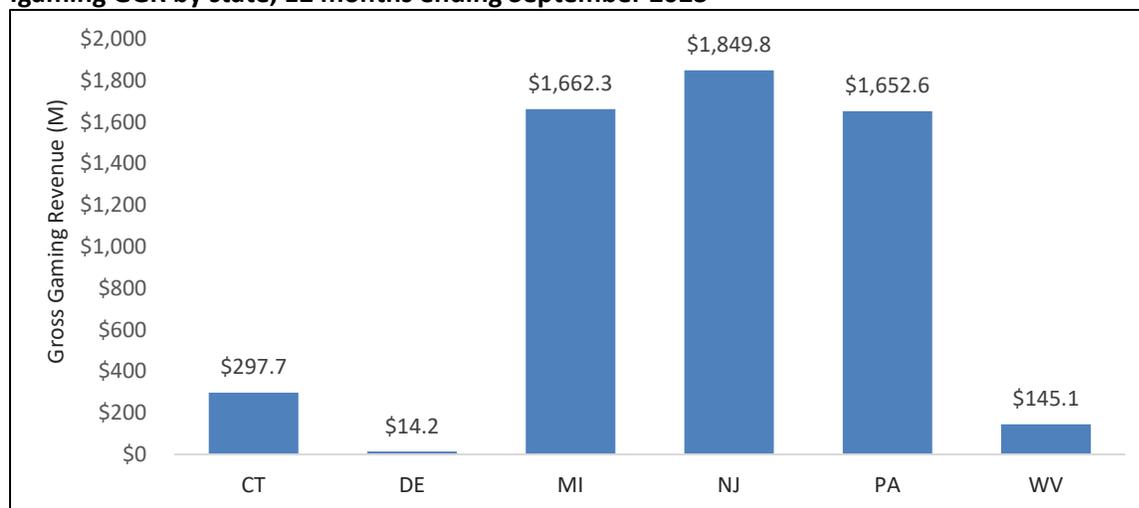
200 Lakeside Drive, Suite 250
Horsham, PA 19044 USA
+1.609.926.5100
spectrumgaming.com

Executive Summary

The Indiana Gaming Commission (“IGC”) in February 2022 engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to undertake a study of internet casino gaming, commonly called “igaming.”¹ The IGC in May 2023 re-engaged Spectrum to update the study based on the most recent available data and industry information. Following are key findings from our research and analysis.

Eight states have legalized igaming, but Nevada is limited to ipoker and Rhode Island is expected to commence igaming in early 2024. The “big three” igaming states – Michigan, New Jersey and Pennsylvania – each generate more than \$1.6 billion in gross gaming revenue (“GGR”) on an annualized basis. The big three also offer the best insights into potential igaming in Indiana, as they also have more robust, widespread commercial gaming industries.

Igaming GGR by state, 12 months ending September 2023



Source: Spectrumetrix, from data reported by state regulators

A key policy matter for states is determining which entities can offer igaming. The three primary choices are:

- Open Model, available to all gaming companies – whether they operate the state’s casinos or are pure-play digital gaming operators that have no other gaming interest in the state.
- Closed Model, in which licensure is limited solely to the state’s casinos.
- Hybrid Model, in which the state’s casinos are provided some level of exclusivity or primacy, but third-parties are permitted to offer digital gaming through licensing agreements – also called “skins” – with casinos.

Regarding the relationship between igaming and traditional casino gaming, Spectrum found:

¹ This report has been updated since its original publication to correct the wording in the second bullet point on p. 12.

- Igaming players are distinctly different than traditional casino players. One national igaming operator reported from its 2022 database of more than 100,000 igaming players the following:
 - The youngest age group accounts for nearly half of the players but only slightly more than a quarter of revenue.
 - More than half of the players are women, but they account for less than half of the revenue.
 - Avid players – those who have played at least 31 days in the year (or year-to-date, as is the case for 2022) – account for the overwhelming majority of revenue even though they account for less than a quarter of the player base.
- A different national digital gaming operator reported distinctly different demographic segmentation:
 - Nearly two-thirds of its players are men
 - Two-thirds of its players are older than 40
- Igaming and digital sports betting together create revenue synergies. Two national digital gaming operators reported that players who participate in both igaming and sports betting spend significantly more than players who participate in only igaming or only sports betting.

Spectrum employed three methods to project Indiana igaming revenue over its first three years based on results in other igaming states: estimated spend (i.e., win or GGR) per adult, spend as a percentage of gross state product (GSP), and spend as a percentage of personal disposable income.

We also projected the gaming-tax receipts that would be generated by prospective igaming. We did so by using three illustrative flat tax rates – 20%, 30% and 45%. In using these illustrative tax rates, Spectrum recognized that there are few direct employees in igaming operations and little capital investment in buildings, and thus offering lower tax rates on igaming than on retail gaming could incentivize operators to focus on igaming at the expense of retail casinos. The following table shows Spectrum’s projected igaming revenue and gaming-tax receipts for Indiana:

Estimated Indiana igaming revenue and igaming taxes at three tax rates

Igaming Rev (M)	Year 1	Year 2	Year 3	3-Year Total
Spend per Adult	\$410	\$705	\$825	\$1,939
Spend as % of GSP	\$636	\$756	\$934	\$2,326
Spend as % of PDI	\$420	\$629	\$881	\$1,930
Average of Methods	\$489	\$696	\$880	\$2,065
Tax Scenario	Year 1	Year 2	Year 3	3-Year Total
Taxes (M) at Avg & 20%	\$98	\$139	\$176	\$413
Taxes (M) at Avg & 30%	\$147	\$209	\$264	\$619
Taxes (M) at Avg & 45%	\$220	\$313	\$396	\$929
Lowest Taxes (M) at 20%	\$82	\$126	\$165	\$373
Highest Taxes (M) at 45%	\$286	\$340	\$420	\$1,047

Source: Spectrum Gaming Group

Based on our analysis of igaming in other states, igaming does not appear to have a negative effect on other forms of gaming. That said, the igaming results to date in other igaming states suggest that it is possible that igaming may be limiting the ordinary growth of retail casino revenues.

The addition of igaming without live-dealer gaming has no significant impact on direct casino employment – but it would create additional jobs in igaming operations. It is when operators launch live-dealer gaming as part of their igaming scheme that states realize meaningful employment impacts, typically through a third-party provider. Based on results in other states, live-dealer igaming in Indiana could create many hundreds of jobs through the employment of dealers in purpose-built studios for this segment of igaming. The significant economic impacts of live-dealer gaming can be realized if the studios are situated in the host state, as is required in four of the five current live-dealer igaming states.

With a mature casino industry and digital sports betting in place, Indiana is well positioned to integrate igaming with its existing responsible-gaming measures, although additional funding should be dedicated for treatment services, according to the executive director of the Indiana Council on Problem Gambling.

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Introduction

The Indiana Gaming Commission (“IGC”) in February 2022 engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to undertake a study of internet casino gaming, commonly called “igaming.” The IGC in May 2023 re-engaged Spectrum to update the study based on the most recent available data and industry information. The IGC tasked Spectrum with studying specific areas of igaming, namely:

- Overview of igaming in the United States
- Market assessment of the gaming offerings in Indiana and surrounding states
- Demographic analysis of who participates in igaming and how those customers compare with those who participate in other forms of legal gambling
- Fiscal analysis; i.e., the expected tax receipts generated by Indiana igaming and the impact on other gaming taxes
- Three-year forecast of Indiana igaming revenue, including estimated changes in direct employment should igaming become authorized
- Three-year forecast of the revenue impacts of Indiana igaming on casino win, sports betting win, and Hoosier Lottery net revenue
- Case studies from other igaming states
- Policy considerations related to the implementation of igaming, including know your customer (“KYC”) and anti-money-laundering (“AML”), responsible gaming, and promotions.

For context, we provide an overview of the current gaming landscape in Indiana and surrounding states; see *Appendix I: Indiana and Regional Gaming Market Overview*.

The purpose of this report is to provide information, insights and analysis that Indiana policymakers and regulators can use in their consideration of legalizing and regulating igaming. Spectrum takes no position on whether igaming should be authorized in the state.

Spectrum relied on publicly reported gaming data, other public information, interviews, and our extensive experience studying and analyzing the performance, policy and regulation of igaming and all other forms of legal gambling. We further conferred with the IGC in making certain assumptions in developing our forecasts.

It is helpful to understand key terms used in this report:

- **Digital:** Any type of gaming (casino, poker, sports betting) that takes place via internet or mobile channels, as opposed to retail (in-person) gaming. Digital sports betting is often referred to as “OSB,” or online sports betting.
- **Distributed Gaming:** The operation of a limited number (typically 5 to 10) of slot machines or similar electronic gaming devices in a bar, truckstop or other authorized retail location.
- **Gaming Position:** A gaming position is defined as one slot machine or one seat at a gaming table.

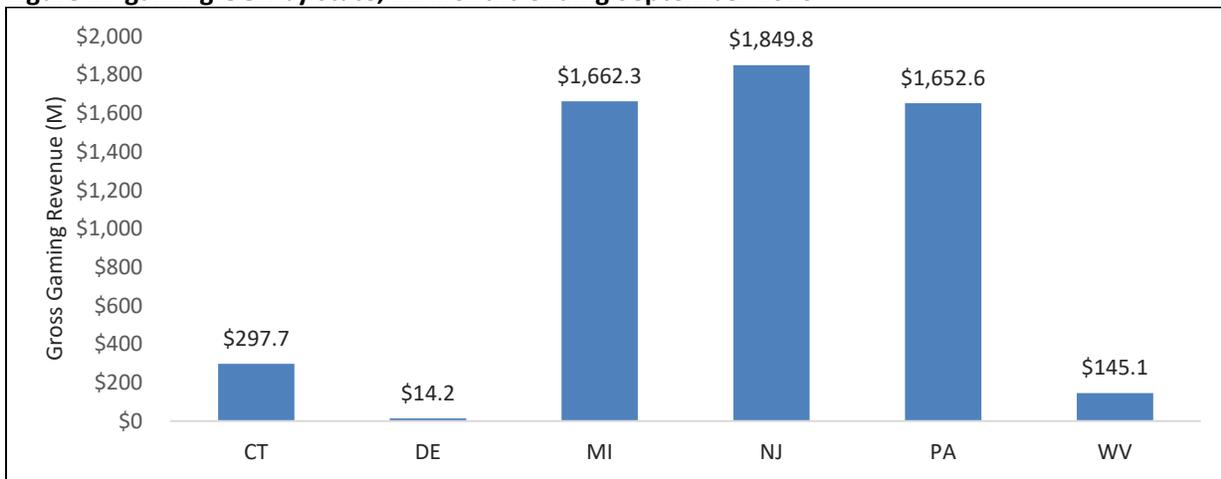
- **Gross Gaming Revenue (“GGR”) or Win or Spend:** The amount of money players wager minus the amount players win, before any expenses or taxes have been deducted. It is the amount the player spends (i.e., loses), or the amount the gaming operation wins.
 - The State of Indiana uses the term “adjusted gross receipts” (or “AGR”), which excludes win generated from free play (i.e., promotional gaming credits).
- **Igaming:** Casino-style games played via the internet, whether on a mobile device, personal computer, or other online device. For the purposes of this report, igaming excludes digital sports betting. Also called “icasino” or “online casino.”
- **Ipoker:** Poker played via the internet, whether on a mobile device, personal computer, or other online device.
- **Live Dealer:** Table games played online using human dealers streamed live over the internet from a studio in a casino or other location authorized by the host jurisdiction.
- **LTM:** The last 12 months of data; used to annualize results.
- **Retail:** Gaming that takes place in person at a facility open to the public, most notably at a physical casino; as opposed to digital gaming.
- **Skin:** An individually branded/individually operated digital gaming brand, typically offered via another operator’s license.
- **Video Gaming Terminal (“VGT”):** A slot-like gaming machine typically authorized in non-casino retail settings – such as bars, cafes and truckstops – and in limited numbers, typically 5 to 10 per establishment.
- **Video Lottery Terminal (“VLT”):** A slot-like gaming machine overseen by, or operated by, a state lottery and authorized in either casino-like establishments or in a non-casino retail settings – such as bars, cafes and truckstops.

This report has been updated with the latest available data. Unless indicated otherwise, revenue and state gaming data used throughout this report are through September 2023. Many of the qualitative insights by Spectrum and interviewed sources used in the 2022 report are still relevant for this report and have not changed or have been reconfirmed with originally cited sources.

I. Overview of Igaming

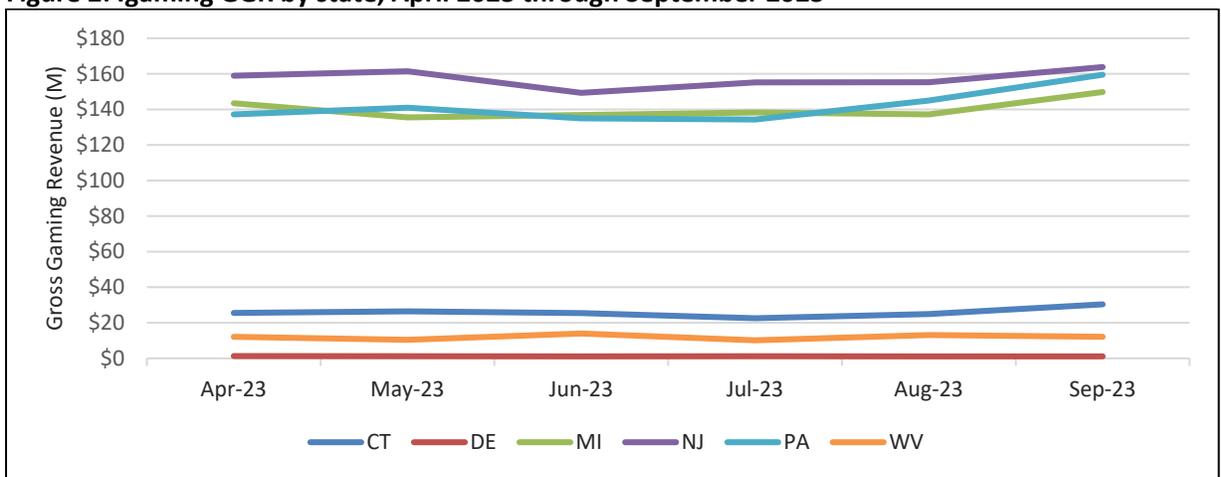
Internet casino gaming – commonly called “igaming” – is the operation of digital versions of slot machines, table games (including live-dealer where available) and other typical casino games via internet channels such as apps available on mobile devices and websites accessed via personal computers.² Igaming is now active in seven states.³ For the 12-month period ending September 2023, the six full igaming states generated igaming gross gaming revenue (“GGR”) of \$5.6 billion, with New Jersey accounting for one-third of the total.

Figure 1: Igaming GGR by state, 12 months ending September 2023



Source: Spectrumatrix, from data reported by state regulators

Figure 2: Igaming GGR by state, April 2023 through September 2023



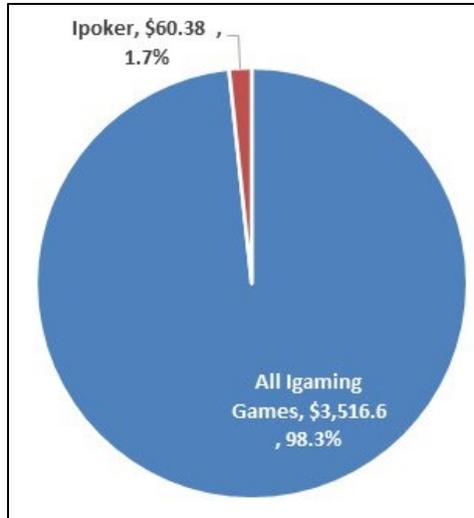
Source: Spectrumatrix, from data reported by state regulators

² For a video overview of internet gaming, including live-dealer gaming, see a May 24, 2022, *Wall Street Journal* report at <https://www.wsj.com/video/inside-the-casino-where-the-only-gamblers-are-online/C298D16A-96A2-4C09-A226-5E69DB2C0597>

³ Igaming in Nevada is restricted to poker. Nevada results are not published due to too few operators and thus are excluded from the analyses in this report.

Internet poker accounts for a small portion of total igaming GGR in the three igaming states where ipoker is offered and reported – Delaware, New Jersey and Pennsylvania.

Figure 3: Internet poker GGR vs. total igaming GGR, three-state total, 12 months ending September 2023



Source: Spectrumetrix, from data reported by state regulators

Among Indiana’s seven casino⁴ operators (covering the state’s 12 casinos⁵), five also have both casinos and igaming operations in other states, as shown in Figure 4. In fact, Indiana’s casino operators have opted into igaming in every state where they also have a casino.

Figure 4: Indiana casino operators with both casinos and igaming operations in other states

Indiana Casino Operator	States with Igaming*						
	CT	DE	MI	NJ	PA	RI***	WV
Bally’s**							
Boyd Gaming							
Caesars Entertainment							
Hard Rock International							
Penn Entertainment							

Source: Company websites, Spectrum Gaming Group research. *Igaming in Nevada is restricted to poker, with only one site operational at this time. Connecticut has two casinos, both operated by Native American tribes. **Bally’s operates igaming in Pennsylvania but does not have a casino there. *** Rhode Island will commence igaming in 2024..

Gaming operators typically offer both of their primary digital products – igaming and sports betting – in the same app or website to encourage crossover play by customers and to increase operational and marketing efficiencies. (Delaware does not offer digital sports betting at this time.)

Traditional North American casino companies have entered the digital space by acquiring, or partnering with, digital gaming and media companies. This has enabled them to instantly acquire the

⁴ Where “casino” is mentioned in this report it refers to a physical, land-based property.

⁵ Includes the dual Hard Rock Northern Indiana license as one casino.

technology, expertise and customer reach needed to quickly enter new markets and appeal to new demographic segments. Acquisitions by traditional casino companies since January 2020 include:⁶

- Boyd Gaming: Pala Interactive
- Bally's Corp.: Bet.Works and Gamesys
- Caesars: William Hill
- MGM Resorts International: LeoVegas
- Penn Entertainment: Score Media and Gaming and Barstool Sports (since divested)

Some digital gaming operators offer their products via multiple brands. For example,

- BetMGM brands include BetMGM, Borgata Online, and Party Casino and Party Poker
- Flutter Entertainment brands include FanDuel, PokerStars, and Betfair
- Penn Entertainment brands include Hollywood, theScore and ESPN Bet

By offering multiple brands – and without the constraints or cost of a physical space – igaming operators can provide a far greater variety of games than a retail casino could offer. For example, BetMGM reported in 2021 that it offered 674 unique slot, table and instant-win games.⁷ Such diversity of games is important to attracting and retaining players because igaming sites have no amenities that could otherwise attract the customer, such as restaurants, bars and lounges or entertainment spaces found in retail casinos.

⁶ Macquarie Research, May 2022.

⁷ BetMGM, “Investor Day” presentation, April 21, 2021, p. 18.
[https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-\(Posting\).pdf](https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-(Posting).pdf)

A. Types of Igaming Models

A key policy matter for states is determining which entities can offer igaming. There are three primary choices, as follows (on two pages):

Advantages	Disadvantages
Open Model	
<ul style="list-style-type: none"> • More competitors would spend more marketing dollars to create a more robust market, targeting a broader array of adults. • With more competition, providers would have greater incentive to compete on the value of their offerings, with more benefits that range from free play to enhanced odds, payouts. 	<ul style="list-style-type: none"> • Providers with no ties to retail casinos in Indiana would capture adults in their databases and will have no incentive to share those customers with Indiana casinos. • Providers that have no casinos in Indiana but have ties to retail casinos in other states – including neighboring states – would have an incentive to market those out-of-state casinos to this expanded database, thus depriving Indiana of the benefits of that additional spending. • Would pit developers who have invested tens or hundreds of millions of dollars in retail casinos in Indiana against igaming companies that have not made such investments in the state. • Creates lower barrier to market entry, which means that an unknown number of outside gaming operators could seek licensure in Indiana, with each requiring investigations as to their suitability and other licensing requirements, thus increasing the regulatory burden on the Indiana Gaming Commission, which would have to review such applications, issue licenses and monitor all gaming-related activities.
Closed Model	
<ul style="list-style-type: none"> • With licenses limited to Indiana’s 12 casinos (to be 13 in 2024), those operators would have full access to the entire database of players – existing and new – and can leverage that database to encourage visits to retail casinos. • This model would increase the value of retail licenses, as it provides licensees with a level of exclusivity that enhances the revenue potential of those licenses. • Operators could leverage their expanded databases, as well as the enhanced value of those licenses, to invest more capital in their facilities in anticipation of an increased demand for visitation. • Indiana could benefit from enhanced tax revenue from multiple gaming and non-gaming fiscal streams. 	<ul style="list-style-type: none"> • Viewed as a form of protectionism, limiting free-market forces. • Digital providers that do not operate casinos would be frozen out of Indiana, thus limiting competition. • Some of those digital providers would offer advanced technologies and robust marketing strategies that could otherwise grow the pool of digital players; eliminating them could limit the direct fiscal benefits of igaming.

Advantages	Disadvantages
Hybrid Model	
<ul style="list-style-type: none"> • With licenses limited to Indiana’s 12 casinos (to be 13 in 2024), those operators could have full access to the entire database of players – existing and new – and can leverage that database to encourage visits to retail casinos. • This model would increase the value of retail licenses, as it provides licensees with a level of exclusivity that enhances the revenue potential of those licenses. • Operators could leverage their expanded databases, as well as the enhanced value of those licenses, to invest more capital in their facilities in anticipation of an increased demand for visitation. • Indiana would benefit from enhanced tax revenue from multiple gaming and non-gaming fiscal streams. 	<ul style="list-style-type: none"> • The casino licensees likely would not have access to the databases of players enrolled in the loyalty programs of third-party skins, thus depriving them – and the state – of the advantages of marketing their retail operations to such players. • The experience in other states, such as New Jersey, has shown that when third-party operators have retail operations in other states, they can market those facilities to the players identified through their Indiana operations, thus further depriving Indiana of the benefits of such enhanced spending. • Third-party operators could pursue marketing strategies that position their sites as alternatives to land-based sites, thus potentially limiting on-site visitation and its attendant fiscal benefits. • Depending on the number of outside gaming operators that apply for licensure, this would also create licensing and regulatory requirements to be addressed by the Indiana Gaming Commission, although – unlike in the Open Model – the Indiana Gaming Commission would know in advance the maximum number of applications and licenses to be addressed, based on the number of skins that could be issued.

B. Brief History of Igaming

The concept of gambling via the internet arose with the growth of the popular usage of the internet in the 1990s. Until 2006, there had been proposals in Congress to outright ban internet gambling until 2006. That year, internet gambling became effectively illegal with the passage of the Unlawful Internet Gaming Enforcement Act, which prohibited “gambling businesses from knowingly accepting payments in connection with the participation of another person in a bet or wager that involves the use of the Internet and that is unlawful under any federal or state law.”⁸ Although players continued to wager via gambling sites located in other countries, the activity was largely absent in the United States, except

⁸ Federal Deposit Insurance Corporation, “Unlawful Internet Gambling Enforcement Act of 2006 Overview,” 2010. <https://www.fdic.gov/news/financial-institution-letters/2010/fil10035a.pdf>

for domestic poker sites that were eventually shut down after it was discovered they were coding deposits as non-gambling transactions.

A legal opinion by the Department of Justice released in December 2011 effectively authorized internet gaming, stating that the Wire Act of 1961 – which banned interstate gambling via telecommunications systems – applied only to sports wagering. Six months later, Delaware became the first state to authorize igaming. Delaware launched the activity in early November 2013, followed by New Jersey 18 days later. Today, seven states offer igaming, although in Nevada the activity is limited to poker and only one site is active. Rhode Island has legalized igaming and intends to commence operations in 2024.

1. Limited Expansion of Igaming Linked to Cannibalization Concerns

The limited rollout of igaming nationwide stands in stark contrast to the rollout of sports betting. Whereas 36 states (plus Washington, DC) outside of Nevada launched sports betting within 5½ years of the Supreme Court overturning the Professional and Amateur Sports Protection Act in 2018 – including 27 (plus DC and including Nevada) that offer digital betting – only seven states have launched igaming in the 10 years since it began in 2013 (with Rhode Island scheduled to launch in early 2024). One reason for the states’ caution toward igaming is concern for their casinos, which in many states have capital investments of more than \$1 billion and which employ thousands of people. Policymakers are concerned that the convenience of playing on a mobile device will result in fewer trips to, and fewer on-site expenditures at, casinos. (Results and discussion in Chapter IV of this report.)

The relatively slow embrace of igaming can also be attributed in large measure to the initial reluctance by casino operators themselves to participate in digital offerings. Spectrum identified and addressed this reluctance in 2002 when we first published the Spectrum Internet Gaming Heuristic Theorem (“SIGHT”), which accurately predicted that the retail casino industry would move from rejection to acceptance to embrace of igaming. The industry has now effectively moved along that continuum, and it now is clearly embracing a concept that it once rejected as cannibalistic. Sheldon Adelson, the late CEO of Las Vegas Sands Corp., was the most prominent – and last – gaming executive who had fully rejected igaming, referring to it as “fool’s gold,” writing in 2013 that ““Click your mouse and lose your house’ isn’t a marketing slogan for advocates of legalized online gambling. But it should be.”⁹ After Adelson’s death in 2021, the company he founded ended its rejection of igaming and joined the industry in its embrace.

In projecting the path of igaming from rejection to acceptance to embrace by the casino industry, Spectrum noted in a 2017 white paper:

SIGHT is grounded in history, noting that the tension between land-based gaming and Internet gaming is not the first time that private industries in the entertainment field have wrestled with the challenges created by new technologies. In the late 1920s and early 1930s, professional baseball — then in its heyday

⁹ “Sheldon Adelson: Online Gambling Is Fool’s Gold,” *Forbes*, June 19, 2013. <https://www.forbes.com/sites/stevenbertoni/2013/06/19/sheldon-adelson-online-gambling-is-fools-gold/?sh=5f9330f22c90>

as the national pastime — was faced with the new technology of radio, which was viewed as a threat to the game’s primary source of revenue: ticket sales.

In their book, *Baseball*, authors Geoffrey C. Ward and Ken Burns quote pioneer broadcaster Red Barber:

When radio came along and began to broadcast some baseball games, some of the entrenched conservative owners said, “Wait a minute. Why give away something that you’re trying to sell for your living, to try and keep your enterprise afloat?” And especially on days of threatening weather when people would say, “Well, it looks like it may rain. I’ll just listen to the radio. I won’t go.” They did not realize at the time the beneficial effect of radio, that it would be making families of fans.¹⁰

A similar pattern emerged in the 1950s, and later in the 1970s and 1980s. Hollywood film studios viewed television, and later electronic recording, as threats to their primary source of revenue: ticket sales. Television quickly became a new market for the studios’ archives of older films, and studios became the leading source of new programming for the new medium. Additionally, television became the primary marketing vehicle to develop awareness of new films. The same pattern emerged with tapes and DVDs: They became a new market, and a new marketing opportunity.

It is no coincidence that baseball’s greatest years of attendance — when top teams could draw 3 million or more fans a season — happened long after the advent of radio and television. Those potential threats ultimately generated new interest, which laid the groundwork that encouraged that live attendance. The same phenomenon happened in Hollywood, in which the highest-grossing films emerged long after those perceived threats had turned into marketing opportunities.¹¹

2. Experience has Allayed Cannibalization Concerns

The evolution of igaming from rejection to acceptance to embraced has been enhanced as more operators in more states gain experience. Thomas Winter, who until October 2023 was General Manager, North America iGaming, for digital gaming operator DraftKings, noted in a June 2020 webinar¹² sponsored by the National Council of Legislators from Gaming States that the fear of cannibalization was significant when New Jersey launched igaming in 2013. He said in 2020: “A couple of misconceptions are interesting to address. The first misconception is that online gaming is going to cannibalize land-based gaming revenues and of course we don’t want that. ... When I started (in 2013), this was a fear. What we demonstrated ... was that, not only was it not true, but it was the opposite.”¹³

Winter’s conclusion that igaming would enhance retail gaming is supported by other gaming operators. For example, Caesars Entertainment told Spectrum for this report¹⁴ that igaming immediately boosted enrollment in its player loyalty program and casino visits:

¹⁰ Geoffrey C. Ward and Ken Burns, “Baseball,” Alfred A. Knopf Publishers, 1994, p. 236.

¹¹ “Online Gaming From a Land-Based Perspective: Observing 15th Anniversary of SIGHT,” Spectrum Gaming Group, June 2017. <https://www.spectrumgaming.com/wp-content/uploads/2017/12/spectrum-internet-gaming-heuristic-theorem-white-paper-june-2017.pdf>

¹² At the time, Winter was President of Golden Nugget Online Gaming, which was subsequently acquired by DraftKings.

¹³ “Webinar: Leveraging Online Channels as a Policy Goal and Potential Revenue Stream,” June 29, 2020. <https://www.youtube.com/watch?v=mdO6eUeQToc>

¹⁴ Email to Spectrum, December 4, 2023.

- 212,610, or more than half, of igaming players signed up for Caesars Rewards after or on the same day they registered for an igaming account; and
- 4,460 guests made their first property visit after registering and betting from an igaming account.

The standard business model for retail casino operators in an omni-channel market is to leverage digital platforms to enhance retail revenue. Keith Smith, President and Chief Executive Officer of Boyd Gaming, described this model in 2014, at a time when igaming was still emerging. At a time when Boyd was half-owner of Borgata Hotel Casino & Spa in Atlantic City, Smith issued the following statement:

Our market-leading performance is testament to the quality of our online product and the power of the Borgata brand. These results also once again demonstrate online gaming's potential to expand our business. About 85 percent of our online players have not had rated play at Borgata in at least two years, showing there is little overlap with our land-based business. Online gaming is growing our database, creating a long-term opportunity to market Borgata to an entirely new group of customers.¹⁵

The passage of time since the advent of igaming has not affected the efficacy of an omni-channel strategy that can leverage one channel, such as igaming, to enhance another channel, such as retail casinos. Speaking at a 2021 gaming conference, MGM Resorts International President and CEO William Hornbuckle noted that the concern about igaming cannibalizing retail gaming has never fully dissipated, but that it remains both unfounded and wrong. Hornbuckle noted: "It doesn't mean it won't ever happen, but over time we resolutely believe the opportunity to create omnichannel, the opportunity to speak to customers 365 — whether they choose to come in [to casinos] or not — is to the net benefit of organizations doing it at scale."¹⁶

Spectrum believes that the fast embrace of digital sports betting by both operators and states will facilitate the expansion of igaming, as sports betting and igaming are different products being offered on the same apps/websites and overseen (in most cases) by the same regulatory authority.

¹⁵ "Borgata Online Gaming Revenue Grows 15% in January," PRNewswire, February 12, 2014. <https://www.prnewswire.com/news-releases/borgata-online-gaming-revenue-grows-15-in-january-245243841.html>

¹⁶ Gary Rotsein, "The Most Valuable iGaming Customers Are the Ones Doing All Forms of Gambling," *USBets*, June 14, 2021. <https://www.usbets.com/valuable-igaming-customers-all-forms-gambling/>

II. Demographic Analysis of Igaming Players

A key question for both policymakers and gaming operators when considering the legalization or implementation of igaming is “Who plays these games?” The answer to that critical questions helps formulate public policy in two ways:

1. It helps to understand whether igaming is likely to cause cannibalization of retail casino revenues. If igaming participants and retail casino players are the same people with the same habits, it may give policymakers – and casino operators themselves – pause before entering the igaming space. As will be shown in this chapter, operator data verify that their player bases are sufficiently different and, in the big picture, are accretive to overall gaming revenues.
2. It helps gaming operators develop marketing programs that help to maximize their igaming revenue potential – while minimizing cannibalization of their casino revenues (for operators who have both digital and retail gaming) – and thus maximizing state gaming-tax receipts.

Digital gaming in all its forms provides a significant opportunity for providers to generate more revenue while expanding their demographic reach. As our research for this report demonstrates, igaming and other forms of digital play will attract younger players, but the benefits of convenience will also increase participation from the gaming industry’s existing demographic base.

Although igaming operators closely guard their player demographic data, insights can be gleaned through company securities filings, annual reports, investor presentations, conference presentations and Spectrum channel checks. The demographic data in Figure 5 below were provided to Spectrum by a prominent national igaming operator (“National Igaming Operator No. 1”) in 2022 from its US markets that cover well in excess of 100,000 customers; the operator provided this information on the condition that it not be identified in this report for competitive purposes.

Figure 5: National Igaming Operator No. 1 demographic analysis of its players, 2022

Age Group	% of Players	% of GGR
21-39	47.1%	28.7%
40-54	34.6%	44.0%
55+	18.4%	27.4%
Gender	% of Players	% of GGR
M	53.6%	42.7%
F	43.2%	51.1%
Other	3.2%	6.2%
Active Days – 2021	% of Players	% of GGR
1	19.5%	0.6%
2 to 5	28.2%	2.7%
6 to 10	11.5%	2.3%
11-30	15.9%	7.5%
31+	24.9%	86.8%
Active Days – YTD (through May 2022)	% of Players	% of GGR
1	18.8%	0.7%
2 to 5	28.2%	3.7%
6 to 10	12.5%	4.5%
11-30	18.0%	13.7%
31+	22.6%	77.3%

Source: National Igaming Operator No. 1 player database analysis

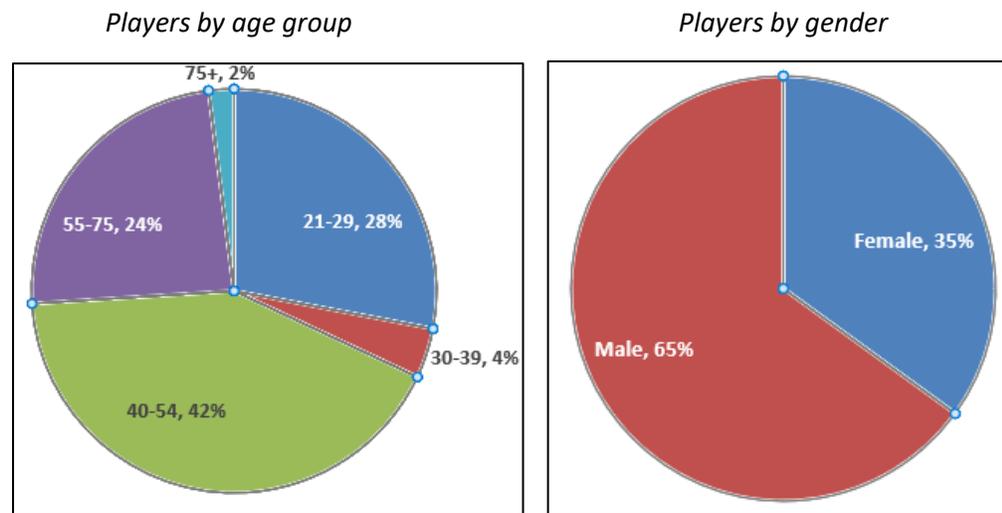
From this deep, multistate data set we learned the following:

- The youngest age group accounts for nearly half of the players but only slightly more than a quarter of revenue. This makes sense given that they are likely to have less disposable income.
- Fewer than half of the players are women, but they account for more than half of the revenue.
- Avid players – those who have played at least 31 days in the year (or year-to-date, as is the case for 2022) – account for the overwhelming majority of revenue even though they account for less than a quarter of the player base.

While the data above are helpful, it is important to recognize that they are from the database of one company. Just as there is a variance in customer profiles among different casinos in the same market based on their facilities, game offerings and marketing strategy, there may be player demographic differences among igaming sites in the same jurisdiction.

Another national igaming operator (“National Igaming Operator No. 2”) reported a distinctly different demographic segmentation among its nearly 400,000 registered players for 2023; this operator also provided the information to Spectrum on the condition that it not be identified in this report for competitive purposes.

Figure 6: National Igaming Operator No. 2 demographic analysis of its players, 2023



Source: National Igaming Operator No. 2 player database analysis

Only 32% of National Igaming Operator No. 2’s players were less than 40 years old, compared to 47.1% of National Igaming Operator No. 1’s players. And while National Igaming Operator No. 1’s players were 53.6% male, National Igaming Operator No. 2’s players were 65% male.

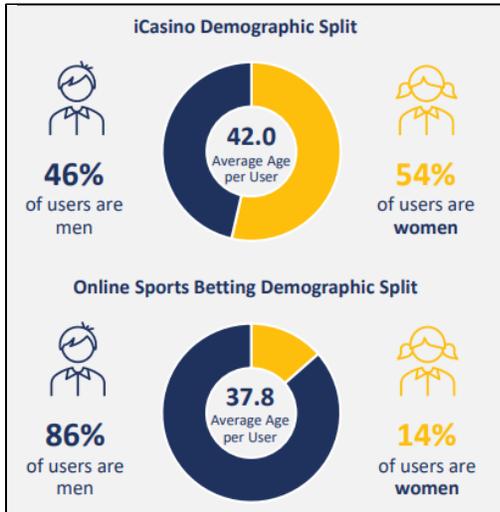
Rush Street Interactive (“RSI”) – a spinoff from traditional casino operator Rush Street Gaming – noted the following about its igaming players (i.e., “casino customers”) in a 2021 Prospectus:

Unlike sports wagering, which predominately appeals to males, casino wagering appeals roughly equally to both males and females. In Q3 2020, approximately 90% of our monthly unique online sports wagering-only players were male. For Q3 2020, approximately 55% of our monthly unique online casino wagering-only players were female.

It has been our experience that among casino customers, female customers are more likely to play slot machines, while male customers are more likely to play table games. We believe that we are able to achieve a strong market share in casino revenue, in general, and an even stronger market share in slot machine revenue, in particular, given that our brands, products and marketing strategies appeal to both male and female casino customers. Further, we believe that we are well positioned to continue to appeal to female slot machine customers over the long run.¹⁷

RSI illustrated its most recent gender and splits among digital bettors and igaming players, as shown in Figure 7 below.¹⁸

Figure 7: Comparison of igaming and digital sports-betting players



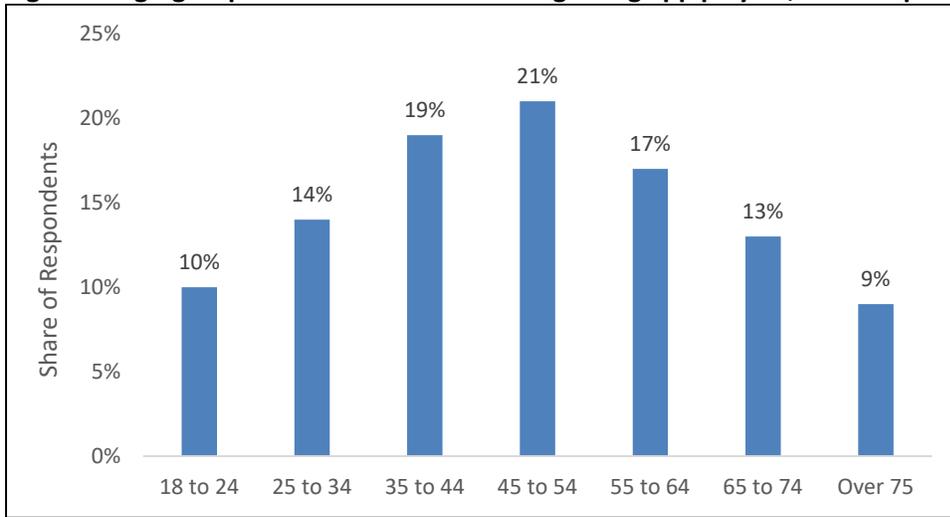
Source: Rush Street Interactive investor presentation, November 2023

One national analysis shows (see Figure 8 below) that nearly two-thirds of igaming players using apps in 2020 were age 54 or under; traditional casino players are predominantly age 55 or older. The age difference between igaming players and traditional casino players is central to the appeal of igaming for retail casino operators. The traditional casino industry has long searched for an effective means of attracting a younger demographic. The retail industry’s core players – particularly slot players – continue to age, and are not being replaced by younger players. Because igaming offers a broader demographic reach, it would help address that demographic challenge.

¹⁷ Rush Street Interactive, Inc., “Prospectus,” p. 3, February 11, 2021.
<https://www.sec.gov/Archives/edgar/data/1793659/000119312521038477/d124075d424b3.htm>

¹⁸ Rush Street Interactive, Inc., “Investor Presentation,” p. 12, November 2023.
https://s26.g4cdn.com/794539746/files/doc_financials/2023/RSI-Q3-2023-Investor-Presentation.pdf

Figure 8: Age-group distribution of US casino gaming app players, second quarter 2020



Source: Statista. Total may not foot due to rounding.

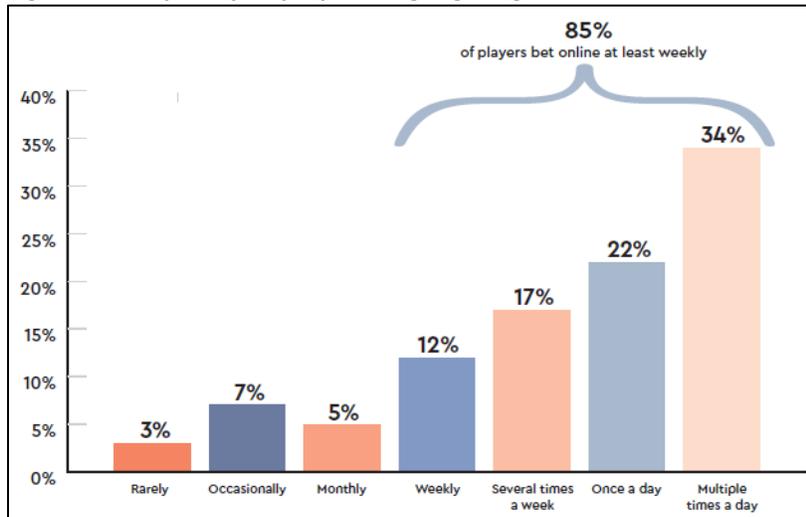
Just as traditional casino players in competitive markets will hold loyalty cards from different casinos based on both promotional offers and personal preferences, digital gaming players will use multiple apps; one New Jersey igaming operator found in its own survey that the average player uses more than three digital gaming apps.¹⁹ They make their choices based on promotional offers, perceived luck, game choices and user experience.

Optimove, a digital marketing company, found in a fall 2023 survey of 396 US digital gamblers that 85% of players gamble at least weekly (igaming sites and/or sports betting).²⁰ In response to the question, “What types of events or games do you usually place bets on?,” 76% of respondents said sports events and 70% said casino games.

¹⁹ Spectrum interview with national digital gaming operator, June 2022.

²⁰ Optimove 2023 Report of Players’ Preferences in iGaming Marketing, September 2023, p. 7.
<https://www.optimove.com/lp/optimove-report-2023-bettors-preferences-in-igaming-marketing>

Figure 9: Frequency of play among digital gamblers



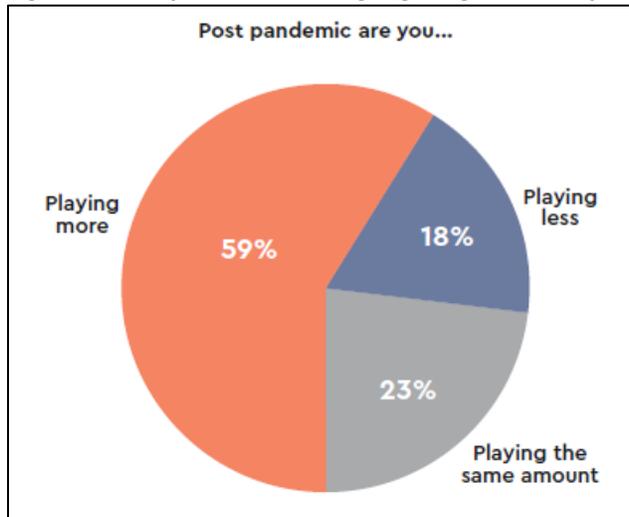
Source: Optimove

National Igaming Operator No. 2 reported to Spectrum the following play characteristics of its players in 2023:

- Daily average users: 14,471 (November)
- Days played per month: 3.4 (average of three-month period through mid-November)
- Active minutes per day: 74 (average of three-month period through mid-November)
- Spend per user: \$70 per active day (average of three-month period through mid-November)
- Spend by igaming category (average of three-month period through mid-November):
 - \$49 per active day on slots
 - \$10 per active day on table games
 - \$11 per active day on live table games

Optimove found that digital gamblers are, for the most part, playing more since the Covid-19 pandemic subsided:

Figure 10: Play volume among digital gamblers “post-pandemic”



Source: Optimove

From a different perspective, the National Council on Problem Gambling (“NCPG”) in 2021 conducted a nationwide survey on gambling demographics and habits that included *all* online gambling – both legal and illegal.²¹ Relevant findings for the purposes of this report are shown in Figure 11 on the following page, although we caution that the NCPG results cover all forms of online gambling, including sports betting, fantasy sports, poker, bingo, horse racing, and other. Note that online gambling tends to skew younger but it is somewhat evenly distributed by age group and income bracket.

²¹ National Council on Problem Gambling, “National Detail Report: National Survey on Gambling Attitudes and Gambling Experiences 1.0,” 2021. <https://www.ncpgsurvey.org/ngage-national-detailed-report/>

Figure 11: Behaviors and demographics of US online gamblers, 2021

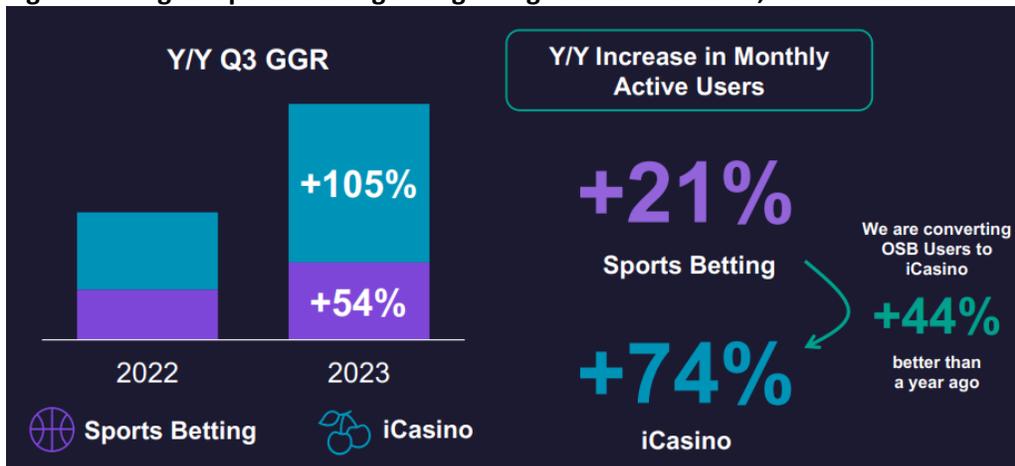


Source: Selected results from the National Council on Problem Gambling’s “National Detail Report: National Survey on Gambling Attitudes and Gambling Experiences 1.0.” Percentages are for total respondents (among 3,000 interviewed).

A. Igaming and Digital Sports Betting Crossover Play

In jurisdictions where operators can offer both digital sports betting and igaming, the amount of crossover play between the two forms of gaming is compelling. In commenting about the performance digital platforms in Ontario – which provides “a blueprint for success that we intend to replicate in the U.S. with ESPN BET” – Penn Entertainment (which operates two casinos in Indiana) reported high growth in both GGR and monthly active users as a result of having a strong “vertically integrated product.”²²

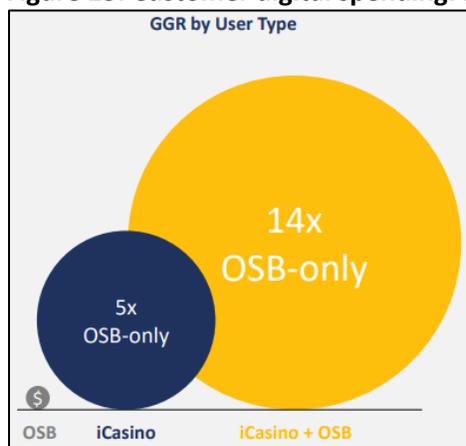
Figure 12: Digital sports betting and igaming results in Ontario, Penn Entertainment



Source: Penn Entertainment third quarter earnings 2023 presentation

RSI reported earlier this year that, on average, a player who participates in both igaming and sports betting spends 14 times more than one who participates in only sports betting and 5 times more than one who participates in only igaming, as shown in Figure 13.²³

Figure 13: Customer digital spending: sports betting, igaming and both, Rush Street Interactive



Source: Rush Street Interactive investor presentation, November 2023

²² Penn Entertainment, “Third Quarter 2023 Earnings Presentation,” p. 13, November 2, 2023. <https://investors.pennentertainment.com/static-files/ef764dce-03c5-467d-959a-b8dda68c0e32>

²³ Rush Street Interactive, Inc., “Investor Presentation,” p. 12, November 2023. https://s26.q4cdn.com/794539746/files/doc_financials/2023/RSI-Q3-2023-Investor-Presentation.pdf

The data make clear that a multi-channel approach is the most desirable from the standpoint of an operator. Still, it should be noted that igaming operates at materially higher profit margins than digital sports betting, is less volatile, and is less subject to seasonality, cancellations of events and other external factors. Speaking at a 2021 gaming conference, GAN CEO Dermot Smurfit put it succinctly: “The real kind of ugly truth in the industry is igaming will continue to sit at the core of the profitability model. ... It’s very difficult to make a profit when making 15 to 20 bucks a day from an online sports gambler vs. 70 to 90 bucks from sports gamblers who cross over into online casino, or from individual players who only want to play or engage in igaming and ignore sports betting.”²⁴

²⁴ Gary Rotstein, “The Most Valuable iGaming Customers Are the Ones Doing All Forms of Gambling,” *USBets*, June 14, 2021. <https://www.usbets.com/valuable-igaming-customers-all-forms-gambling/>

III. Case Studies from Other Igaming States

The performance of igaming in other states is helpful in understanding the potential of this form of gambling in Indiana. Eight states have legalized some form of igaming: Delaware, Nevada, New Jersey, Pennsylvania, West Virginia, Michigan, Connecticut and Rhode Island. Delaware, Nevada and New Jersey were early adopters of igaming, launching their first digital gambling sites in November 2013. It was not until July 2019 that Pennsylvania became the next state to launch legal digital gambling sites. Michigan, West Virginia and Connecticut legislators approved digital gaming in December 2019, July 2020 and May 2021, respectively. Rhode Island approved digital gaming in June 2023 and is expected to commence operations in early 2024.

New Jersey, Pennsylvania, and Michigan offer the best insights because they have more robust, widespread gaming industries to begin with. Igaming in the other states is limited, with it being offered via their respective state lotteries or, in the case of Connecticut, via the state’s two tribal casinos.

States implementing igaming have set differing operating parameters, such as which entities are eligible for licensure, which games to allow, and whether license holders may operate multiple brands, or skins. Figure 14 provides a snapshot of igaming in the United States.

Figure 14: Overview of igaming states

State	Start Date	Est. Pop. Age 21+ (2022, in M)	Median Household Income	Gaming Tax Rate (Slots/Tables)	Igaming Games Allowed	Igaming Model	No. Sites/Skins	Revenue Share by Game Type ³ (Slots/Tables/Poker)
NV	April 2013	2.4	\$65,686	6.75%	Poker only	Open	1	100% P
DE	Nov. 2013	0.8	\$72,724	43.5%/34% ¹	Slots, tables, poker	Closed	3	76.9% S, 17.2% T, 5.8% P
NJ	Nov. 2013	7.0	\$89,703	17.5%	Slots, tables, poker	Hybrid	32	98.4% S+T, 1.6% P
PA	July 2019	9.8	\$67,587	16%/54%	Slots, tables, poker	Hybrid	20	70.3% S, 27.7% T, 1.9% P
MI	Jan. 2021	7.5	\$63,202	20%-28% ²	Slots, tables, poker	Closed	15	n/a
WV	July 2020	1.4	\$50,884	15.0%	Slots, tables, poker	Hybrid	9	n/a
CT	Oct. 2021	2.7	\$83,572	18.0%	Slots, tables, poker	Closed	2	n/a
RI	Early 2024	0.8	\$74,489	50%/18%	Slots, tables, poker	Closed	TBD	n/a

Source: State regulatory agencies, US Census, Catena Operations, Action Network. ¹ The State of Delaware collects the first \$3.75 million in GGR, then taxes GGR above that amount. ² Tiered tax of 20% up to \$4 million of GGR, increasing to 28% for over \$12 million in GGR. ³ For 12 months ending September 2023; not all igaming states break out results by game type.

The following case studies are presented in the order in which each of the states began igaming.

A. Nevada

Digital poker was legalized in February 2013 and launched in April 2013, and the player pool was restricted to adults located within Nevada. In 2015, the state signed a liquidity agreement with Delaware, allowing poker players from both states to play against each other. Despite many companies applying for poker licenses, only three providers have ever offered licensed real-money digital poker in Nevada. Due to the limited number of players, the market struggled to gain traction. Ultimate Poker, owned by an affiliate of Red Rock Resorts, opened to players in early 2013 and shut down in November 2014. The other two – WSOP.com and Real Gaming Online Poker – opened in late 2013 and early 2014, respectively. The

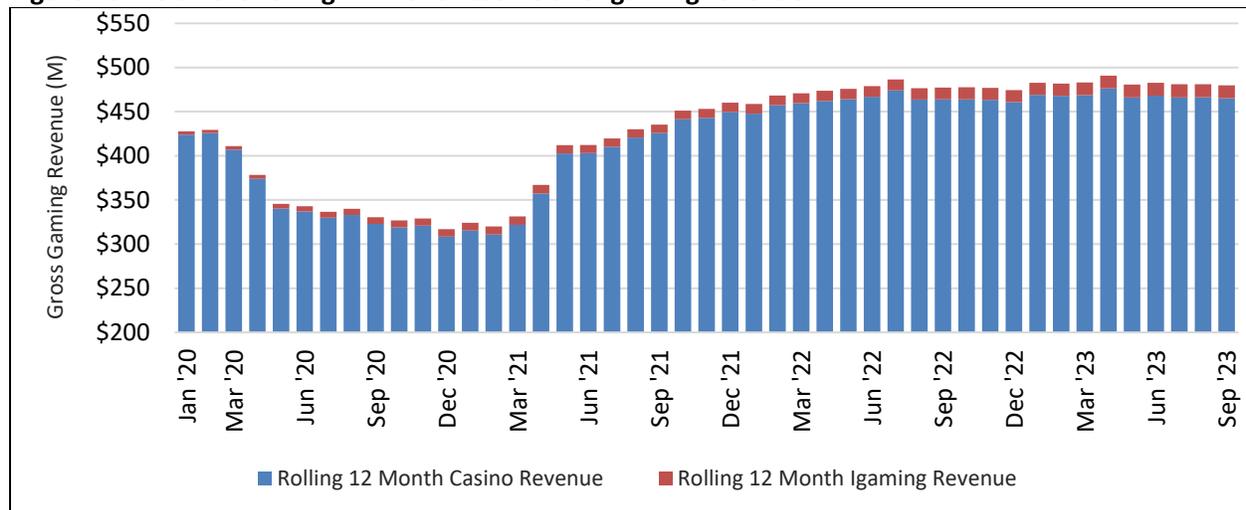
Nevada Gambling Control Board stopped publishing revenue reports due to too few participants. Digital poker GGR is subject to the same 6.75% state tax imposed on retail GGR.

B. Delaware

Delaware igaming started in November 2013. It was the first to enact igaming legislation and the first to launch the activity. The igaming is available on three sites, each tied to one of the racetrack lottery vendors (i.e., racetrack casinos). Delaware igaming revenues are depressed by its limited availability (only three providers) and an onerous tax rate that discourages effective marketing (100% tax on the first \$3.75 million of GGR; revenues after that are taxed at 43.5% on slots revenue and 34% on table games). For the 12 months ended September 2023, Delaware igaming netted \$14.6 million in revenue, or 3.1% as much win as generated by the three racetrack casinos.

Delaware igaming has grown at a high rate over the last two years. In September 2021, the 12-month revenue was only \$9.7 million; by September 2023, it had grown to \$14.6 million, an increase of 54%.

Figure 15: Delaware rolling 12-month casino and igaming revenue



Source: Delaware Lottery

Delaware publishes the number of new registrations by month in addition to the igaming win. While registrations have continued to grow, after 10 years of legal igaming, less than 10% of the adult population has registered to play.

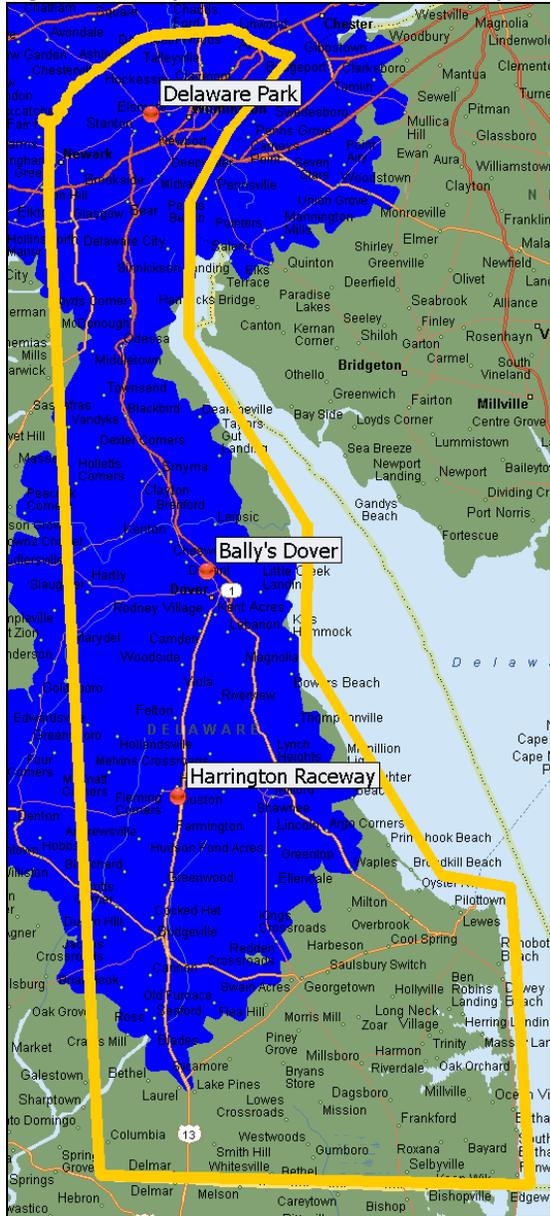
Figure 16: Annual data on Delaware igaming

Year	2017	2018	2019	2020	2021	2022	LTM 9/23
Registrations	2,918	6,283	5,026	8,362	9,803	11,709	12,407
Sum of Registrations	20,038	26,321	31,347	39,709	49,512	61,221	73,628
Est. Adult Population	720,621	729,755	739,261	743,597	750,239	756,406	765,003
Reg as % of Pop	2.8%	3.6%	4.2%	5.3%	6.6%	8.1%	9.6%

Sources: US Census Bureau, Delaware Lottery, Spectrum Gaming Group

Delaware is a small state with three racetrack casinos. Much of the state is within a 30-minute drive of a casino, as shown by the blue shading in the map in Figure 17. The proximity of casinos to much of the population may contribute to the low interest in igaming.

Figure 17: Map of Delaware casinos and portion of state within 30-minute drive



Source: Microsoft MapPoint, Spectrum Gaming Group. Yellow line shows Delaware borders. Blue shading indicates 30-minute drive time from a Delaware casino.

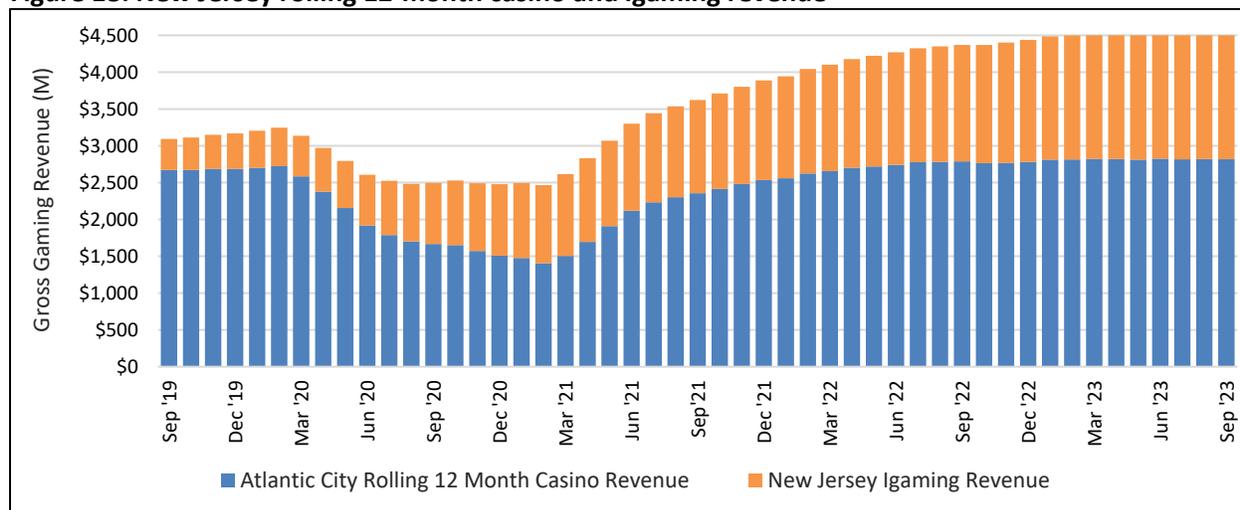
C. New Jersey

New Jersey opened for igaming in November 2013. Each license holder is allowed five skins. Currently there are 38 websites in New Jersey offering some form of igaming, including digital slots, table games and poker. Players can create and fund an account from anywhere; however, they must physically be inside New Jersey to play. Igaming GGR is subject to a 15% state tax, and an additional 2.5% of GGR

goes to the Casino Reinvestment Development Authority. By comparison, retail GGR is subject to an 8% state tax and an additional 1.25% community investment alternative tax.

For many years, the igaming revenue was stable. After the introduction of digital sports betting, and then the pandemic, igaming in New Jersey grew more quickly. The data in Figure 18 show the rolling 12-month total revenue from the Atlantic City casinos and igaming. For the 12 months ended September 2023, igaming generated 66% as much win as the Atlantic City retail casinos.

Figure 18: New Jersey rolling 12-month casino and igaming revenue



Source: New Jersey Division of Gaming Enforcement

As shown above, Atlantic City casino revenues have been slightly higher than pre-pandemic levels. However, igaming has shown major growth since the pandemic started: The 12-month period ended March 2020 saw only \$550 million in igaming revenue; by September 2023 that number was \$1.85 billion. One factor in this may be that all the casinos in New Jersey are located in Atlantic City. A player in Trenton wanting to play casino games can drive 90 minutes to Atlantic City, or the player can log on to an online casino via computer or mobile phone and begin play instantly.

The map below in Figure 19 presents the population of New Jersey by county. The deeper the green, the more populous the county. The blue line represents the portion of New Jersey within a 30-minute drive of Atlantic City. This area of the state is far less populated than the areas near Philadelphia and New York City. Atlantic County, with approximately 3% of the state’s population,²⁵ is the only county in the state predominantly within 30 minutes of the casinos in Atlantic City.

²⁵ Demographics.com. https://www.newjersey-demographics.com/counties_by_population

Figure 19: Map of New Jersey population and area within a 30-minute drive of casinos

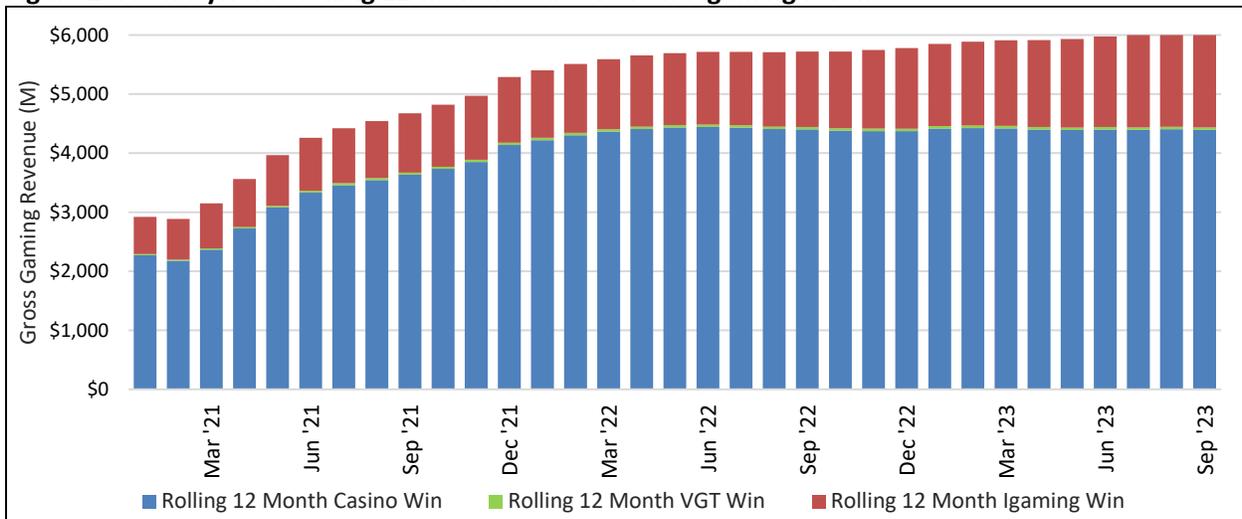


Source: Demographics.com, Microsoft MapPoint, Spectrum Gaming Group. The deeper the green, the more populous the county; blue line represents the portion of New Jersey with a 30-minute drive of Atlantic City.

D. Pennsylvania

In October 2017, Pennsylvania legalized digital versions of poker, casino games, daily fantasy sports, and sports wagering. Players must be within Pennsylvania to make deposits and wagers. Tax rates for gaming vary based on the revenue source: table games and poker are taxed at 16%, and slot GGR is taxed at 54%. These are the same rates that apply to retail slot and table GGR. Pennsylvania opened for gaming in July 2019. As with New Jersey, it took time for gaming to gain popularity in Pennsylvania. For the 12 months ending September 2023, gaming revenue amounted to \$1.65 billion, or 38% as much win as generated by traditional casinos. In neighboring New Jersey, gaming revenue equaled 66% of casino revenue. In Delaware – another neighboring state – gaming was less than 3% of racetrack casino revenue.

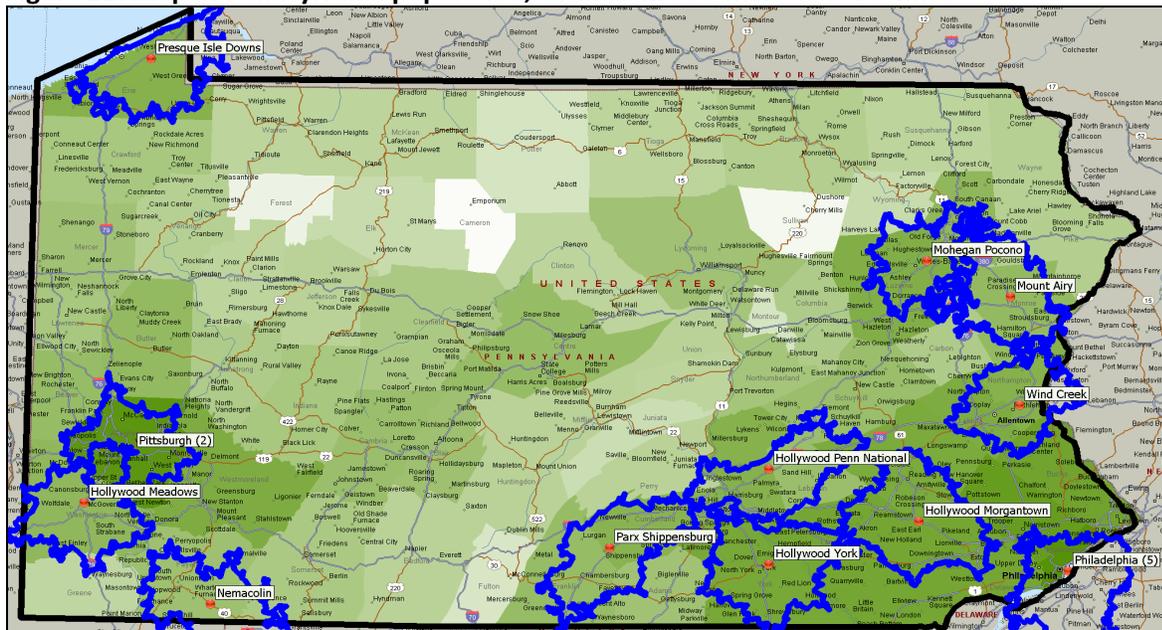
Figure 20: Pennsylvania rolling 12-month casino VGT and igaming revenue



Source: Pennsylvania Gaming Control Board. Truckstop video gaming terminals included in this analysis.²⁶

Of Pennsylvania’s 17 casinos, five are located in the Philadelphia market and two in the Pittsburgh market. This spread of casinos across the state makes its retail casinos easily accessible to a large portion of the population, which may explain the sustained revenues of the casinos.

Figure 21: Map of Pennsylvania population, casinos and 30-minute drive times



Source: US Census Bureau, Microsoft MapPoint, Spectrum Gaming Group. The deeper the green, the more populous the county; blue lines indicate the 30-minute drive times from each casino.

²⁶ Qualifying Pennsylvania truckstops are authorized for up to five video gaming terminals (“VGTs”). As of June 2023 there were 69 VGT locations across the state, making for a possible total of 345 units. For the 12-month period ended June 2023, these machines earned \$42.1 million.

Igaming has grown in Pennsylvania, but to a lesser extent than New Jersey, which has nine casinos concentrated in one location. The map in Figure 21 shows each Pennsylvania county color coded by population. The deeper the green, the more populous the county. The blue lines indicate the 30-minute drive times from each casino. There are 16 counties within a 30-minute drive of the casinos, with these counties accounting for nearly 53% of the state population.

Figure 22: Pennsylvania casino county population, 2020

	Population
All Pennsylvania	12,794,885
16 Counties Within 30 Minutes of a Casino	6,734,062
Casino Counties as % of State Population	52.6%

Source: Demographics.com²⁷

Ease of access to a casino may be a reason that Pennsylvania igaming has not reached the same market share as in New Jersey.

E. West Virginia

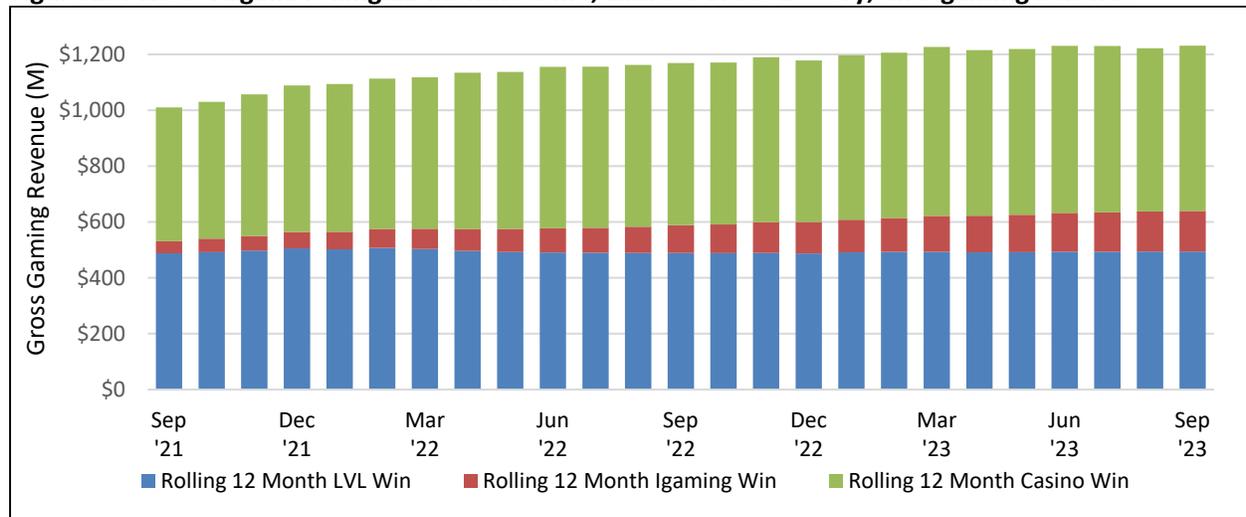
West Virginia legalized igaming in March 2019 with passage of the West Virginia Lottery Interactive Wagering Act. The law allows each of the state’s five retail casinos to apply for a permit to offer digital poker and casino games. The tax rate for igaming GGR is 15%. By comparison, GGR from video lottery terminals (the state’s format for slot machines) in the state is taxed at 49%, and table GGR is taxed at 35%.

West Virginia opened for igaming in July 2020. In addition to four racetrack casinos and one resort casino that offer video lottery terminals (“VLTs”) and table games overseen by the West Virginia Lottery, the lottery operates a Limited Video Lottery (“LVL”) program with 8,228 (as of September 2023) VLTs at 1,173 retail locations (as of September 2023²⁸) throughout the state. The resort casino at The Greenbrier is available only to resort guests, so we have excluded it from the chart to align with the other states. West Virginia releases weekly data on casino gaming and igaming, but monthly numbers on distributed gaming. We have made an effort to align the weekly data to the monthly data for comparison to other states.

²⁷Demographics.com, “Counties by Population.” https://www.pennsylvania-demographics.com/counties_by_population

²⁸ West Virginia Lottery, Limited Video Lottery results <https://wvlottery.com/requests/2020-06-15-29/?report=new>

Figure 23: West Virginia rolling 12-month casino, Limited Video Lottery, and igaming revenue



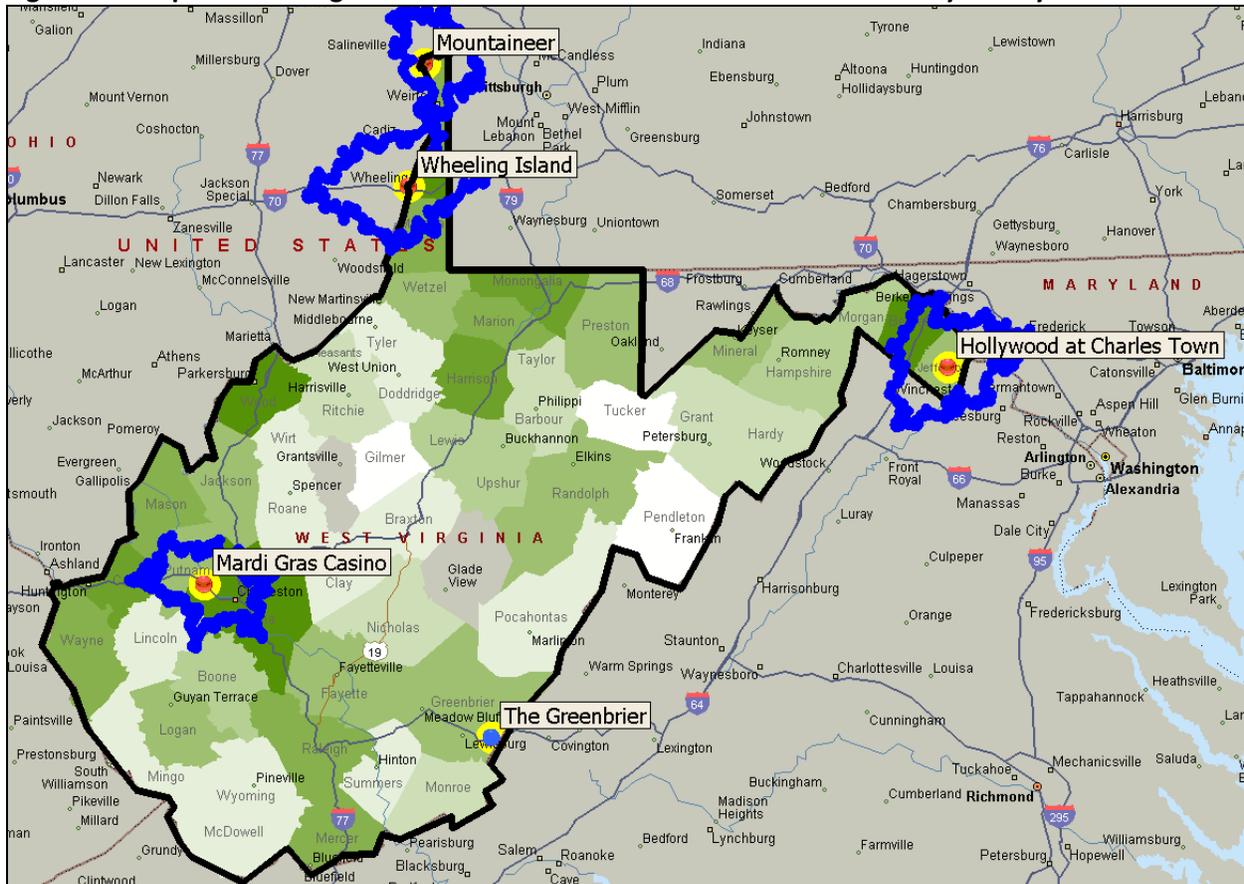
Source: West Virginia Lottery

After less than two years operation, for the 12 months ending March 2022 igaming revenue totaled \$72 million, casino revenue at the five racetrack casinos totaled \$542 million, and LVL revenue totaled \$503 million, which means that igaming offerings accounted for 6.5% of the total gaming revenue in the state, a far lower percentage than in neighboring Pennsylvania.

By September 2023, igaming revenue had doubled to \$145 million from March 2022, while LVL revenue declined slightly and casino revenue grew \$50 million, or by 9%. In September 2023, igaming accounted for 11.8% of gaming revenue. Fundamentally, it appears that the addition of igaming has not materially impacted revenues at either the casinos or the LVL program.

Figure 24 presents a map of West Virginia with 30-minute drive times from each casino shown in blue. The map also shows the density of VLTs operating in each county, with deeper green indicating more VLTs in place. Two counties – Calhoun and Webster – have no VLTs; they are shown as gray.

Figure 24: Map of West Virginia casinos with 30-minute drive time and VLTs by county



Source: West Virginia Lottery, Spectrum Gaming Group. Blue lines show 30-minute drive times from each casino; green indicates the density of Limited Video Lottery retail VLTs by county, with deeper green indicating more VLTs in place. Calhoun and Webster counties have no VLTs; they are shown in gray.

F. Michigan

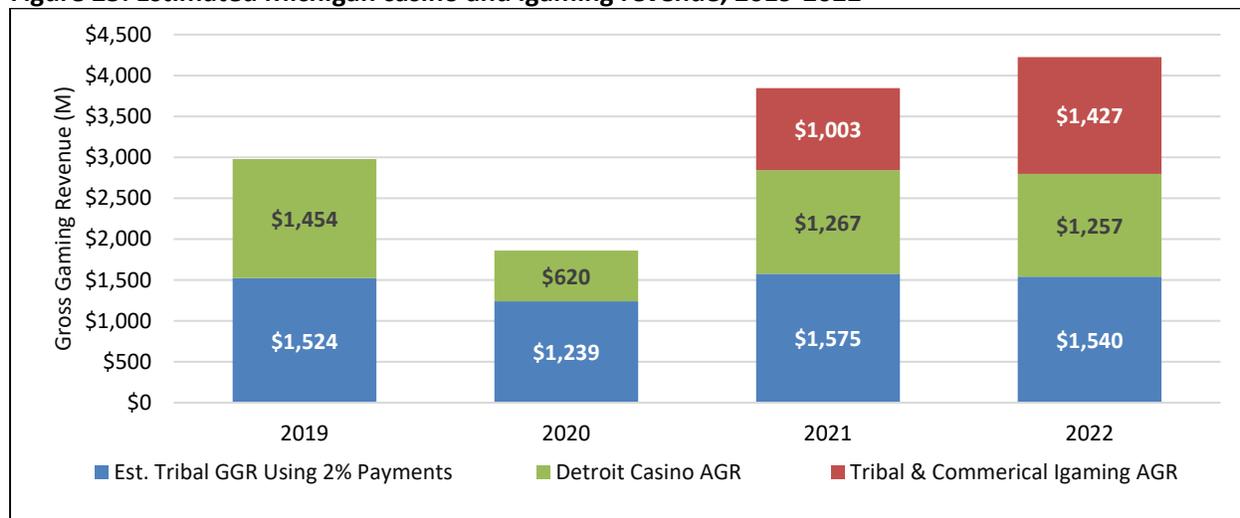
Michigan legalized igaming, along with sports betting, in December 2019 and launched igaming in January 2021.

Michigan has three commercial casinos in Detroit and 23 tribal casinos operated under compact with the state by 12 sovereign Indian nations. When igaming was introduced to Michigan, the three Detroit commercial casinos were permitted to offer igaming. The state and the Indian nations renegotiated the gaming compacts to permit igaming by the tribal casinos as well. Each casino can offer digital slots, table games and poker via two skins – one for poker and one for slots and tables. The gaming tax rate consists of a tiered tax system that starts at 20% of gross win up to \$4 million and increases to 28% of gross win over \$12 million. Michigan was the fourth state to join the Multi-State Internet Gaming Agreement, joining Delaware, Nevada and New Jersey.

Igaming grew quickly in Michigan, but it is difficult to assess whether it has had any impact on the gaming industry overall. Igaming revenue is reported on a monthly basis from all igaming, whether the operator is commercial or tribal. The tribal casinos do not report their monthly revenue as the commercial casinos do. The tribal operations pay a revenue share to local governments on a fiscal year basis. As a

consequence of this mismatch it can be difficult to assess any impact of igaming on total casino revenue (tribal plus commercial). Spectrum has reviewed the tribal revenue-sharing reports published by the Michigan Gaming Control Board,²⁹ and has developed estimates for casino revenue based on these data.

Figure 25: Estimated Michigan casino and igaming revenue, 2019-2022



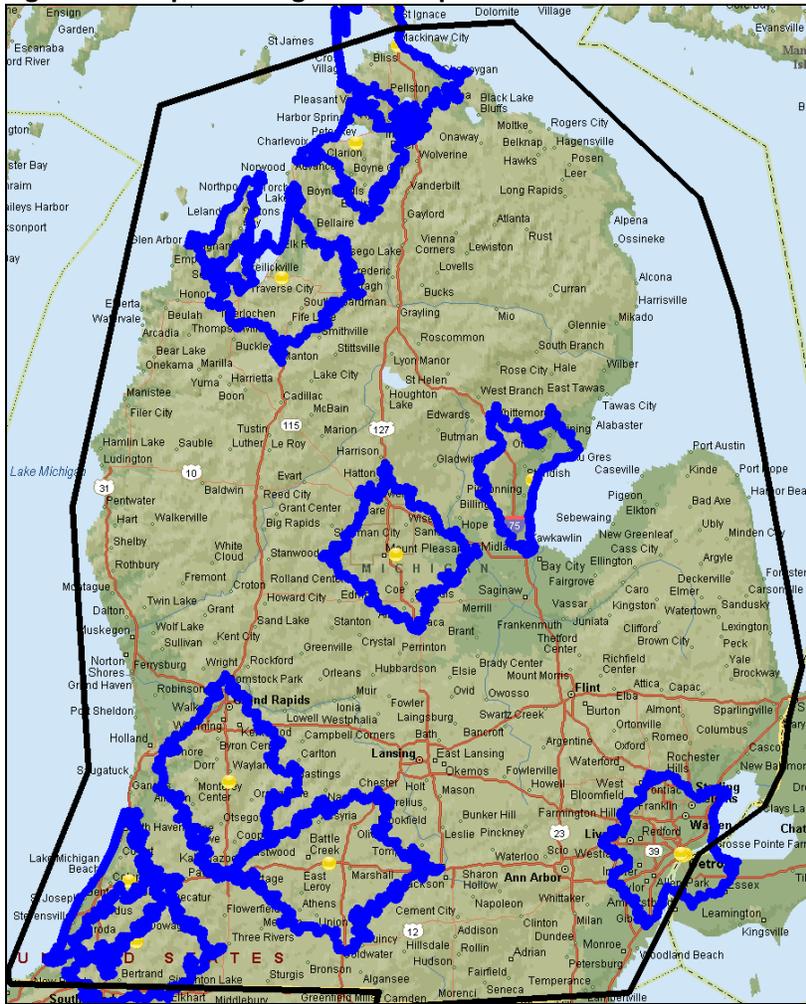
Source: Michigan Gaming Control Board, Spectrum Gaming Group

As seen in Figure 25, it appears that commercial casino gaming revenue declined from 2019 to 2022, while igaming revenue soared and tribal revenues remained level. The Detroit commercial casinos operated under capacity constraints through June 22, 2021. It is possible that these constraints were among the reasons for revenue shifting to igaming from the commercial casinos.

By definition, igaming players can be anywhere in the state and play at any Michigan digital casino. The Michigan commercial casinos for which reporting data is available are concentrated in Detroit, at the southeast corner of the lower peninsula of the state. Looking at a map of the lower peninsula and a 30-minute drive time from Detroit, it is clear that much of the state is outside this zone.

²⁹ Michigan Gaming Control Board, “Receipts and Distribution of Tribal Casino Revenue by Local Revenue Sharing Boards,” 2022. <https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Tribal-Gaming/Reports/2022-Receipts-and-Distribution-by-LRSBs-Report.pdf?rev=52241bf0124f41f69a947ee39018454b&hash=CA9B6F8AC7E889A8567AF46C677188E8>

Figure 26: Map of Michigan’s lower peninsula and a 30-minute drive from Lower Peninsula casinos



Source: Microsoft MapPoint. Blue line shows 30-minute drive from the Lower Peninsula casinos.

The map above presents the Lower Peninsula casinos and the 30-minute drive time from each. In total, the 23 tribal casinos including the Upper Peninsula and three commercial casinos are within 30 minutes of 34% of the population.³⁰

Figure 27: Michigan casino accessibility

Total State Population	10,034,113
Casino 30-Minute Population	3,413,226
% Within 30 Minutes	34.0%

Source: US Census Bureau, Spectrum Gaming Group

G. Connecticut

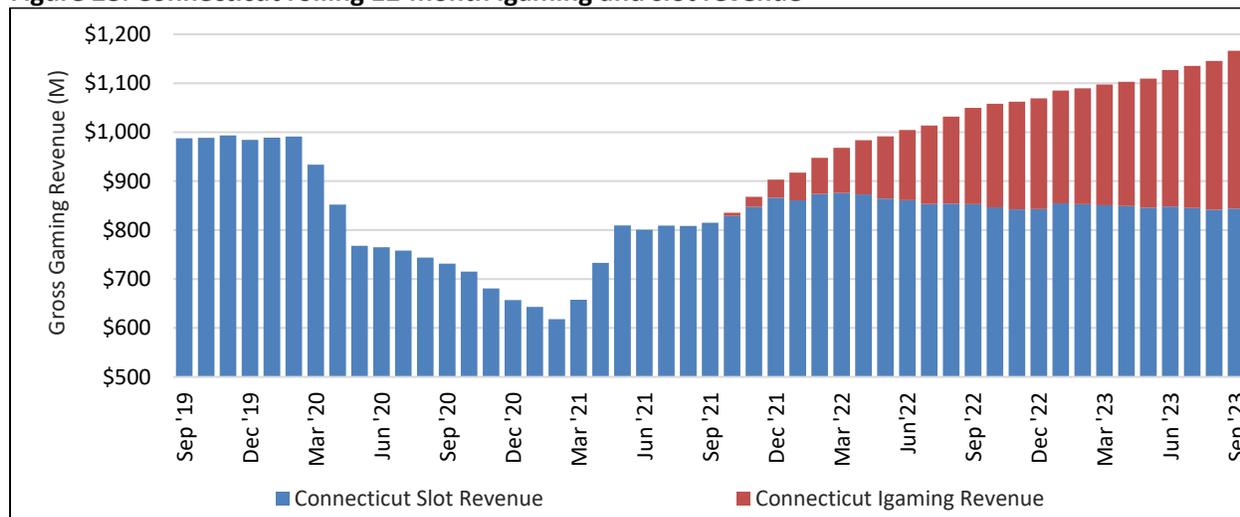
In March 2021, Connecticut and the Indian nations reached an agreement that allows the state’s two tribal casinos (Foxwoods and Mohegan Sun) to offer igaming and sports wagering in the state. The

³⁰ US Census Bureau, QuickFacts Michigan. <https://www.census.gov/quickfacts/fact/table/MI/PST045222>

license agreement will run for an initial five-year term and a set tax rate of 18%, and 20% thereafter. Igaming commenced in October 2021. Connecticut has seen a slight but steady decline in casino slot revenue since the beginning of igaming in the state. Rolling 12-month slot revenue in Connecticut declined from \$861 million in June 2022 to \$844 million in September 2023, an overall decline of \$17 million, or 2% over that 15-month period, as presented in Figure 28.

In addition to the convenience of igaming relative to travelling to casinos, the two tribal casinos in Connecticut voluntarily remained non-smoking since reopening after the pandemic closures. How much of a factor – if any – smoking is in the decline cannot be determined, but it is an extraordinary factor that may weigh on the results.

Figure 28: Connecticut rolling 12-month igaming and slot revenue



Source: Connecticut Department of Consumer Protection

H. Rhode Island

Rhode Island enacted igaming in June 2023 and is expected to commence operations in early 2024. Digital slot revenue will be taxed at 50% of GGR, and digital tables revenue will be taxed at 18%. Bally’s, which operates the only two retail casinos in Rhode Island in partnership with supplier IGT, will be the state’s sole igaming operator. The state’s gaming regulator, the Rhode Island Lottery, is promulgating igaming regulations at this time.

I. Pooled Liquidity for Online Poker

Several states adopted and joined the Multi-State Internet Gaming Agreement to improve the overall liquidity and grow the digital poker market. Participating states as of November 2023 include Delaware, Michigan, Nevada, New Jersey and West Virginia. This compact means that digital poker operators can offer poker games and tournaments to the combined adult population of 19 million among these five states. Without this compact, a state’s poker operators are limited to in-state players only, which is the case in Pennsylvania.

IV. Three-Year Indiana Igaming Revenue Forecast and Employment Impacts

By analyzing states with more than one year of igaming history – namely Connecticut, Delaware, Michigan, New Jersey, Pennsylvania and West Virginia – Spectrum can project the potential igaming revenue for Indiana igaming using such metrics as win per capita, win as a percentage of income, and win as a percentage of gross state product. We further evaluated the penetration of igaming in those states as well as the distribution of retail casinos in Indiana and the other igaming states. In addition, we can assess how the growth of igaming would impact employment in Indiana.

A. Indiana Igaming Revenue Forecast

One key element of igaming, or any form of gaming, is the rate of adoption. The evidence is mixed on the rate of adoption and the amount spent by each player. As seen in Chapter III of this report, the adoption and spending patterns of Delaware igaming players is vastly different from what Michigan has seen. Factors in the rate of adoption are population, internet access, income, and – it seems – proximity to existing retail casinos.

Spectrum used three different methods to estimate the igaming revenues for Indiana:

- Spend (i.e., win or GGR) per adult
- Spend as a percentage of gross state product
- Spend as a percentage of personal disposable income

We then averaged the results of the three methods to produce what we believe is a reasonable forecast for Indiana igaming gross gaming revenue.

1. Spend per Adult Method

Although the first US igaming states launched in late 2013, Spectrum believes it is best to focus on the past three years when projecting igaming growth for Indiana, for three primary reasons:

- Digital sports wagering has been legalized in each of the igaming states.
- Ecommerce habits changed during the pandemic, as casinos were closed for a period and millions of people worked from home, facilitating the ease of access to, and familiarity with, digital gaming. Acceptance of online commerce during the pandemic means that uptake will be faster than in prior periods.
- High-speed internet access has become nearly universal during the pandemic period.

Delaware and New Jersey both launched igaming in late 2013, but they quickly took divergent paths. The high igaming tax rate in Delaware and restricted marketplace (only three sites, each tethered to a casino overseen by the Delaware Lottery) limited the revenue generated. Although New Jersey enjoyed more success early on, its igaming growth spurt coincided with the approval of digital sports wagering and the pandemic, as can be seen in Figure 29. Delaware does not offer digital sports wagering.

Figure 29: Casino gaming and igaming results in New Jersey and Delaware, 2019-2023

		2019	2020	2021	2022	LTM 9/23						
New Jersey	Retail Casino GGR (M)	\$2,687	\$1,509	\$2,536	\$2,783	\$2,818	Delaware	2019	2020	2021	2022	LTM 9/23
	Igaming GGR (M)	\$483	\$970	\$1,350	\$1,656	\$1,850		\$421	\$308	\$450	\$461	\$465
	Total Gaming GGR (M)	\$3,169	\$2,480	\$3,886	\$4,439	\$4,668		\$4	\$8	\$11	\$14	\$15
	Retail Casino Win per Adult	\$387	\$217	\$365	\$401	\$406		\$425	\$317	\$460	\$474	\$480
	Est. Annual Igaming win per Adult	\$69	\$140	\$194	\$238	\$266		\$570	\$415	\$599	\$617	\$624
							\$5	\$11	\$14	\$18	\$19	

Source: Delaware Lottery, New Jersey Division of Gaming Enforcement, Spectrum Gaming Group

Pennsylvania launched igaming in July 2019. The data below reflect the annualized win per adult for the six-month period igaming was available in 2019. As shown in Figure 30, the growth rate of igaming in Pennsylvania from 2019 to 2020 was extraordinary. While in New Jersey the estimated igaming win per adult doubled from \$106 to \$213, in Pennsylvania, the estimated win per adult increased more than eight-fold, from \$7 to \$59.

Figure 30: Casino gaming and igaming results in Pennsylvania, 2019-2023

	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212	\$3,381	\$3,425
Igaming GGR (M)	\$34	\$566	\$1,113	\$1,364	\$1,652
Total Gaming GGR (M)	\$3,300	\$2,426	\$4,325	\$4,746	\$5,077
Retail Casino Win per Adult	\$333	\$190	\$328	\$345	\$349
Est. Ann. Igaming win per Adult	\$7	\$58	\$114	\$139	\$168

Source: Pennsylvania Gaming Control Board, Spectrum Gaming Group

Some of this growth was no doubt due to pandemic restrictions on casino capacity and public fears about being out and about. From 2020 to 2021, the estimated igaming win per adult in Pennsylvania doubled, while in New Jersey it grew by 40%. However, in 2021, the estimated win per adult in Pennsylvania was about the same as in New Jersey in 2019.

West Virginia experienced a tripling of estimated igaming win per adult between 2020 and 2021. Again, this may have been partially fueled by Covid-19 concerns. Interestingly, the estimated win per adult from igaming in West Virginia is less than half of Pennsylvania, while the combined casino and Limited Video Lottery terminal (“LVL,” or what is known as “distributed gaming”) win per adult in West Virginia far exceeds that in Pennsylvania. Many of West Virginia’s casinos are situated near borders with other states. It is likely that a great deal of casino revenue in West Virginia is attributable to residents of other states. The phenomenon of cross-border play can distort results.

Figure 31: Casino, Limited Video Lottery gaming and igaming in West Virginia, 2019-2023

West Virginia	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$521	\$378	\$527	\$579	\$592
Distributed LVL GGR (M)	\$398	\$314	\$468	\$488	\$494
Igaming GGR (M)	\$0	\$8	\$62	\$112	\$145
Total Gaming GGR (M)	\$919	\$700	\$1,056	\$1,179	\$1,231
Casino & VLT Win per Adult	\$680	\$512	\$735	\$788	\$803
Est. Annual Igaming win per Adult	\$0	\$14	\$46	\$83	\$107

Source: West Virginia Lottery, Spectrum Gaming Group

Michigan results for igaming and the results for the Detroit casinos are released monthly, whereas data for Michigan’s tribal casinos are released only via revenue-sharing information by fiscal year. The growth of igaming in Michigan has been rapid, spurred by the retail casino closures and restrictions during the pandemic, the launch of digital sports wagering, and the increased acceptance and use of ecommerce during the pandemic.

Figure 32: Michigan casino gaming and Michigan igaming, 2019-2023

Michigan	2019	2020	2021	2022	LTM 9/23
Est. Casino Gaming GGR (M)	\$2,979	\$1,860	\$2,842	\$2,797	N/A
Est. Igaming GGR (M)			\$1,003	\$1,427	\$1,663
Casino Win per Adult GGR	\$396	\$247	\$378	\$372	N/A
Igaming win per Adult			\$133	\$190	\$221

Source: Michigan Gaming Control Board, Spectrum Gaming Group

Connecticut began igaming in October 2021 at the state’s two tribal casinos (coincidental with the launch of sports wagering), providing nearly two full years of results. The data below present the results of igaming and casino slot revenue gaming in Connecticut.

Figure 33: Connecticut casino slot and igaming revenues, 2019-2023

Connecticut	2019	2020	2021	2022	LTM 9/23
Slot GGR (M)	\$984	\$657	\$866	\$843	\$844
Igaming GGR (M)			\$37	\$226	\$322
Slot Win per Adult	\$359	\$240	\$316	\$308	\$308
Igaming win per Adult			\$13	\$83	\$118

Source: Connecticut Department of Consumer Protection, US Census, Spectrum Gaming Group

From the state-by-state data above, we can summarize the results from the six states that have at least one full year of igaming results.

Figure 34: Summary of igaming per adult in igaming states, 2019-2023

All Igaming	2019	2020	2021	2022	LTM 9/23
Six-State Igaming Win (M)	\$520	\$1,552	\$3,575	\$4,800	\$5,647
Six-State Igaming Win per Adult	\$30	\$82	\$123	\$165	\$194

Source: State regulators, Spectrum Gaming Group

In Indiana, the presence of digital sports wagering and the increased acceptance and use of ecommerce during the pandemic leads Spectrum to believe that the ramp-up for Indiana igaming would be faster than it was in the other igaming states. Using the history of existing states as a guide, and the

win per adult in those states, we estimate that based on win per adult, Indiana igaming could achieve \$825 million in the third year of operation.

Spectrum notes that our population projections have been updated since the 2022 report to reflect new, lower adult population projections. We also updated the igaming spend per capita to reflect the new, higher-spending realities in the igaming states.

Figure 35: Spectrum-projected Indiana igaming win in first three years based on win per adult

Indiana	Year 1	Year 2	Year 3
Est. Population 21 +	4,971,885	4,988,036	5,000,506
Igaming State Average Win per Adult	\$37	\$95	\$123
Est. Indiana Win per Adult	\$82	\$141	\$165
Est. Indiana Igaming GGR based on Win Per Adult Method (M)	\$410	\$705	\$825

Source: Stats Indiana,³¹ Spectrum Gaming Group

2. Gross State Product Method

A second method of estimating potential igaming revenue in a new market is to analyze the historical spend in existing markets as a percentage of gross state product (“GSP”). This method incorporates the notion that consumer spending rises with increased income, as gaming is a consumer entertainment expense.

Early adopters New Jersey and Delaware show the impacts of the pandemic restrictions on casino revenue. As a percentage of GSP, New Jersey casino revenue declined from 0.42% in 2019 to 0.24% in 2020. Casino gaming and igaming as a percentage of GSP is estimated to be 0.56% in 2019. In 2023, the combined igaming and casino gaming revenue in New Jersey was an estimated 0.60% of GSP. Delaware experienced similar results, in which gaming as a percentage of GSP was estimated to be 0.47% in 2019; by 2023, the revenue number exceeded this estimated percentage of GSP, reaching 0.52%.

Figure 36: New Jersey and Delaware gaming as percentage of GSP, 2019-2023

	New Jersey							Delaware				
	2019	2020	2021	2022	LTM 9/23	2019		2020	2021	2022	LTM 9/23	
Casino GGR (M)	\$2,687	\$1,509	\$2,536	\$2,783	\$2,818		\$366	\$276	\$398	\$461	\$465	
Igaming GGR (M)	\$483	\$970	\$1,350	\$1,656	\$1,850		\$4	\$8	\$11	\$14	\$15	
Total Gaming GGR (M)	\$3,569	\$2,704	\$3,922	\$4,439	\$4,668		\$370	\$284	\$409	\$474	\$480	
Est. State GSP (M)	\$641,878	\$630,213	\$692,227	\$754,948	\$777,597		\$78,686	\$77,615	\$82,953	\$90,208	\$92,915	
Casino Win As % GSP	0.42%	0.24%	0.37%	0.37%	0.36%		0.47%	0.36%	0.48%	0.51%	0.50%	
Igaming Win as % GSP	0.08%	0.15%	0.19%	0.22%	0.24%		0.00%	0.01%	0.01%	0.02%	0.02%	
All Gaming Win as % GSP	0.56%	0.43%	0.57%	0.59%	0.60%		0.47%	0.37%	0.49%	0.53%	0.52%	

Source: State regulators, US Bureau of Economic Analysis, Spectrum Gaming Group

³¹ Stats Indiana, “Indiana Population Projections.” http://www.stats.indiana.edu/pop_proj/

The pattern in Pennsylvania and West Virginia is similar. Pennsylvania saw overall growth in the gaming market relative to GSP, concentrated in the igaming sector.

Figure 37: Pennsylvania gaming as a percentage of GSP, 2019-2023

Pennsylvania	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212	\$3,381	\$3,425
Igaming GGR (M)	\$34	\$566	\$1,113	\$1,364	\$1,652
Total Gaming GGR (M)	\$3,266	\$2,405	\$4,301	\$4,746	\$5,077
Est. State GSP (M)	\$803,078	\$777,427	\$844,392	\$911,813	\$939,168
Casino Win as % GSP	0.41%	0.24%	0.38%	0.37%	0.36%
Igaming Win as % GSP	0.01%	0.07%	0.13%	0.15%	0.18%
All Gaming as % GSP	0.42%	0.31%	0.51%	0.52%	0.54%

Source: Pennsylvania Gaming Control Board, US Bureau of Economic Analysis, Spectrum Gaming Group

In West Virginia, the pattern repeats. It is notable that while casino revenue grew in absolute terms from 2019 to 2023, it declined as a percentage of GSP. Distributed LVL revenue remained about constant in GSP terms. This may be due to the local nature of the LVL program. As noted earlier, the locations of most West Virginia casinos near state borders, pandemic restrictions, and player concerns about travel may have had more of an impact on this sector than on the LVL locations, which are located across the state.

Igaming has grown in West Virginia to be equal to an estimated 0.14% of GSP in 2023. When summed, the total of casino, LVL, and igaming as a share of GSP amounted to an estimated at 1.15% in 2019, and grew to an estimated 1.23% in 2023.

Figure 38: West Virginia casino, distributed LVL and igaming as a percentage of GSP, 2019-2023

West Virginia	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$521	\$378	\$527	\$579	\$592
Distributed LVL GGR (M)	\$398	\$314	\$468	\$488	\$494
Igaming GGR (M)	\$0	\$8	\$62	\$112	\$145
Total Gaming GGR (M)	\$919	\$700	\$1,056	\$1,179	\$1,231
Est. State GSP (M)	\$79,884	\$76,976	\$86,510	\$97,417	\$100,340
Casino Win as % GSP	0.65%	0.49%	0.61%	0.59%	0.59%
Distributed VLT Win as % GSP	0.50%	0.41%	0.54%	0.50%	0.49%
Igaming Win as % GSP	0.00%	0.02%	0.07%	0.12%	0.14%
All Gaming Win as % GSP	1.15%	0.91%	1.22%	1.21%	1.23%

Source: West Virginia Lottery, US Bureau of Economic Analysis, Spectrum Gaming Group

Michigan began igaming in 2021. Because of the methodology of reporting of tribal casino revenue, we cannot develop an estimate of casino revenue for the 12 months ended September 2023. However, the state reports igaming revenue monthly, and an igaming number can be determined. In the first full year of igaming in Michigan, revenue from this sector totaled an estimated 0.17% of GSP. That is above the estimated level of GSP in New Jersey at 0.15% and of Pennsylvania at 0.13%. Both states have had a longer history with igaming than Michigan. Igaming revenue in Michigan now equals an estimated 0.26% of GSP, higher than New Jersey or Pennsylvania.

Figure 39: Michigan casino and igaming as percentage of GSP

Michigan	2019	2020	2021	2022	LTM 9/23
Est. Casino Gaming GGR (M)	\$2,979	\$1,860	\$2,842	\$2,797	N/A
Igaming GGR (M)			\$1,003	\$1,427	\$1,663
Total Gaming GGR (M)	\$2,979	\$1,860	\$3,845	\$4,224	N/A
Est. State GSP (M)	\$536,976	\$530,231	\$576,502	\$622,563	\$641,240
Casino Win as % GSP	0.55%	0.35%	0.49%	0.45%	N/A
Igaming Win as % GSP			0.17%	0.23%	0.26%
All Gaming Win as % GSP	0.55%	0.35%	0.67%	0.68%	N/A

Source: Michigan Gaming Control Board, US Bureau of Economic Analysis, Spectrum Gaming Group

Connecticut began offering igaming in October of 2021. The 2021 revenue figure is for only the fourth quarter of the year. The full 2022 and 12-months ended September 2023 present a more accurate image of igaming in the state.

Figure 40: Connecticut casino and igaming as percentage of GSP

Connecticut	2019	2020	2021	2022	LTM 9/23
Slot GGR (M)	\$984	\$657	\$866	\$843	\$844
Igaming GGR (M)			\$37	\$226	\$322
Total Gaming GGR (M)	\$984	\$657	\$903	\$1,069	\$1,166
Est. State GSP (M)	\$285,466	\$275,802	\$295,908	\$319,345	\$328,925
Casino Win as % GSP	0.34%	0.24%	0.29%	0.26%	0.26%
Igaming Win as % GSP			0.01%	0.07%	0.10%
All Gaming Win as % GSP	0.34%	0.24%	0.31%	0.33%	0.35%

Source: Connecticut Department of Consumer Protection, US Bureau of Economic Analysis, Spectrum Gaming Group

From the state-by-state data above, we summarize the results from the states that have igaming:

Figure 41: Gaming as percentage of GSP in igaming states, 2019-2023

Total from Igaming States	2019	2020	2021	2022	LTM 9/23
All Igaming GGR (M)	\$520	\$1,552	\$3,575	\$4,800	\$5,647
Est. State GSP (M)	\$2,426,555	\$2,368,788	\$2,580,801	\$2,797,473	\$2,881,415
All Igaming Win as % GSP	0.02%	0.07%	0.14%	0.17%	0.20%

Source: State regulators, US Bureau of Economic Analysis, Spectrum Gaming Group

In developing an estimate of Indiana igaming based on a percentage of GSP, Spectrum relied on the recent experience in Michigan more than the other states. The recency of the approval of igaming in Michigan means that some of the post-casino-closure/restrictions impacts are built into the Michigan performance, including the greater acceptance of ecommerce. Additionally, while Michigan has three commercial casinos in Detroit, as noted earlier, there are 23 tribal casinos spread across the state, unlike in New Jersey, where all casinos are in one location (Atlantic City). West Virginia has distributed games spread across the state. Indiana has casinos spread across the state and does not offer distributed gaming.

Figure 42: Estimated Indiana igaming revenue based on GSP method

Indiana	Year 1	Year 2	Year 3
Est. Indiana GSP (M)	\$489,137	\$503,811	\$518,925
Est. Igaming GGR as % of GSP	0.13%	0.15%	0.18%
Est. Indiana Igaming GGR Based on GSP Method (M)	\$636	\$756	\$934

Source: US Bureau of Economic Analysis, Spectrum Gaming Group

3. Disposable Personal Income Method

A third means of developing an estimate of potential gaming is to analyze casino spending and gaming spending as a percentage of disposable personal income (“DPI”). Here, too, the experience of the other states is important, but the most relevant is Michigan because of the factors noted above. Using the DPI as a benchmark relates gaming spend to the cash people have to use on goods and services.

In the tables that follow we present the relationship between gaming and disposable income for the five gaming states that have been operating for at least one year.

Figure 43: New Jersey and Delaware casino and gaming as a percentage of DPI, 2019-2023

	New Jersey					LTM 9/23	Delaware				
	2019	2020	2021	2022	2023		2019	2020	2021	2022	2023
Retail Casino GGR (M)	\$2,687	\$1,509	\$2,536	\$2,783	\$2,818		\$421	\$308	\$450	\$461	\$465
Igaming GGR (M)	\$483	\$970	\$1,350	\$1,656	\$1,850		\$4	\$8	\$11	\$14	\$15
Total Gaming GGR (M)	\$3,169	\$2,480	\$3,886	\$4,439	\$4,668		\$425	\$317	\$460	\$474	\$480
Est. Disp. Personal Income (M)	\$540,976	\$575,185	\$605,108	\$599,070	\$641,035		\$46,414	\$48,849	\$51,324	\$55,420	\$58,415
Casino Win % DPI	0.50%	0.26%	0.42%	0.46%	0.44%		0.91%	0.63%	0.88%	0.83%	0.80%
Igaming Win % DPI	0.09%	0.17%	0.22%	0.28%	0.29%		0.01%	0.02%	0.02%	0.02%	0.02%
Total Win % DPI	0.59%	0.43%	0.64%	0.74%	0.73%		0.92%	0.65%	0.90%	0.86%	0.82%

Source: State regulators, US Bureau of Economic Analysis,³² Spectrum Gaming Group

Whereas New Jersey and Pennsylvania estimates of casino spend as a percentage of DPI are nearly identical, New Jersey residents appear to be spending more of their DPI on gaming. Both states show increases in the overall gaming spend as a percentage of DPI. The location of casinos may play a part in this difference between the neighboring states.

Figure 44: Pennsylvania casino and gaming as a percentage of DPI, 2019-2023

Pennsylvania	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212	\$3,381	\$3,425
Igaming GGR (M)	\$34	\$566	\$1,113	\$1,364	\$1,652
Total Gaming GGR (M)	\$3,300	\$2,426	\$4,325	\$4,746	\$5,077
Est. Disp. Personal Income (M)	\$646,010	\$700,267	\$732,430	\$721,561	\$774,527
Casino Win % DPI	0.51%	0.27%	0.44%	0.47%	0.44%
Igaming Win % DPI	0.01%	0.08%	0.15%	0.19%	0.21%
Total Gaming Win as % DPI	0.51%	0.35%	0.59%	0.66%	0.66%

Source: Pennsylvania Gaming Control Board, US Bureau of Economic Analysis, Spectrum Gaming Group

West Virginia appears to have the highest ratio of gaming spend to DPI, but the win from out-of-state casino players has a great deal to do with that. The distributed LVL win as an estimated percentage

³² US Bureau of Economic Analysis, GSP and Personal Income Data.

<https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1#reqid=70&step=1>

of DPI grew from 0.57% to 0.59% of DPI. Retail – that is, LVL and the casinos – saw revenue increase. Casinos saw revenue as a percentage of GSP decline from 2019. The combined igaming and retail spend as a percentage of DPI grew largely as a result of increased igaming activity.

Figure 45: West Virginia casino, LVL, and igaming as a percentage of DPI, 2019-2023

West Virginia	2019	2020	2021	2022	LTM 9/23
Retail Casino GGR (M)	\$521	\$378	\$527	\$579	\$592
Distributed LVL GGR (M)	\$398	\$314	\$468	\$488	\$494
Igaming GGR (M)		\$8	\$62	\$112	\$145
Total Gaming GGR (M)	\$919	\$700	\$1,056	\$1,179	\$1,231
Est. Disp. Personal Income (M)	\$69,919	\$74,194	\$79,840	\$79,986	\$84,300
Casino Win as % DPI	0.75%	0.51%	0.66%	0.72%	0.70%
Distributed VLT Win as % DPI	0.57%	0.42%	0.59%	0.61%	0.59%
Igaming Win as % DPI		0.03%	0.08%	0.14%	0.17%
Total Gaming Win as % DPI	1.31%	0.94%	1.32%	1.47%	1.46%

Source: West Virginia Lottery, US Bureau of Economic Analysis, Spectrum Gaming Group

Neighboring Michigan, which like Indiana has a vibrant casino industry, took to igaming quickly. Reporting constraints make it impossible to know if the growth in igaming came from new players or cannibalization of commercial and tribal casinos. Statewide estimated 2022 tribal and commercial casino gaming revenue was 6.1% below the estimated 2019 levels.

Figure 46: Michigan casino and igaming as a percentage of DPI, 2019-2023

Michigan	2019	2020	2021	2022	LTM 9/23
Est. Casino GGR (M)	\$2,979	\$1,860	\$2,842	\$2,797	N/A
Igaming GGR (M)			\$1,003	\$1,427	\$1,663
Total Gaming GGR (M)	\$2,979	\$1,860	\$3,845	\$4,224	N/A
Est. Disp. Personal Income (M)	\$436,362	\$478,808	\$503,667	\$498,612	\$528,944
Casino Gaming Win as % of GSP	0.68%	0.39%	0.56%	0.56%	N/A
Igaming Win as % DPI			0.20%	0.29%	0.31%
Total Gaming Win as % DPI	0.68%	0.39%	0.76%	0.85%	N/A

Source: Michigan Gaming Control Board, US Bureau of Economic Analysis, Spectrum Gaming Group

Connecticut casino gaming has been established for more than decades. Igaming began in October 2021. Below we present Connecticut gaming revenue as a percentage of DPI.

Figure 47: Connecticut casino slot and igaming revenue 2019-2023

Connecticut	2019	2020	2021	2022	LTM 9/23
Slot GGR (M)	\$984	\$657	\$866	\$843	\$844
Igaming GGR (M)			\$37	\$226	\$322
Total Gaming GGR (M)	\$984	\$657	\$903	\$1,069	\$1,166
Est. Disp. Personal Income (M)	\$227,024	\$236,843	\$242,811	\$244,622	\$262,967
Casino Win as % DPI	0.43%	0.28%	0.36%	0.34%	0.32%
Igaming Win as % DPI			0.02%	0.09%	0.12%
Total Gaming Win as % DPI	0.43%	0.28%	0.37%	0.44%	0.44%

Source: Connecticut Department of Consumer Protection, US Bureau of Economic Analysis, Spectrum Gaming Group

When examined across the states and in aggregate, igaming spending equals an estimated 0.13% of DPI. That figure represents a tripling of igaming as a percentage of DPI in the past three years. Certainly some of that has to do with the novelty and the addition of new jurisdictions, most notably Michigan. Michigan – the most recent of the states we are using as the peer group – has adopted igaming more quickly than the states that legalized earlier.

Figure 48: Summary of states’ igaming revenue as a percentage of DPI, 2019-2023

All Igaming	2019	2020	2021	2022	LTM 9/23
All Igaming GGR (M)	\$520	\$1,552	\$3,575	\$4,800	\$5,647
Est. Disp. Personal Income (M)	\$1,233,400	\$1,398,495	\$2,215,180	\$2,199,271	\$2,350,188
Igaming Win as % DPI	0.04%	0.11%	0.16%	0.22%	0.24%

Source: State regulators, US Bureau of Economic Analysis, Spectrum Gaming Group

Spectrum believes that Indiana will ramp up igaming more quickly than the legacy states, as Indiana already offers digital sports wagering and has casinos spread across the state. It is estimated that currently 91%³³ of Indiana residents have access to high-speed internet connections. This is slightly lower than the estimated coverage in Michigan of 91.8%.

Figure 49: Estimated Indiana igaming revenue as a percentage of DPI

Indiana	Year 1	Year 2	Year 3
Est. Disp. Personal Income (M)	\$381,823	\$393,278	\$440,472
Igaming % DPI	0.11%	0.16%	0.20%
Est. Igaming GGR (M) Using DPI Method	\$420	\$629	\$881

Source: US Bureau of Economic Analysis, Spectrum Gaming Group

4. Summary of Methods

The three methods Spectrum has used to estimate the potential Indiana igaming revenues for the first three years of operations arrive at similar results, as shown in the summary table below.

Figure 50: Summary of estimated Indiana igaming revenue using three methods

Igaming GGR (M)	Year 1	Year 2	Year 3	3-Year Total
Spend per Adult	\$410	\$705	\$825	\$1,939
Spend As % of GSP	\$636	\$756	\$934	\$2,326
Spend As % of PDI	\$420	\$629	\$881	\$1,930
Average of Methods	\$489	\$696	\$880	\$2,065

Source: Spectrum Gaming Group

In all cases Spectrum has assumed that there will be an industry standard mix of slot games, table games, and table games with live dealers available to Indiana igaming players. We have also assumed that igaming, like casino gaming in Indiana, would be restricted to players 21 years of age and older.

³³ Broadbandnow.com, “Indiana Internet Coverage & Availability in 2023.” <https://broadbandnow.com/Indiana>

B. Estimated Impacts on Direct Employment

If casino revenues were to decline as a result of igaming, it is natural to assume that casino employment would also decline. However, as discussed in Chapter VI of this report, *Impacts of Igaming on Other Indiana Gaming Sectors*, Spectrum does not expect igaming to significantly impact casino revenues in a negative manner.

Based on our conversations with casino operators regarding their experience in other states since the launch of igaming, as well as the results of interviews conducted for this study, Spectrum concludes that the introduction of igaming in Indiana without live-dealer would have no significant impact on direct casino employment – but would create additional jobs in igaming operations. We note the following commentary and information from Indiana casino operators in 2022 who also have igaming operations in other states:³⁴

- Operator 1: The launch of igaming in New Jersey created four jobs at the casino and about 80 jobs in igaming, the majority of which are in customer service, customer retention, marketing and operations.³⁵
- Operator 2: The operator used marketing incentives to drive igaming players to its casino, resulting in increased casino employment. The launch of the igaming operation itself created 13 direct hires with an annual payroll of \$552,000.
- Operator 3: The operator said igaming has increased visits to its casino, which “positively impacts” staffing levels at the casino. The prospective launch of igaming in Indiana would create a “limited” number of jobs, noting that its digital operations are primarily run from a central office in another state.
- Operator 4: Igaming has resulted in no change in casino employment in the multiple states in which it operates. Igaming operations have resulted in 183 jobs in New Jersey and 182 jobs in Pennsylvania.

Although from a national perspective the igaming sample size is small, with only six states participating in full igaming at this time, it is evident that the addition of igaming without live-dealer gaming in those states has impacted direct employment – negligibly at the casinos themselves and modestly at the newly launched digital operations.

³⁴ For this report section, the 2022 interviews with Indiana casino operators who have igaming operations in other states were conducted by the Indiana Gaming Commission. The responses provided to Spectrum were anonymized.

³⁵ Per N.J.A.C. 13:690-1.2(v), “Employees of an Internet gaming operator who perform activities such as Internet casino accounting, patron identification and verification, problem gaming detection, anti-money laundering detection, fraud prevention, or other similar functions and that require access to confidential patron account information *shall be physically present in New Jersey.*” [emphasis added] See <https://www.nj.gov/lps/ge/docs/Regulations/CHAPTER690.pdf>, p. 19.

1. Live-Dealer Gaming is Key to Igaming Job Creation

It is when operators launch live-dealer gaming as part of their igaming scheme that states realize significant employment impacts, typically through a third-party provider. Sweden-based Evolution AB currently employs about 2,620 people – including 2,260 dealers – at five purpose-built live-dealer studios it has developed and operates in Connecticut, Michigan, New Jersey and Pennsylvania.³⁶ An Evolution representative told Spectrum that it could employ up to 800 in direct igaming jobs in Indiana. Another live-dealer provider, Isle of Man-based Playtech, said it employs more than 100 at its live-dealer studios in Michigan, New Jersey and Pennsylvania.³⁷

The significant economic impacts of live-dealer gaming can be realized if the studios are situated in the host state, as is required four of the five current live-dealer igaming states.³⁸ The current live-dealer studio for West Virginia igaming is located in Philadelphia, PA; West Virginia has issued 520 occupational licenses to gaming employees at that out-of-state studio.³⁹ Although regulations can vary by state, a single live-dealer studio typically can serve multiple igaming licensees, as the studios do not have to be located within an existing gaming facility. (Playtech said it even streams its live dealer gaming from New Jersey to Ontario and, soon, to three European countries.) New Jersey has four live-dealer studios operated by three different operators.

Aside from dealers, such gaming studios also create jobs in card shuffling, card inspection, equipment management, training, floor supervision, service support, surveillance, physical security, human resources, recruitment, technical operations (video and sound engineering), construction and maintenance (carpentry), facilities operations, office management, team management, management, studio compliance, and scheduling, among other positions.⁴⁰

³⁶ Evolution email to Spectrum, November 13, 2023.

³⁷ Playtech email to Spectrum, November 21, 2023.

³⁸ Live-dealer igaming is not authorized in Delaware.

³⁹ Kris Franko, West Virginia Lottery Deputy Director, email to Spectrum, November 13, 2023.

⁴⁰ Spectrum interviews with Evolution and Playtech company representatives, November 2023.

V. Projected Igaming Tax Receipts

Igaming tax rates vary greatly, as seen in Figure 51 below. Pennsylvania is unique in that it taxes igaming and retail casinos at the same rate. Delaware uses a blended rate that is lower than the retail casino slot rate but higher than the retail casino table games rate.

Figure 51: Casino gaming and igaming tax rates

State	Casino Slots	Casino Tables	Igaming
Delaware	57%	20%	53.5%
Pennsylvania	54%	16%	16%
West Virginia	54%	35%	15%
Connecticut	25%	N/A	18%
Michigan	19%	19%	20%-28%
New Jersey	9.25%	9.25%	17.5%

Sources: American Gaming Association, Connecticut Department of Revenue

New Jersey chose to tax igaming at a higher rate, perhaps because of the instant scalability and efficiency of igaming. For each person who wants to play a slot machine at an Atlantic City casino, the casino must purchase, install, and maintain a slot machine. There is virtually no incremental cost to serve an additional igaming slot player. Michigan imposed a graduated rate on igaming revenues based on the total adjusted gross revenue of the operator in a fiscal year and applied the rates to tribal and commercial operators alike.

Figure 52: Michigan igaming revenue state tax rates

Adjusted Gross Revenue (M)	Rate
\$0 - \$4	20%
\$4 - \$8	22%
\$8 - \$10	24%
\$10 - \$12	26%
\$12+	28%

Source: Michigan Gaming Control Board⁴¹

Indiana casinos are subject to a graduated tax rate based on revenue, as shown in the following table.

⁴¹ Michigan Gaming Control Board, Lawful Internet Gaming Act 152 of 2019ss 432.314.
[https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Internet-Gaming-and-Fantasy-Contests/ActsandRules/Lawful Internet Gaming Act PA 152 of 2019.pdf?rev=fd37d6e2d6764e5ea5b6658774d53626&hash=14B38DEFDA054E2FCCFCB7F82378EFCF](https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Internet-Gaming-and-Fantasy-Contests/ActsandRules/Lawful%20Internet%20Gaming%20Act%20PA%20152%20of%202019.pdf?rev=fd37d6e2d6764e5ea5b6658774d53626&hash=14B38DEFDA054E2FCCFCB7F82378EFCF)

Figure 53: Indiana casino revenue tax rates

Riverboat Casinos		Racetrack Casinos		Tribal Casino*	
GGR (M)	Rate	GGR (M)	Rate	GGR	Rate
\$0 - \$25	15%	\$0 - \$100	25%	All	10%
\$25 - \$50	20%	\$100 - \$200	30%		
\$50 - \$75	25%	\$200 +	35%		
\$75 - \$150	30%				
\$150 - \$600	35%				
\$600 +	40%				

Source: American Gaming Association. *The Pokagon Band of Potawatomi Indians pays a total compacted exclusivity fee of 10% for the right to conduct Class III gaming.

The rate structure of Indiana gaming taxes, which taxes different operators differently based on the type of operation, makes it difficult to apply a “Pennsylvania-style” tax regime on Indiana igaming revenue. In Fiscal Year (“FY”) 2023, the Indiana Gaming Commission collected \$595.8 million in gaming taxes and \$50 million in Supplemental Taxes, and \$39.6 million in sports wagering taxes on adjusted gross receipts of \$2,470.5 million, an effective rate of 27.7%.⁴²

To project the fiscal receipts generated by prospective igaming in Indiana, Spectrum developed – in agreement with Indiana Gaming Commission staff – three flat tax rates to illustrate the potential tax receipts for igaming. In using these illustrative tax rates, Spectrum recognized that there are few direct employees in igaming operations and little capital investment in buildings, and thus offering lower tax rates on igaming than on retail gaming could induce operators to focus on igaming at the expense of retail casinos.

Figure 54: Assumed tax rates applied to estimated Indiana igaming revenues

Tax Scenario	Rate
Low	20%
Mid	30%
High	45%

Source: Spectrum Gaming Group

Spectrum applied these three rates to the average of the estimated igaming revenue derived in Chapter IV of this report. We also applied the low tax rate to the lowest estimated revenue and the highest tax rate to the highest estimated revenue to develop an expected minimum and maximum level of taxation.

⁴² Indiana Gaming Commission Annual Report 2023, <https://www.in.gov/igc/files/FY2023-Annual.pdf>

Figure 55: Estimated Indiana igaming revenue and igaming taxes at three tax rates

Igaming Rev (M)	Year 1	Year 2	Year 3	3-Year Total
Spend per Adult	\$410	\$705	\$825	\$1,939
Spend As % GSP	\$636	\$756	\$934	\$2,326
Spend As % PDI	\$420	\$629	\$881	\$1,930
Average of Methods	\$489	\$696	\$880	\$2,065
Tax Scenario	Year 1	Year 2	Year 3	3-Year Total
Taxes (M) at Avg & 20%	\$98	\$139	\$176	\$413
Taxes (M) at Avg & 30%	\$147	\$209	\$264	\$619
Taxes (M) at Avg & 45%	\$220	\$313	\$396	\$929
Lowest Taxes (M) at 20%	\$82	\$126	\$165	\$373
Highest Taxes (M) at 45%	\$286	\$340	\$420	\$1,047

Source: Spectrum Gaming Group

VI. Impacts of Igaming on Other Indiana Gaming Sectors

A critical question in considering the authorization of igaming is this: To what extent will igaming impact other primary forms of gaming in the host state? For Indiana, this means the prospective impacts on casinos, digital sports wagering, the Hoosier Lottery, and horse racing. Spectrum examined results from other igaming states to guide our analysis and conclusions for Indiana.

A. Retail Casinos

Based on the evidence from the states where igaming has been introduced, there is little, if any, cannibalization of revenue from established casinos. This is particularly true in states where the in-person gaming options are easily accessible to most of the population, such as in Delaware and West Virginia. Based on the results in other igaming states, Spectrum believes implementing igaming in Indiana will have little impact on retail casino gaming revenues in the state.

As noted earlier in this report, when retail casino operators offer igaming, they can be expected to leverage the digital offering to enhance and grow their retail revenue by marketing their amenities and their loyalty programs to a broader demographic.

The following table presents a summary of the casino and igaming performance in the five igaming states that have at least one full year of operations. The data show essentially flat casino revenues during the 2019-2023 period, with the following notes:

- Delaware, New Jersey, Pennsylvania, and West Virginia saw increased retail gaming revenue in 2022 vs. 2019.
- Connecticut casinos are voluntarily operating smokefree. This may have had some impact on casino visitation and revenue.
- Michigan tribal and commercial casinos have seen a decline in estimated GGR of approximately 6.1% from the pre-pandemic 2019 levels.

Figure 56: Summary of igaming and casino performance in igaming states, 2019-2023

\$ in M	2019	2020	2021	2022	\$ Change from '19	% Change from '19	LTM 9/23
New Jersey							
Retail Casino (M)	\$2,687	\$1,509	\$2,536	\$2,783	\$96	3.6%	\$2,818
Igaming (M)	\$483	\$970	\$1,350	\$1,656	\$1,173	243.1%	\$1,850
Total Gaming (M)	\$3,169	\$2,480	\$3,886	\$4,439	\$1,270	40.1%	\$4,668
Delaware							
Retail Casino (M)	\$421	\$308	\$450	\$461	\$39	9.4%	\$465
Igaming (M)	\$4	\$8	\$11	\$14	\$10	281.8%	\$15
Total Gaming (M)	\$425	\$317	\$460	\$474	\$50	11.7%	\$480
Pennsylvania							
Retail Casino (M)	\$3,267	\$1,860	\$3,212	\$3,381	\$115	3.5%	\$3,425
Igaming (M)	\$34	\$566	\$1,113	\$1,364	\$1,331	3960.7%	\$1,652
Total Gaming (M)	\$3,300	\$2,426	\$4,325	\$4,746	\$1,445	43.8%	\$5,077
West Virginia							
Retail Casino (M)	\$521	\$378	\$527	\$579	\$57	11.0%	\$592
Distributed LVL (M)	\$398	\$314	\$468	\$488	\$90	22.5%	\$494
Igaming (M)		\$8	\$62	\$112	\$112	N/A	\$145
Total Gaming (M)	\$919	\$700	\$1,056	\$1,179	\$259		\$1,231
Michigan							
All Casinos	\$2,979	\$1,860	\$2,842	\$2,797	-\$181	-6.1%	N/A
Michigan Igaming (M)			\$1,003	\$1,427	\$1,427	N/A	\$1,663
Total Gaming (M)	\$2,979	\$1,860	\$3,845	\$4,224	\$1,246	41.8%	N/A
Connecticut							
Slot Revenue	\$984	\$657	\$866	\$843	-\$141	-14.4%	\$844
Connecticut Igaming			\$37	\$226	\$226	N/A	\$322
Total Gaming (M)	\$984	\$657	\$903	\$1,069	\$85	8.6%	\$1,166
All Igaming States							
ALL Casino & LVL (M)	\$11,257	\$6,887	\$10,901	\$11,331	\$75	0.7%	N/A
ALL Igaming (M)	\$520	\$1,552	\$3,575	\$4,800	\$4,280	823.3%	\$5,647
Total Gaming	\$11,777	\$8,439	\$14,476	\$16,131	\$4,355	37.0%	N/A
Market Share							
ALL Casino & LVL %	95.6%	81.6%	75.3%	70.2%			
ALL Igaming%	4.4%	18.4%	24.7%	29.8%			

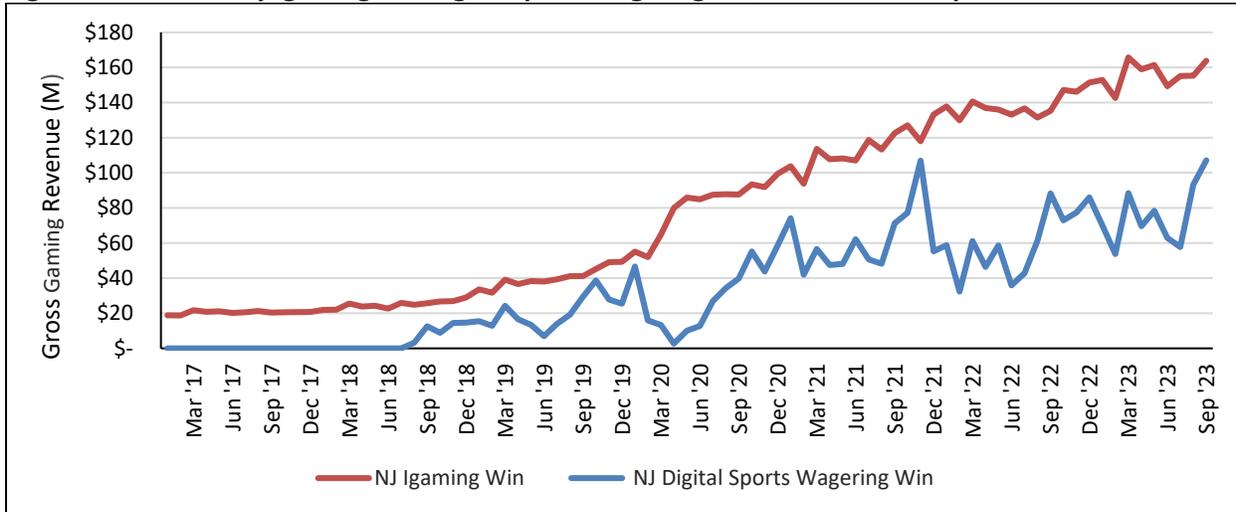
Sources: State regulators

B. Digital Sports Wagering

Indiana approved sports wagering in fall 2019, with retail (in-person) betting at casinos and other facilities starting September 1 and digital betting starting in early October. The question of what impact, if any, igaming would have on digital sports wagering have on Indiana. To examine this we analyzed states with both forms of gaming.

New Jersey began igaming in 2013, long before sports betting was legalized. The igaming revenue was steady, but unremarkable. The addition of online sports wagering in September 2018 appears to have boosted igaming revenue. New bettors who were focused on sports wagering evidently crossed over on the same app to play digital casino games.

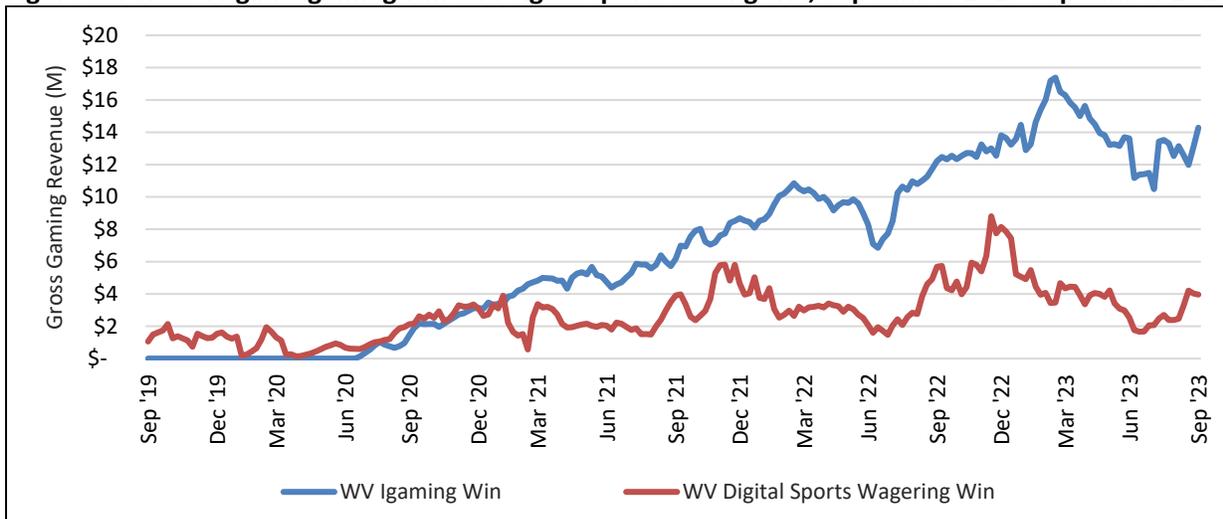
Figure 57: New Jersey igaming and digital sports wagering win, March 2017-September 2023



Source: H2 Gambling Capital

West Virginia releases igaming and sports wagering data on a weekly basis. To provide a more comparable data set, the data in Figure 58 depicts the data as a rolling four-week total. West Virginia opened for digital sports wagering nearly a year prior to the advent of igaming. As seen in Figure 58, the digital sports wagering handle accelerated significantly after igaming was permitted. This period coincides with the return of professional sports during the pandemic and the beginning of football season. The growth was not sustained, but digital sports betting win remains above the pre-igaming levels. This may be due to the increasing familiarity bettors have with sports wagering.

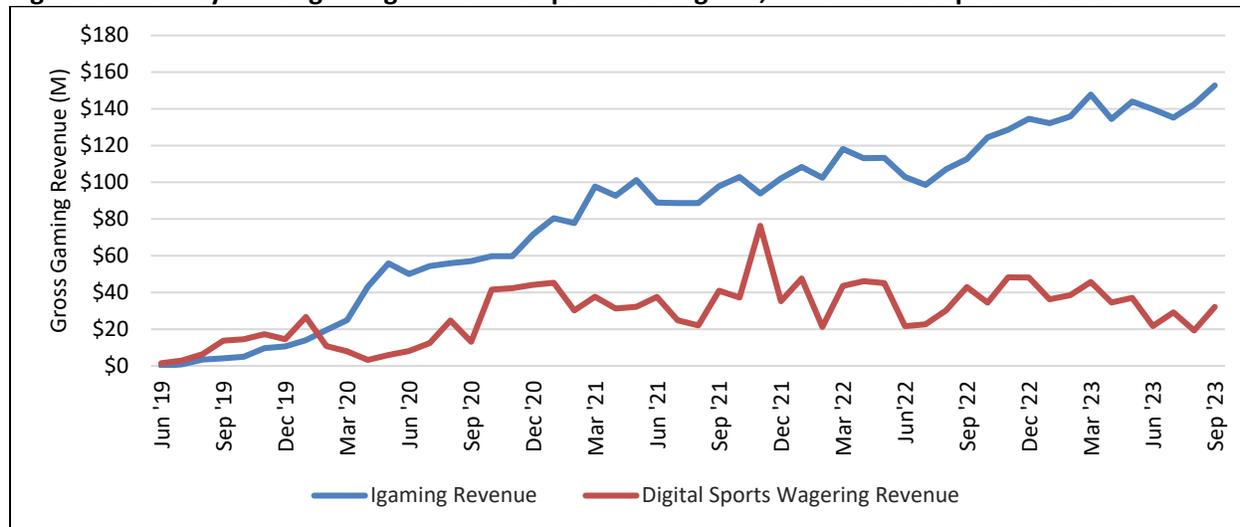
Figure 58: West Virginia igaming win and digital sports betting win, September 2019-September 2023



Source: West Virginia Lottery

Pennsylvania began digital sports wagering and igaming at approximately the same time. The monthly win from each form of betting is presented in Figure 59. There does not seem to be any relationship between igaming win and sports-betting win.

Figure 59: Pennsylvania igaming and online sports betting win, March 2019-September 2023



Source: Pennsylvania Gaming Control Board

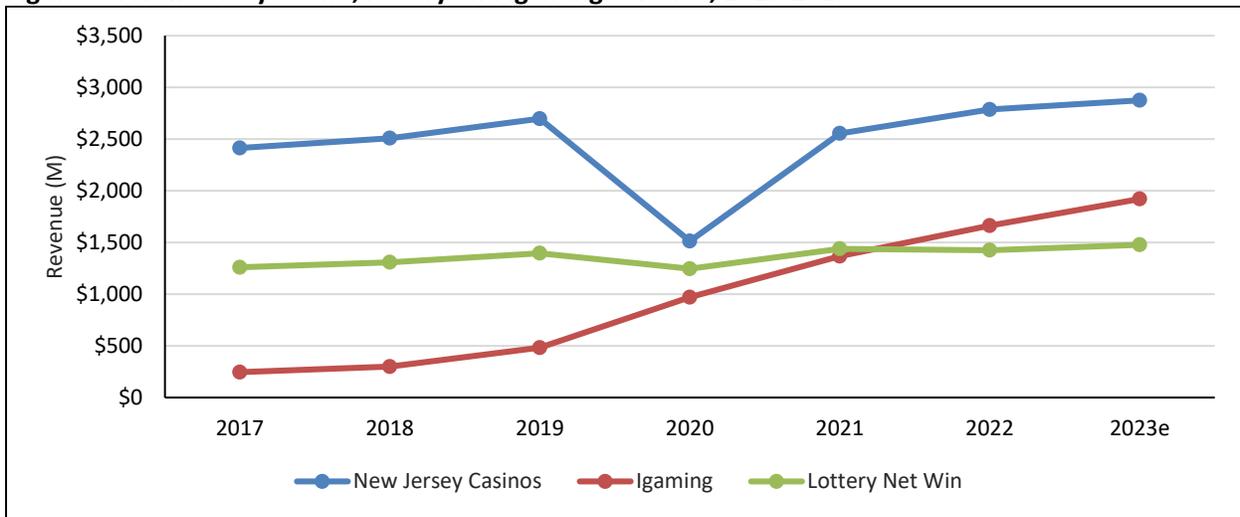
Based on the results in other states, Spectrum believes that the introduction of igaming would have no negative impact on sports betting. If anything, igaming would help to increase sports betting revenues, as both activities are typically offered on the same mobile app, thus promoting crossover play between the two types of gaming.

C. Lottery

All six active igaming states also have a state lottery. None of the states' lottery results appear to have been impacted by igaming.

The New Jersey Lottery net win does not appear to have been impacted by the recent popularity of igaming. There was a dip in lottery win during 2020 caused by the closure of some retailers during the pandemic as well as lockdowns that reduced trips outside the home.

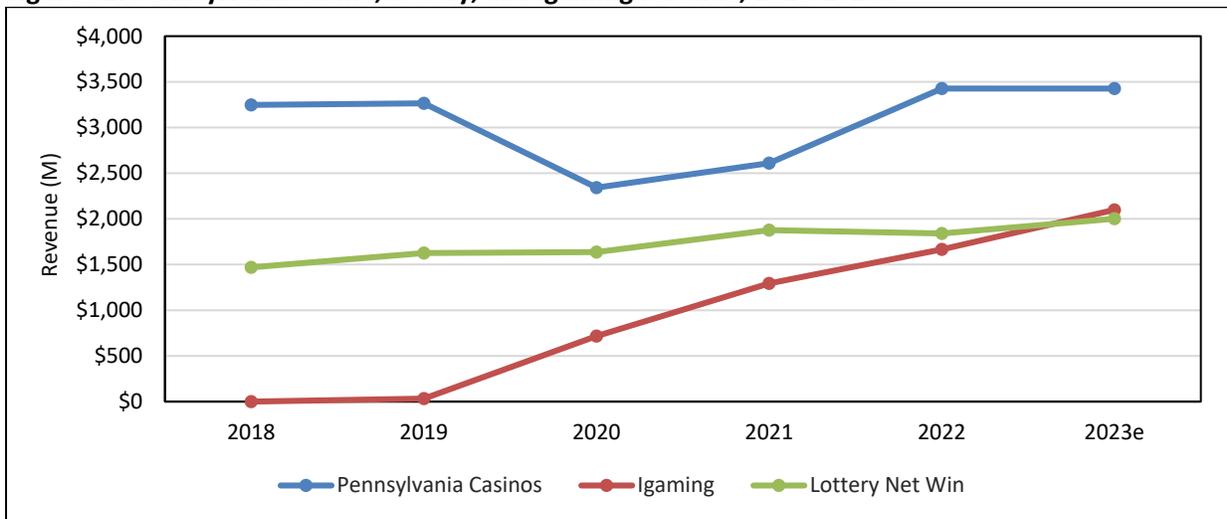
Figure 60: New Jersey casino, lottery and igaming revenue, 2017-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

In Pennsylvania, casino win declined in 2020 but lottery win remained about constant, despite the launch – and popularity – of igaming.

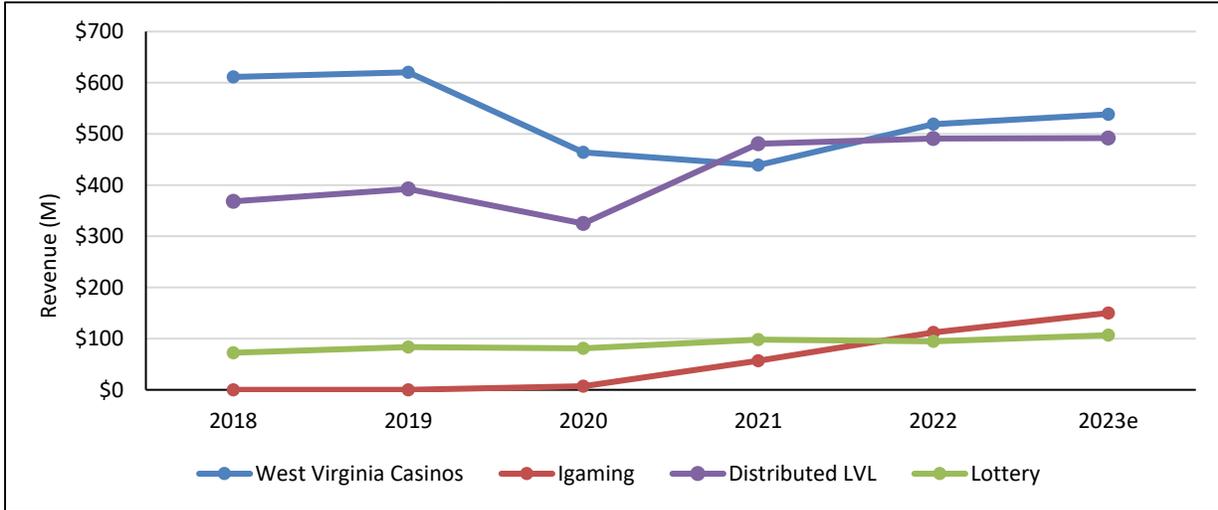
Figure 61: Pennsylvania casino, lottery, and igaming revenue, 2018-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

In West Virginia, lottery sales remained flat with the rise in igaming gross gaming revenue.

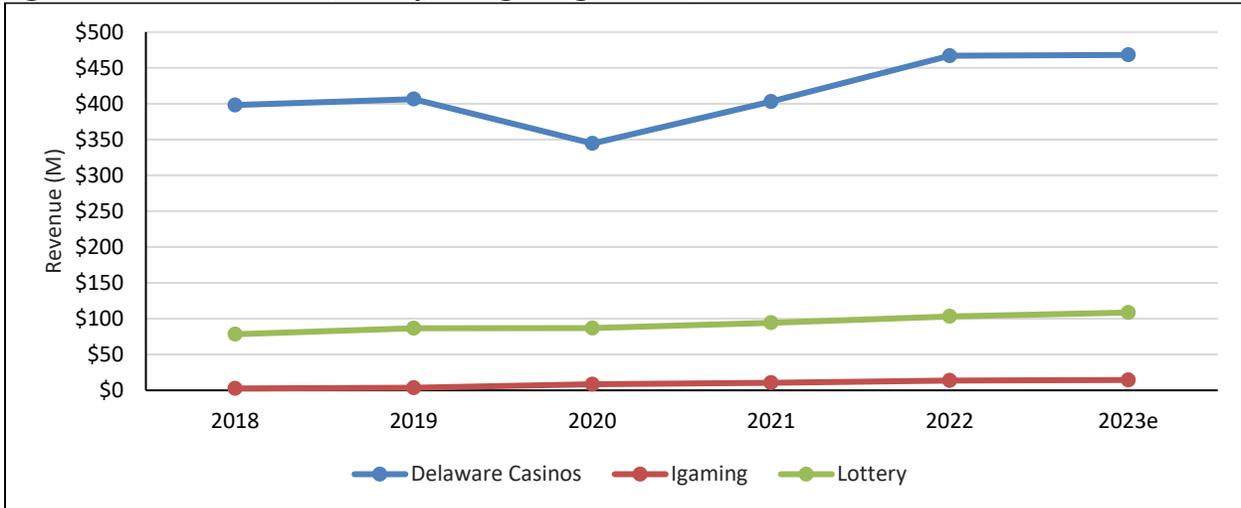
Figure 62: West Virginia casino, lottery, igaming and LVL data, 2018-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

The Delaware results are similar to the results in the other states – there seems to be no impact on lottery revenue from igaming.

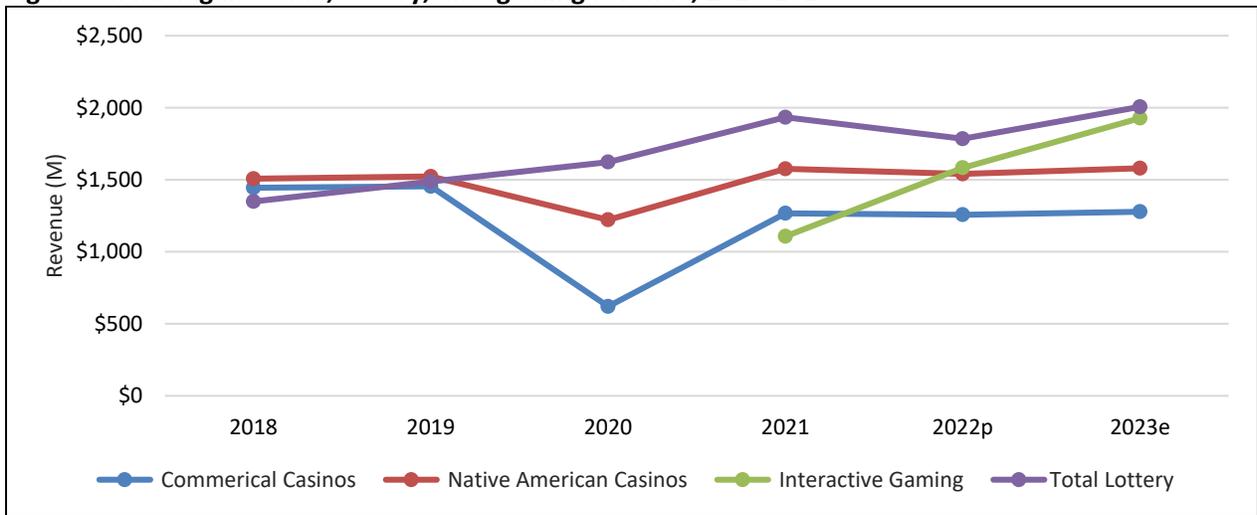
Figure 63: Delaware casino, lottery, and igaming revenue, 2018-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

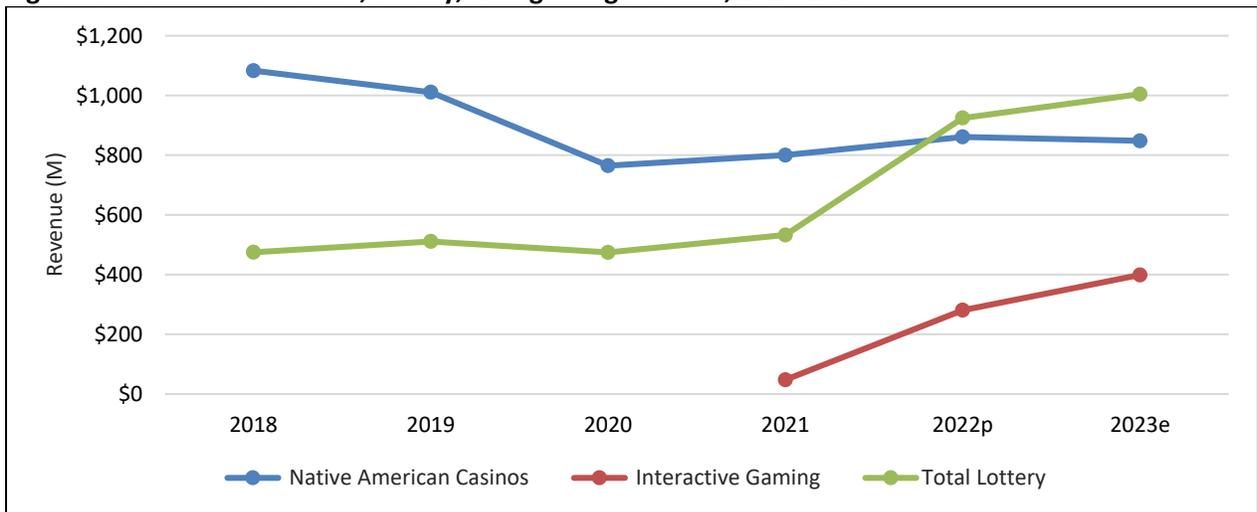
The two most recent igaming states, Michigan and Connecticut, exhibit trends in lottery and igaming revenues similar to the other igaming states. There does not appear to be an impact on lottery win from the implementation of igaming.

Figure 64: Michigan casino, lottery, and igaming revenue, 2018-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

Figure 65: Connecticut casino, lottery, and igaming revenue, 2018-2023e



Source: H2 Gambling Capital, Spectrum Gaming Group

Based on the data and experience from the states where igaming, casinos and lottery compete for gaming dollars, it appears that there is a distinction made in the mind of the player between lottery and igaming. As such, Spectrum foresees little impact on the Hoosier Lottery from the potential introduction of igaming. In the five years from 2018 to 2023, the compound annual growth rate (“CAGR”) of Hoosier Lottery sales was 7.6%. While this is strong growth, Spectrum does not see a reason for the growth rate to be impacted by igaming.

Figure 66: Hoosier Lottery sales, 2016-2023e, and three-year forecast post-igaming

	2018	2019	2020	2021	2022	2023e	Year 1	Year 2	Year 3
Hoosier Lottery Sales (M)	\$1,270	\$1,348	\$1,384	\$1,738	\$1,703	\$1,865	\$1,832	\$1,972	\$2,121
\$ YoY Change		\$78	\$36	\$354	-\$35	\$162	-\$33	\$139	\$150
% YoY Change		6%	3%	26%	-2%	10%	-2%	8%	8%
CAGR Years to 2022					7.60%				

Source: Hoosier Lottery Annual Reports,⁴³ Spectrum Gaming Group

D. Horse Racing

Among the seven igaming states, five have live horse racing – Standardbred or Thoroughbred, or both; Connecticut and Rhode Island are the exceptions. West Virginia also has live greyhound racing. The charts below show racing handle and igaming win from the five relevant states. Of note:

- Igaming states Delaware, Pennsylvania and West Virginia have casinos at their racetracks.
- Michigan in December 2019 authorized internet wagering on simulcast horse races (advance deposit wagering, or “ADW”).
- West Virginia in 2020 legalized ADW wagering.

Igaming states benefited from the Covid-19 pandemic, as players discovered they could gamble from home while the casinos were closed or had restrictions after reopening. Racing operations, however, ceased for a period in 2020, thus depressing handle, and many tracks and off-track wagering sites either closed or had spectator-less wagering. As a result, there was a significant shift in wagering to ADW.

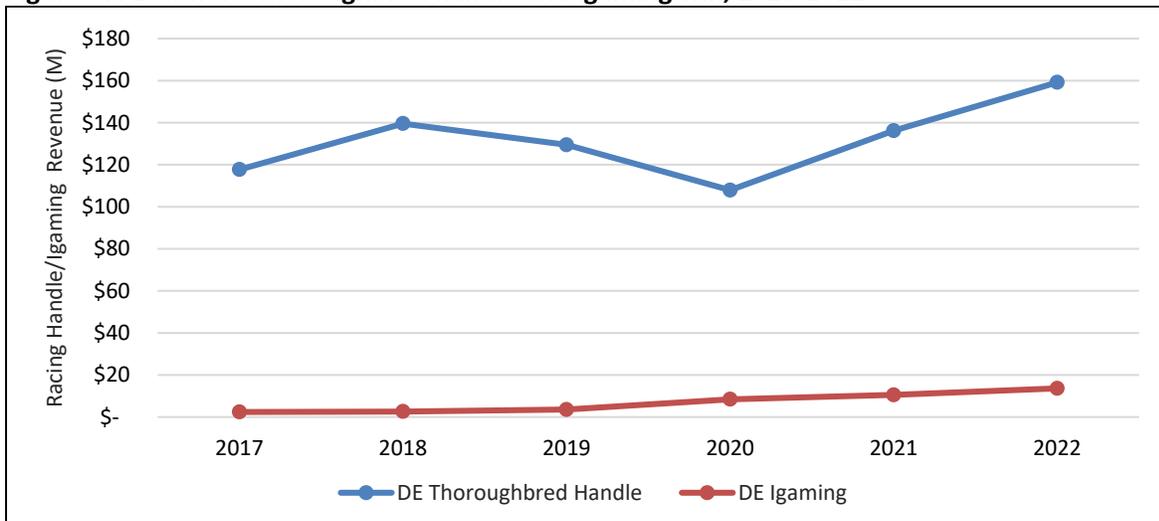
It is important to note that the availability, quality and timeliness of horse-racing data reported by state regulatory authorities varies by state – sometimes considerably. In some cases, the most recent annual reports were not available, but for each state we used consistent data measurements to illustrate the trend in pari-mutuel handle based on the best metric available.

In assessing the potential impact of igaming on pari-mutuel handle, note for context that the national handle through October 2023 declined 4.7% year over year. Overall, based on our analysis of data available, Spectrum found no relationship between the launch of igaming and racing handle.

For Delaware, which was the first state to offer igaming, we examined the year prior to the introduction of igaming, 2012. (Handle figures for 2015 and 2016 were unavailable when preparing this report.) There was a significant decrease in the number of live race days run in Delaware in 2020, which had some impact on the decline in overall handle that year. Much of the handle increases in 2021 and 2022 was a result of increases in export handle to other jurisdictions, increases in the number of live races, and increases in race days. (Harness live handle for 2022 was unavailable when preparing this report.)

⁴³ Hoosier Lottery Annual Reports, 2017, 2019 and 2021. <https://hoosierlottery.com/giving-back/annual-reports/>

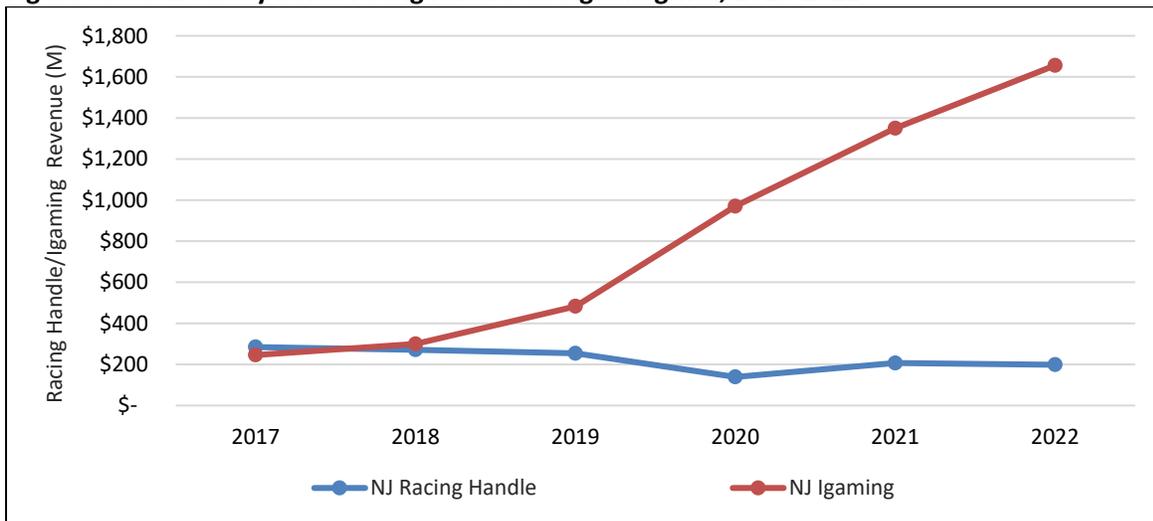
Figure 67: Delaware Thoroughbred handle and igaming win, 2017-2022



Source: Delaware Lottery, Delaware Thoroughbred Racing Commission

New Jersey racing handle had been declining gradually over time. Handle increased after the pandemic reopenings – which coincided with a large increase in igaming win. However, handle declined in 2022 – a decline somewhat greater than the national trend for the same year.

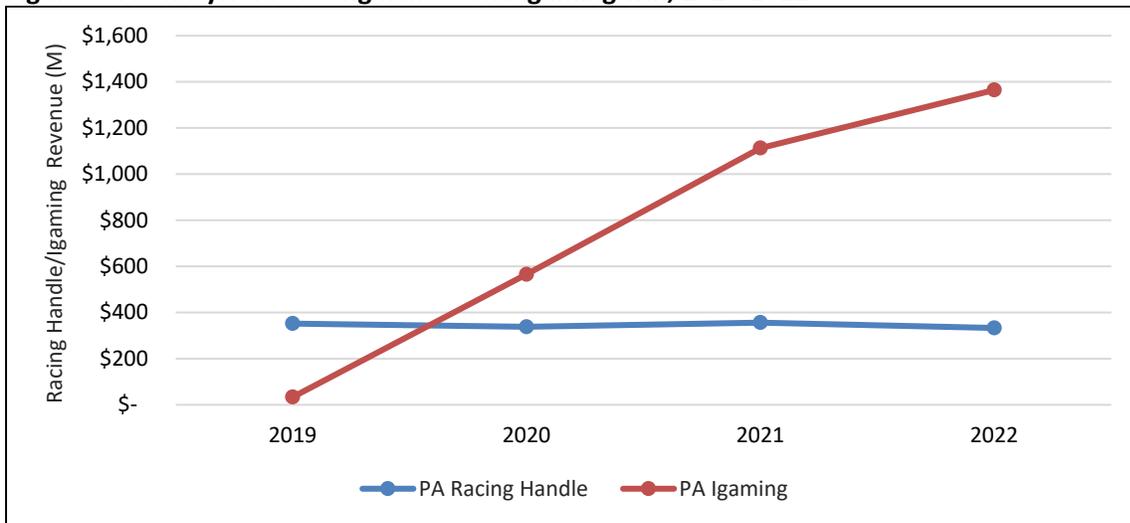
Figure 68: New Jersey horse racing handle and igaming win, 2017-2022



Source: New Jersey Division of Gaming Enforcement, New Jersey Racing Commission

Pennsylvania, like Delaware and West Virginia, has casinos at racetracks. Pennsylvania handle for 2020 and 2021 was unavailable when preparing this report, so Spectrum estimated the figure using gross handle for live racing handle, import handle, off-track-wagering and ADW for the six racetracks (Harrah’s Philadelphia, Meadows, Parx, Penn National, Pocono and Presque Isle) and OTBs from 2019 through 2022. Like many tracks, the 2020 handle was negatively impacted by Covid-19. There were only 586 live race days in 2020 compared to 905 in 2019 and 792 in 2021.

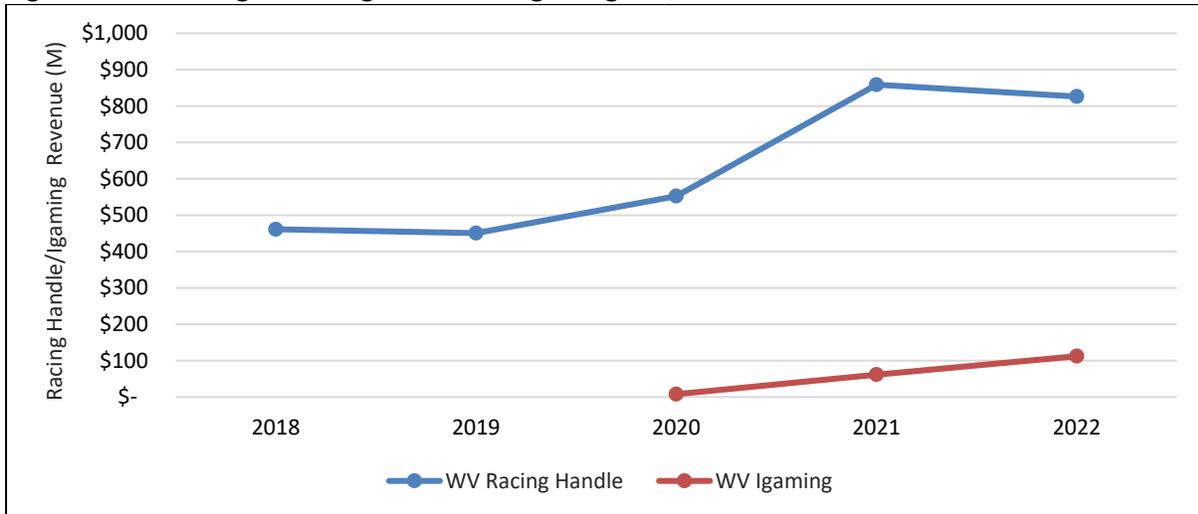
Figure 69: Pennsylvania racing handle and igaming win, 2019-2022



Source: Penn National gaming, Pennsylvania Gaming Control Board

West Virginia has casinos at each of the four tracks in the state. As mentioned, West Virginia is the only state in the study group that offers greyhound racing, and its 2021 handle was helped by the closure of the remaining dog tracks in Florida. Racing handle, as in other states, was in decline well before the approval of igaming. Here too, the data show a growth in handle after the pandemic. West Virginia implemented ADW for only about the second half of 2020.

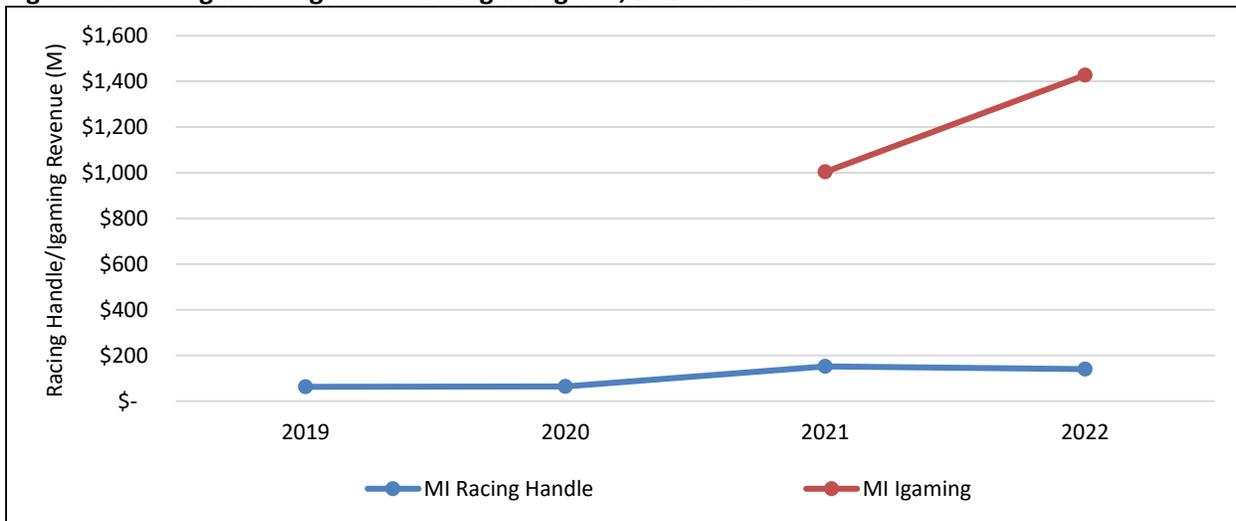
Figure 70: West Virginia racing handle and igaming win, 2018-2022



Source: West Virginia Lottery, West Virginia Racing Commission

In Michigan, which has live racing at just one track, handle was in decline from 2012-2019. ADW was implemented in mid-2020 and was operational for all of 2021 and 2022. Like other states, handle in 2020 was in flux due to both Covid-19 and the introduction for part of the year of the new ADW wagering. Michigan reported a large increase in statewide handle in 2021 before declining significantly in 2022 compared to the national trend in handle.

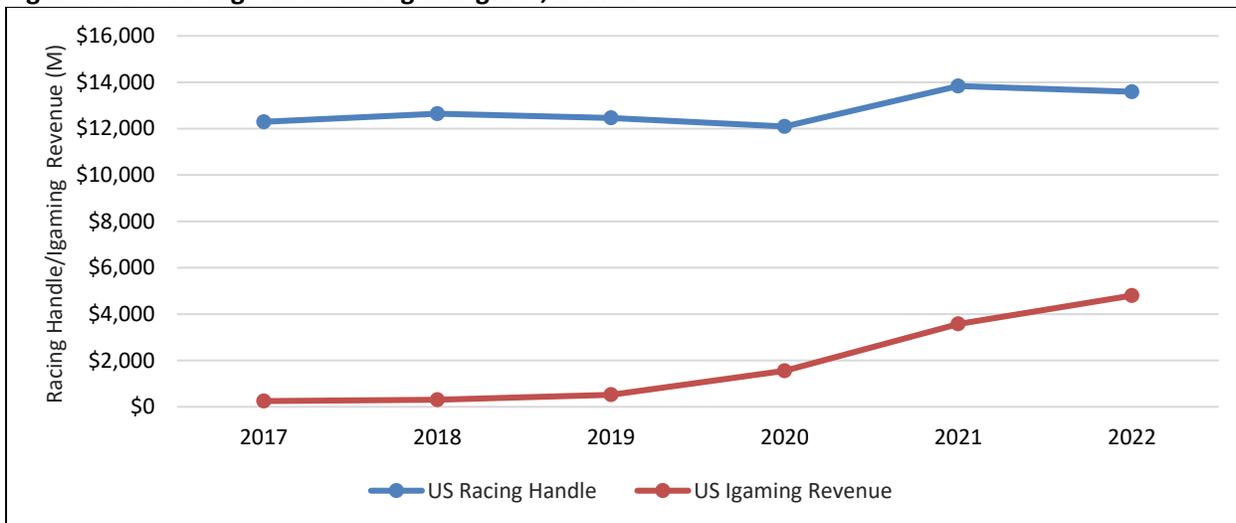
Figure 71: Michigan racing handle and igaming win, 2019-2022



Source: Michigan Gaming Control Board

To put the data from the igaming states into perspective, we also analyzed the data for the entire United States. The data available are handle for pari-mutuel wagering and igaming win for 2017-2022. Handle declined in 2020 due to the impact of the Covid-19 pandemic, rebounded in 2021, but has been in decline since then. As previously noted through October 2023, US handle for thoroughbred racing is down 4.7% compared to the same 10 months in 2022. Standardbred handle for the first 10 months of 2023 was unavailable when preparing this report.

Figure 72: US racing handle and igaming win, 2017-2022



Source: State gaming regulators, The Jockey Club

E. Conclusion

Based on our analysis of igaming in other states, igaming does not appear to have a negative effect on other forms of gaming. That said, the igaming results to date suggest that it is possible that igaming is limiting the ordinary growth of retail casino revenues.

VII. Igaming Policy Considerations and Best Practices

The introduction and implementation of igaming in Indiana can be expected to be a relatively smooth process, as Indiana already offers another form of gaming on the same digital platform – sports betting – and has been doing so for more than four years. Both the Indiana Gaming Commission and the state’s consumers are familiar with digital gaming, and this comfort level should help facilitate a quick adoption of internet casino gaming.

A. Implementation

1. Tax Rate

A major policy decision for the state is the tax rate to impose on revenue from igaming. Tax rates vary widely across the country and generally are set to try to help achieve the other public policy goals. “We made a decision early on, working with the industry, that the tax rate for these games online would be higher than the retail casino rate,” said David Rebeck, veteran Director of the New Jersey Division of Gaming Enforcement. “We wanted to drive business into the retail operations.” He said that when you total the various fees and taxes, New Jersey did not want the effective rate to exceed 20%. If the rate is too high, operators will try to convince their biggest customers to move their business to a lower-tax state. By driving business into the retail operations, New Jersey was hoping to buttress the finances of the retail properties, generating profits that could be used for expansion and other capital improvements that could result in jobs and all of the other ancillary benefits that flow from casino operations.

Setting a competitive tax rate was also important to lawmakers in West Virginia. West Virginia Delegate Shawn Fluharty said the state set the rate at 15%, which he described as the “sweet spot.” “At 15%, you are opening doors essentially for all operators and you’re going to have a very competitive market with that. And that’s what you want. If you go much higher than that, I think you are kind of decreasing the talent pool,” Fluharty said. “You want to be able to be competitive with your neighbors and be competitive nationwide and then if you are a company looking to come into Indiana or West Virginia or any other state for that matter, look, these businesses are in business to make money. They are not going to do it unless they have that opportunity. If you have too high of a tax rate you run the risk of limiting the competition you have available and limiting the number of entrants into the state.”

Notably, the gaming-tax rate is not necessarily determinative of an operator’s success, but clearly drives the state’s share of revenue. Pennsylvania has, by far, the highest igaming tax rate (54% on slots and 16% on tables) and could soon surpass New Jersey (which taxes igaming at 17.5%) as the highest-grossing igaming state. Other factors that may impact igaming revenue include the geographic distribution of casinos, type of model employed, the number of igaming operators, and marketing practices/restrictions.

When igaming goes into effect in Rhode Island in 2024, digital slot revenue will be taxed at 50%, and digital table games will be taxed at 18%.

2. Licensing Fees

The licensing fees that states charge for igaming operations vary considerably, as shown in the following table:

Figure 73: Igaming licensing fees by state

	CT	DE	MI	NJ	PA	RI	WV
Igaming Platform Provider Fee	\$250K/initial 1 year; \$100K/renewal annual	\$4K/initial; \$4K/renewal	\$5K/initial (1 year); \$2.5K/annual renewal		\$1M/5-year initial; \$100K/renewal (5 years)		\$100K/initial (1 year); \$100K annual renewal
Fee for Existing Casinos to Get Igaming License/ Permit			\$100K/initial (1 year); \$50K/annual renewal	\$400K for Year 1; \$250K annual renewal	\$4M-\$12M/initial (5 years); \$250K/5-year renewal		\$250K/5-year initial; \$100K/5-year renewal
Igaming Responsible Gaming Fee			\$500K annually from igaming tax; \$500K annually from digital sports tax	\$250K annually		Two operators to pay combined total of \$50K	\$2M annually
Igaming Service Industry Fee/ Supplier License		\$2K/initial \$2K/annual renewal		Cost of investigation /processing @\$113/hr; 5 years		Cost of investigation /\$750 minimum	

Source: American Gaming Association, state regulators

Connecticut did not impose a fee on the casino operators – two Native American tribes – or on the Connecticut State Lottery that offered online sports betting. The three entities, each of which holds a master wagering license, do offer igaming through online operators. The operators are required to pay an initial license fee of \$250,000 and an annual renewal fee of \$100,000

Delaware requires technology service providers – such as platform providers – to pay a \$4,000 fee for initial and renewal licenses. If a vendor is already licensed as a gaming vendor under the state’s Video Lottery and Table Games regulations, no additional license is required. A service provider’s license for other internet-related vendors costs \$2,000 for the initial and the annual renewal.

Michigan’s three commercial casinos in Detroit and the 12 Native American tribes that operate Class III gaming sites are eligible for an Internet Gaming Operator License, which requires a \$100,000 application fee and an annual renewal fee of \$50,000. Internet Platform Providers must be licensed and pay an initial fee of \$5,000 and then annual renewal fee of \$2,500. The three Detroit casinos pay an annual State Services Fee of \$25 million, and \$2 million of that amount is dedicated to a Compulsive Gambling Prevention Fund.

New Jersey imposes a \$400,000 fee to obtain an internet gaming permit, an annual renewal fee of \$250,000 and requires casinos to pay a \$250,000 Responsible Internet Gaming Fee every year.

Companies they partner with to operate the gaming platforms need a Casino Service Industry Enterprise License.

Pennsylvania established three different levels of Interactive Gaming Certificates and set a fee of \$4 million for each of them. One is for the ability to offer online poker to players, a second permitted the casino operator to offer simulated slot machine games, and the third one allowed gambling on simulated table games. An operator who wanted to get all three had to pay an upfront fee of \$12 million. When the certificates were first offered, any operator who applied for all three received a discount of \$2 million if they met a deadline. Many of the operators opted to seek all three certificates, but some chose not to apply for the poker permit and paid \$8 million for the remaining two.

Rhode Island offers VLTs, live table games and sports betting at two facilities through an agreement with Bally's. Governor Daniel McKee signed legislation allowing only the existing casinos and IGT to offer digital slot machines and digital table games with live dealers in June 2023. The state already allowed digital sports wagering. Its existing gaming laws require the state's two casinos to pay a combined \$200,000 a year for problem-gambling awareness programs for employees and a self-exclusion program and to help fund a hotline for problem gamblers. It also allocates up to \$150,000 a year of forfeited winnings to the state Council on Problem Gambling. The new law further requires the casinos collectively to provide another \$50,000 a year for education and prevention programs.

West Virginia limits the number of interactive wagering licenses in the state to five. The application fee for a five-year license is set at \$250,000, and renewals cost \$100,000. The operators can contract with a platform operator, which must obtain a license as a management services provider. There is a \$100,000 fee for that five-year license. Companies that provide equipment, systems or other services need a suppliers license, which costs \$100,000 a year.

3. Participants

A critical policy question that arises in the authorization of igaming is: What entities can participate? Each of the six current igaming states also has retail casinos – and in each of those states all igaming is conducted through those casinos, either through their own igaming brand or via another skin that is “tethered” to the casino. Igaming leader New Jersey, for instance, allows each retail casino licensee to have five skins (including one of their own, if they so choose). This is the Hybrid Model, as described in Chapter I of this report.

However, now that 26 additional states offer digital sports betting (including Indiana), the question arises as to whether digital sports betting operators in those states should be allowed to also offer igaming (if legalized) even if they do not operate a retail casino in the host state.

The current igaming states that have tethered all igaming licenses to retail casinos have done so for two core reasons:

- Recognition and reward for the substantial capital investment such licensees have made, which in virtually all cases is measured in the hundreds of millions of dollars or billions of dollars – as well as the substantial employment generated by those facilities.

- A belief – proven in states such as New Jersey – that digital gaming can be an effective means of attracting a broader demographic, and that marketing to that demographic can encourage on-site visitation, which could lead to further capital investment, greater employment, and growth in multiple fiscal streams, beyond the taxes generated by digital gaming itself.

And yet, by allowing them to also offer multiple skins, as per the Hybrid Model, these states are also opening their markets to pure-play digital gaming providers and ensuring ample competition. “It’s good for competition; each of those skins is paying money to be licensed and that’s more money to the state,” Rebeck said. “It suited us quite nicely having five casino skins because we did very well out of our partners and then the market isn’t so saturated that a smaller player like us can’t start a very nice business.”

Josh Pearl, the Director of New Market Operations for Penn Interactive, which operates sports wagering in Indiana, noted in 2022 that Indiana currently allows each retail sportsbook to have three skins for digital sports wagering. He suggested using the same approach for igaming sites, with the understanding that an operator of a skin should be able to offer a number of its own brands on the site.

Skins offer a means to expand the market and attract more players, so the more skins that a licensee can offer, the larger the market it can attract. Just as there currently are sports betting skins, one operator might want a site that specializes in offering poker games while another might offer variations on the game of blackjack. There are other sites that let gamblers play games that look exactly like popular slot machines inside a physical casino. Each may attract a different segment of the market and, because the cost of starting and operating another site is not significant, the payoff can be great.

However, the risk to Indiana is that the skins can compete directly against retail casinos. Early on in New Jersey, some igaming advertisements effectively told players to avoid playing in the Atlantic City casinos – even though it was an Atlantic City casino that provided each igaming operator with its igaming license, via a skin. The Betfair television commercial in Figure 74 below showed a customer saying, “It’s amazing – I have a slot machine in my kitchen,” and 14 seconds later the narrator notes the “long drive” to a casino with a graphic of heavy traffic against the silhouetted Atlantic City skyline.

Figure 74: Betfair New Jersey television commercial video and screen grab



Source: Betfair 2017, via YouTube. <https://www.youtube.com/watch?v=1e-P2VSo8Dc>

Another consideration is that operators of skins will spend significant sums on player acquisition to build a database, which will be the foundation for their own future business operations. Such operators

of skins might not share those databases with retail operators, thus foreclosing some opportunities to encourage more on-site visitation. At the same time, the risk exists that operators of skins in Indiana could have interests in physical casinos in other states, including neighboring states. In such cases, the marketing efforts would encourage visitation to casinos outside of Indiana.

4. Occupational Licensing

Pearl said there are employees who are licensed by the state of Indiana to operate and manage digital sports betting sites. To obtain such a license, the applicant has to show that he or she is qualified to perform the tasks associated with the job. To the extent that those licenses only permit employees to work in positions dealing solely with sports wagering, he said Indiana should allow them to work in positions involving other forms of igaming. “Obviously we have a lot of folks that are already licensed in Indiana for sports; our ask would be that they can use those same occupational licenses for online casino,” Pearl said. “Certainly, staff members that may be working on the marketing teams or frontline customer service that now would be helping consumers with what is just now a sports and online casino account, not really that their roles are changing.”

5. Certifying New Games

The consensus among industry leaders whom we interviewed is that testing and approving the games that will be offered on igaming platforms should be a high priority. Ed Andrewes, CEO of Resorts Digital Gaming, said the biggest challenge that Indiana regulators will face is getting all the games approved for use. “That’s going to be the biggest challenge, getting each of the individual games from the individual suppliers, particularly as more and more are coming into the market,” Andrewes said. “That is probably the biggest additional thing because, to be honest, in terms of approving players and responsible gaming ... there are slight differences, but the basis is the same for sports book as well as casino. So it’s really going to be the additional content.”⁴⁴

Penn Interactive’s Pearl noted there will be a lot of additional work reviewing programs for the new computer games. “Any game that is offered through an online site must be tested, just as new slot machines for retail casinos need to be tested. Indiana is well aware of the requirement,” he said. Pearl said Indiana should consider establishing procedures that allow the state to accept approvals of online games and systems issued to regulators in other states whether from state-operated or private testing labs such as GLI.

New Jersey’s Rebeck agreed. “The biggest challenge Indiana would have that we didn’t have here, that Pennsylvania didn’t have, they’re going to have to outsource a lot to the lab. They don’t have a lab to test the product that is going out to the people,” he said. “If they want to short-circuit it and they wanted to outsource it, they could just say, ‘We will enter into a reciprocal arrangement with Pennsylvania, they have their own lab, with New Jersey, they have their own lab, and if it’s approved by them, we are going to accept it.’”

⁴⁴ Spectrum interview with Ed Andrewes, CEO of Resorts Digital Gaming, May 31, 2022.

B. Anti-Money-Laundering and Know Your Customer

There are two related overriding regulatory concerns involving digital gaming operations: money laundering and the requirement to confirm the identity of the customer, commonly referred to as “know your customer” (“KYC”). The latter includes making sure that the patron is of legal age, is not on the exclusion list, has sufficient funds derived from legitimate sources to partake in digital gaming, and that persons with acknowledged gambling compulsions are precluded from digital gaming. Effective KYC necessarily involves ensuring that the patron is not engaged in money laundering activity. In digital gaming, the primary burden for anti-money-laundering (“AML”) and KYC rests with the digital casino operators who have the direct relationships with their end-user players.

1. Money Laundering

The potential for money laundering relating to digital casino gaming operations is a grave concern for gaming regulators and digital gaming operators. Money laundering is a term used to describe the process of disguising or hiding the origin of illicit funds in order to make those funds appear legitimate. Basically, it is the act of passing illegally obtained cash or other assets through a legitimate business – like a bank or a casino – in order to disguise its illegal origins and convert it into clean money or assets, in the hope of escaping detection by law enforcement officials and regulators. The objective is to make it appear that the funds have been generated by lawful means and cannot be traced to their illicit origin.

Digital gaming may be used as a vehicle for laundering funds that have been generated from criminal activities. Criminals look for ways to abuse the system by disguising the link between the funds that have been generated and the original illegal activity. Digital gaming presents different types of risks that gaming operators need to be aware of. The nature of digital gaming, in which patrons may have the benefit of anonymity, increases the risks for money laundering.

Money laundering consists of three distinct phases: placement, layering and integration.

- Placement involves the changing of illegally obtained funds into a less-suspicious form to avoid detection. Thus, criminals will frequently seek to change smaller-denomination bills obtained through criminal activity into larger bills, bank checks, money orders, traveler’s checks or other cash equivalents. There is an important distinction between retail casinos and internet-based operators. Internet operators do not accept cash for their operations. Instead, they may use a third-party intermediary to obtain funds from the customer. In an illegal internet gaming operation, the operator may use runners to accept large cash deposits from patrons in person to establish an on-line wagering account.
- Layering refers to the method by which criminals attempt to distance themselves from the converted funds. They may provide a series of financial transactions that make it difficult for law enforcement to trace the money back to its owner. They frequently use wire transfers between bank accounts.
- Integration involves the transferring of the layered funds into the mainstream financial world through a legitimate commercial purpose, such as buying real estate, art, or other investment vehicles.

In the United States, the federal statute requiring AML/CTF (countering the financing of terrorism) policies, procedures, internal controls and suspicious transaction reporting is the Currency and Foreign Transactions Reporting Act of 1970, as amended by Title III of the USA PATRIOT ACT of 2001, commonly referred to as the Bank Secrecy Act (“BSA”). The BSA’s AML/CTF laws⁴⁵ and regulations⁴⁶ are administered and enforced by the Financial Crimes Enforcement Network (“FinCEN”), a bureau of the US Treasury Department that functions as the US Financial Intelligence Unit (“FIU”). FinCEN has determined that such digital gaming operations are part of the overall casino operations and must therefore be included in the overall AML/CTF regime required of the licensed casino operator regardless of whether they are operated by the casino itself or by a third-party vendor.⁴⁷

As noted, the Bank Secrecy Act AML requirements apply to igaming. However, the specific regulations governing AML for casinos would apply only if Indiana elects to proceed with either the Closed model or the Hybrid model. FinCEN has not yet issued AML regulations specific to the Open model. However, providers of igaming still qualify as money-service businesses under existing FinCEN regulations. In either event, gaming regulators are generally expected to cooperate with FinCEN and the IRS when they audit casinos on behalf of FinCEN.

Digital gaming operators are therefore required to cooperate and coordinate with their affiliated US-based licensed casinos in ensuring compliance with all BSA requirements imposed on the casino, including the requirement for establishing and implementing procedures for using all available information to detect and report suspicious transactions, or suspicious patterns of transactions, that occur through mobile applications.

Those preventative measures and customer due diligence procedures include – but are not limited to:

- Implementing procedures for using all available information to detect and report suspicious transactions, or suspicious patterns of transactions, that occur or are identifiable through their systems.
- Evaluating and addressing the money laundering risks posed by its business-to-business (“B2B”) or business-to-customer (“B2C”) clients, including any arrangements those clients have with other business associates and/or third parties, such as payment providers and processors.⁴⁸

There also must be effective procedures implemented by the digital gaming operators to detect and prevent money laundering by the end users, who are the gaming patrons, with careful attention given

⁴⁵ 31 U.S.C. §5311-5314.

⁴⁶ 31 C.F.R. Chapter X (Effective March 1, 2011).

⁴⁷ Prepared remarks of FinCEN Director Kenneth A. Blanco, delivered at the 12th Annual Las Vegas Anti-Money Laundering Conference, August 13, 2019.

⁴⁸ Gambling Commission (UK), “Guidance: The prevention of money laundering and combating the financing of terrorism,” December 18, 2020. <https://www.gamblingcommission.gov.uk/manual/the-prevention-of-money-laundering-and-combating-the-financing-of-terrorism/prevention-of-ml-and-combating-the-financing-of-terrorism-part-2-2-Identifying-and-assessing-the-risks>

to administering KYC processes and policies to verify the true identity of the gaming patrons. In this regard, gaming regulators must be vigilant in enforcing regulatory requirements for patron identification.

Operators must establish and maintain appropriate written risk-sensitive policies and procedures relating to:

- Customer due diligence measures and ongoing monitoring
- Reporting of any suspicious transactions
- Record keeping
- Internal controls
- Risk assessment and management
- Training
- The monitoring, management, internal communication and compliance with all such policies and procedures

In addition, gaming regulators need to scrutinize the companies engaged in digital gaming, including digital gaming operators, aggregators, game content providers, and payment processors. That will help FinCEN to ensure that AML and KYC procedures are being properly implemented, conducted and enforced. In order to accomplish this objective, all such companies should be included in the licensing process. One area of particular concern to regulators should be to properly ascertain beneficial ownership of these digital gaming industry participants, so that their parent companies may also be brought within the licensing review process. It is a well-established principle in gaming regulation that the individuals and entities that possess the ability to exercise influence and control over gaming operations need to be included within the regulatory licensing scheme and be subject to due diligence background investigations.

In order to mitigate the money laundering risks that are inherent with digital gambling, the operators need to ensure they have an effective anti-money-laundering program in place. A sound, risk-based AML program starts with an effective risk assessment. A risk assessment helps the operator to understand where potential problem areas and high-risk services may exist within their AML program. Once the pertinent risks are identified, internal controls can be established to mitigate these concerns. As an example, to help mitigate the risks of patron anonymity, compliance personnel should establish an AML policy focused on digital account openings and have detailed step-by-step procedures to obtain all required patron information pursuant to local and federal regulations. The procedures should contain a sufficient amount of detail that can be easily interpreted and utilized by the operator's compliance employees. They should address any potential account-opening scenarios and provide necessary measures to follow depending on the information received from the patron.

Digital gaming must be only accessible to patrons who have established a digital gaming account. Thus, patrons must be expressly prohibited from allowing another party to access or use their digital gaming account. In addition, a patron cannot transfer funds from their digital gaming account to another patron. Regulations and internal control procedures governing the withdrawal of funds from the digital gaming account must be specific and comprehensive. Moreover, appropriate measures need to be implemented by the operator to ensure compliance with these proscriptions.

The digital gaming operator needs to create an electronic patron file, which should include at a minimum:

- Patron's legal name
- Patron's date of birth
- Entire or last four digits of the patron's Social Security number, if voluntarily provided, or equivalent for a foreign patron such as a passport or taxpayer identification number
- Patron's digital account number
- Patron's address
- Patron's electronic mail address
- Patron's telephone number
- Any other information collected from the patron used to verify his or her identity
- The method used to verify the patron's identity
- Date of verification

A patron should have only one digital gaming account for each gaming operator. Each digital gaming account shall be:

- Non-transferable
- Unique to the patron who establishes the account
- Distinct from any other account number that the patron may have established with the casino licensee.

A patron's digital gaming account may be funded through the use of:

- A patron's deposit account
- A patron's credit or debit card
- A patron's deposit of cash, gaming chips, or slot tokens at a cashiering location approved by the gaming regulatory authority
- A patron's prepaid card, which has been verified as being issued to the patron and is non-transferable
- Cash complimentarys, promotional credits, or bonus credits
- Winnings
- Adjustments made by the casino operator with documented notification to the patron
- Any other means approved by the regulatory authority

When opening the digital gaming account, the patron should be required to establish a password or other access security feature as approved by the regulatory authority. In this regard, the patron should be advised to utilize "strong authentication" log-in protection.

A digital gaming system should utilize sufficient security to ensure patron access is appropriately limited to the account holder. Security measures should include at a minimum:

- A username
- Password of sufficient length and complexity to ensure its effectiveness

- Upon account creation, the option for users to choose “strong authentication” log-in protection
- Electronic notification to the patron’s registered email address, cellular phone or other device each time an internet or mobile gaming account is accessed, provided, however, that a patron may opt out of such notification

Significantly, the digital gaming system should be designed to detect and report suspicious behavior that may signify potential money laundering. Additional information that may be required during the onboarding process that may prove useful to detect and prevent money laundering includes occupation information, expected wagering levels, and frequency of wagering.

Whether casinos require patrons to produce identification, or whether third-party software systems are used to validate a patron’s identity, compliance personnel must ensure that the identity used has not been stolen as part of an identity theft ring. There have been numerous cases where stolen identities and credit cards have been used to open and fund digital accounts.

The next critical component to mitigate potential money-laundering risks is an effective training program. Financial institutions – including casinos – are required by federal regulations to train personnel in the identification of unusual or suspicious transactions as well as the reporting of these transactions. This would also include training regarding account-opening procedures and the awareness of potential red flags that may signify money-laundering activity. Training is a critical element as it helps frontline employees understand what to look for, how to identify, and how to report unusual or suspicious transactions.

Because digital gambling provides criminals additional opportunities to launder or disguise illegally derived funds, the transactional data generated through digital gambling must be used to detect potentially suspicious patterns of activity. At a minimum, compliance personnel should be looking for indicators of structuring cash transactions to avoid currency transaction reports, minimal gaming activity, and unusual or increased betting patterns. It is necessary to examine whether any sudden increase in wagering activity is consistent with the patron’s standard of living and available source of funds for gambling. Effective controls and data analytics need to be implemented to mitigate the potential risks and to identify this type of suspicious activity.

An anti-money-laundering program also needs to have an individual designated with day-to-day responsibilities for overseeing the administration of the program, including internal and/or external independent testing of the AML program. This generally will be a money laundering reporting officer (“MLRO”) who is ultimately responsible for implementation and enforcement of the AML program and the submission of suspicious activity reports. The MLRO has an obligation to consider any information received through internal reporting procedures and determine, in the light of any relevant information known to the company, whether it gives rise to knowledge or suspicion of money laundering, or whether it gives reasonable grounds to know or suspect a person is engaged in money laundering.

2. Know Your Customer

With respect to KYC, the digital gaming operator is required to verify identification of the patron. Accordingly, the operator must confirm that the patron is of the legal age of 21 and not self-excluded, on

the exclusion list, or otherwise prohibited from participation in gaming. This is part of the KYC component for conducting due diligence on the gaming patrons. It also requires knowledge of their normal level of play, how often they play, why has there been a change in their play or level of buy in, and what else is known about them.

Operators must implement measures to ensure that they are effectively identifying and verifying their customers' identity (i.e., customer due diligence) and are able to determine those patrons who may require further or more in-depth information to be sought, through enhanced due diligence. Bank or credit cards alone are not sufficient to meet identification requirements.

Examples of satisfactory proof of identification include:

- A recognized official government-issued document with a photographic image such as a passport or photo card driving license.
- Where the above-named documents cannot be produced, an alternative recognized government document, public sector body or authority document without a photographic image, which establishes the person's full name is acceptable if supported by a second form of identification. The second document must contain the customer's full name and include either his residential address or date of birth.

Beyond the identification process, the operator has an obligation to confirm the patron has sufficient funds for gambling and that the source of funds is legitimate and not derived from illegal activity. Appropriate enhanced due diligence must be undertaken where red flags arise relating to potential money laundering.

3. The Building Blocks of Effective Compliance

Federal regulations require that casinos implement and maintain compliance programs to prevent money-laundering activity. These requirements apply to digital gaming operations. Digital gaming operators are required to implement and maintain a comprehensive compliance program. At a minimum, each compliance program shall provide for a system of internal controls to ensure ongoing compliance; internal and/or external independent testing for compliance; training of casino personnel in the identification of suspicious transactions; procedures to determine the identity of the gaming patron; and procedures for determining and reporting suspicious transactions. Senior management should be fully engaged in the processes regarding an operator's assessment of risks for money laundering and terrorist financing, and should be involved at every level of the decision-making process to develop the operator's policies and processes to comply with the regulations. Similarly, digital gaming operators need to verify the identity of their gaming patrons through comprehensive onboarding procedures to prevent underage gaming, to enforce exclusion list requirements, and to reinforce AML procedures.

Gaming regulators need to require licensing for all companies engaged in digital gaming operations, including game content providers, aggregators, companies providing software and other services relating to digital gaming operations, and the digital gaming operators themselves. The licensing system must include verifying beneficial ownership so that the persons and entities that have the ability to exercise influence or control over gaming operations are included in the license process. This will

facilitate the detection and prevention of money laundering by precluding unsuitable persons from participating in digital gaming.

C. Responsible Gaming

Protecting the interests of vulnerable problem gamblers is not a new issue for Indiana or other jurisdictions, and protections have been evolving for decades. A strategic framework for Responsible Gaming known as the Reno Model – conceived of by Alex Blaszczynski, Robert Ladouceur and Howard J. Shaffer^{49,50} – has been around since 2004. The Reno Model was designed to guide “key stakeholders to develop socially responsible policies and promote public health and welfare through a range of prevention efforts.” The authors of that model identified primary stakeholders as “consumers, gaming industry operators, health service and other welfare providers, interested community groups, as well as governments and their related agencies that have the responsibility to protect the public.”⁵¹ They noted that this disparate group of stakeholders had widely competing concerns, but yet they shared collective interests in preventing gaming harms.

The State of Indiana is already well versed in the problem-gambling considerations of both casino gambling (launched in 1995) and digital gaming (digital sports betting launched in October 2019). The critical question, then, is whether the introduction of internet casino games would warrant additional vigilance or action by the State from a problem-gambling perspective. Keith Whyte, executive director of the National Council on Problem Gambling (“NCPG”), told Spectrum⁵² that the state’s existing responsible-gambling guidelines should be sufficient to accommodate igaming, especially because the state already has digital sports betting.

The authorization of igaming would mean that, potentially, every Indiana adult would have a full suite of casinos games in his or her pocket, via one or more gambling apps on a mobile phone. Because there is no regulatory restriction on the number of slot machines or table games (as is the case in some states’ physical casinos) and operators are not restricted by the physical size of a casino floor, igaming operators typically offer hundreds of game titles – many more than on a physical casino floor – thus offering gamblers more choices. As noted earlier in this report, BetMGM, for example, boasts that it offers 674 unique slot, table and instant win games.⁵³ Whyte said the higher number of game choices vs. retail casino gaming should not be of concern from a problem-gambling standpoint.

⁴⁹ Shaffer has worked with Spectrum on reports that addressed these issues.

⁵⁰ Blaszczynski, A., Ladouceur, R. & Shaffer, H. J. “A science-based framework for responsible gambling: the Reno model.” *J Gambl Stud* 20, 301–317 (2004).

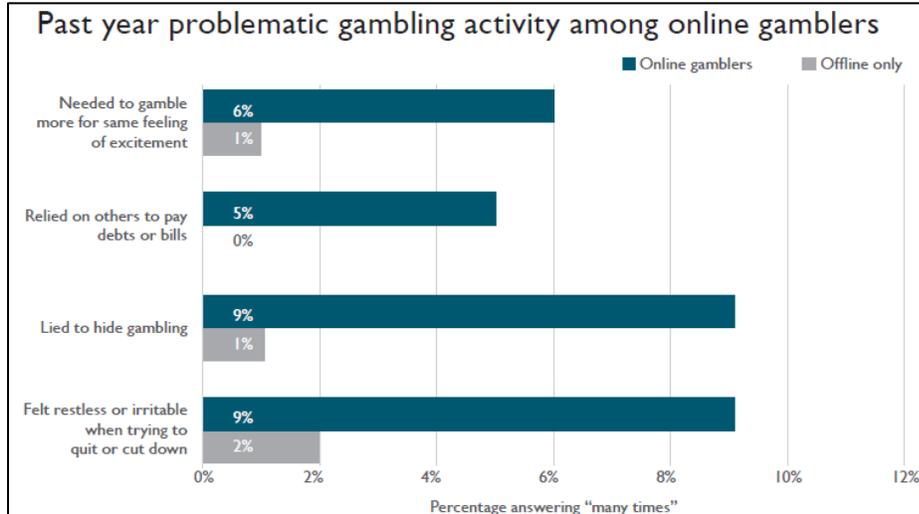
⁵¹ *Ibid.*

⁵² Spectrum interview with Keith Whyte, executive director of the National Council on Problem Gambling, May 19, 2022. Whyte said November 20, 2023, that his comments remain valid.

⁵³ BetMGM, “Investor Day” presentation, April 21, 2021, p. 18.
[https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-\(Posting\).pdf](https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-(Posting).pdf)

However, as the NCPG found in its 2021 survey that all online gamblers (those who play any game online, not just casino games) report more problems than those playing offline games, as shown in Figure 75 below.

Figure 75: Past-year problematic gambling activity among online gamblers



Source: National Council on Problem Gambling’s “National Detail Report: National Survey on Gambling Attitudes and Gambling Experiences 1.0.”

1. Igaming and Incidence of Problem Gambling

The question of whether the introduction of igaming will lead to an increase in problem gaming is complex. There is no easy answer.

Sally M. Gainsbury, in a 2015 paper that is available on the website of the National Institutes of Health,⁵⁴ attempted to compile a “comprehensive review of the existing literature ... to provide an overview of significant trends and developments in research that relates to disordered Internet gambling.”

She concludes:

Taken together, the evidence reviewed here suggests that Internet gambling does not cause gambling problems in, and of, itself. However, use of Internet gambling is more common among highly involved gamblers, and for some Internet gamblers, this medium appears to significantly contribute to gambling problems. Internet gamblers are a heterogeneous group, and the impact of this mode of access on gambling problems is moderated by a range of individual, social and environmental variables. As Internet gambling continues to evolve and participation increases, particularly among young people who are highly familiar with Internet technology and online commerce, it is likely that related problems will emerge. Research and regulation will have to evolve to further the understanding of the impact of this mode of access on the experience and incidence of gambling disorders. ... The findings presented here are important for policy makers due to evidence that Internet gambling in itself is not harmful.

⁵⁴ Gainsbury SM. Online Gambling Addiction: the Relationship Between Internet Gambling and Disordered Gambling. *Curr Addict Rep*. 2015. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4610999/>

Her paper includes interesting points taken from a variety of studies. It should be noted that some of the studies are based on research done in other countries, where a variety of factors may make the results different than they would be in the United States. Some of the conclusions of studies that she cites appear to contradict each other at least in part, but nevertheless they provide fodder for discussion:

- Internet gambling represents a fundamental shift in how consumers engage in gambling, and concerns have been expressed by various stakeholders about these changes. Disadvantages cited by internet gamblers include that it is easier to spend money online, it is too convenient and concerns about account safety. Other concerns include that the high accessibility to internet gambling may increase gambling, particularly among technology-savvy youth, and lead to an increase in the incidence and prevalence of disordered gambling.
- Internet gambling has some unique features that may pose additional risks for harm, particularly for vulnerable populations. Internet gambling differs from retail gambling primarily in terms of its constant availability, easy access and ability to bet for uninterrupted periods in private, facilitated by the interactive and immersive internet environment. The use of digital forms of money appears to lead to increased gambling and losses, particularly for problem gamblers, as some people feel that they are not spending “real” money. Surveys indicate that 19%-28% of online gamblers report it is easier to spend more money online, while 15% consider this form to be more addictive than retail gambling.
- Despite some indications of a positive correlation, the relationship between internet gambling participation and problems has not been confirmed. Some studies have found similar rates of gambling problems among internet and retail gamblers. Research also suggests that very few internet gamblers gamble exclusively online.
- Further evidence to question the extent to which internet gambling increases rates of problem gambling can be taken from prevalence studies. Despite rates of internet gambling increasing in several jurisdictions, little evidence has been found to suggest that the prevalence of problem gambling has increased. An analysis across 30 European jurisdictions failed to identify any association between prohibitions against online gambling, gambling licensing systems, the extent of legal gambling opportunities and the prevalence of gambling disorder.
- Evidence is emerging that internet gambling is not only not predictive of gambling problems but also that when other variables are controlled for, individuals who gamble online may have lower rates of gambling problems. Studies that have isolated internet-only gamblers have found that these gamblers have lower rates of gambling problems than gamblers who only gamble offline and those who use both online and offline modes. Gamblers who engage in online as well as offline modes appear to have the greatest risks of harm, which is likely related to their greater overall gambling involvement.
- Involvement in internet gambling appears to be more likely among gamblers with existing problems as compared to non-problem gamblers. Studies have found that one-third to one-half of internet gamblers experiencing gambling problems attribute these to retail forms of gambling, and over half report that they had existing problems before they ever gambled online.
- Conversely, for some internet problem gamblers, this mode of gambling appears to be the proximal cause of problems, with problem gamblers reporting that their problems started after they first gambled online and around half specifically attributing problems to this mode.

These results are consistent with other research findings, suggesting that for some problem gamblers, internet gambling played an important causal role, while others had existing problems, which were likely exacerbated by internet gambling.

A more specific study⁵⁵ was done for the New Jersey Division of Gaming Enforcement by Rutgers University researchers. It was published in 2017. The study found that while 70% of New Jersey residents reported gambling in the past year, only 5.3% said they exclusively gambled online. About 19% reported gambling at both online and retail venues.

The prevalence rate of gambling disorder in the total sample was 6.3%. In addition 14.9% of the sample reported gambling problems. Both of those figures were about three times higher than the average rates in other population samples. The paper suggests the difference could be because the data was collected in a variety of ways, and not just by using only random-digit dialing of land-line phones. “This methodology can grossly underestimate the prevalence rate because it excludes those who only use cell phones, that is, younger adults and ethnic minorities who traditionally have higher rates of gambling and gambling problems.”

Interestingly, a follow-up study done by Rutgers for the Division of Gaming Enforcement released in 2023 showed that the number of people who participated in some form of gambling had declined slightly to 61%, the number of people who were high risk gamblers was 6%, and those who were moderate risk gamblers was 13%. The report noted that while the rates declined slightly, they were still triple the national average.⁵⁶

The 2023 report also noted that there have been significant shifts in behavior over the five-year period:

Overall, a much higher proportion of those in New Jersey are gambling online, with rates among women, for example, more than four times the rate in the 2017 prevalence study. The proportion of women gambling only at land-based venues, while higher than men, has decreased by more than a third in the past five years. Men doubled their online participation and were much more likely than women to gamble at mixed venues, that is both online and in land-based venues, a finding commonly associated with higher rates of gambling problems.

These findings are also reflected by age, particularly in the younger age categories. About a third of those in the youngest age category (18 to 24 years) gambled online, a four-fold increase over the last study. The proportion of those who only gambled in land-based venues decreased across all age groups, however, gambling at mixed venues nearly doubled in popularity; this would suggest that COVID-19 shutdowns were not necessarily a primary reason for the decreases in land-based play. The ease of use of desktops, laptops, mobile phones, and tablets, combined with 24-hour accessibility, has likely encouraged the movement to online sites with or without continued visits to casinos and other land-based gaming opportunities. The ability to access gambling opportunities at all times through a medium that is easily concealed from friends

⁵⁵ Nower, L., Volberg, R.A. & Caler, K.R. (2017). The Prevalence of Online and Land-Based Gambling in New Jersey. Report to the New Jersey Division of Gaming Enforcement. New Brunswick, NJ. <https://socialwork.rutgers.edu/centers/center-gambling-studies/research-reports-and-questionnaires/prevalence-gambling-new-jersey>

⁵⁶ Nower, L., Stanmyre, J.F. & Anthony, V. (2023). *The Prevalence of Online and Land-Based Gambling in New Jersey*, pp. 49-50. Report to the New Jersey Division of Gaming Enforcement. <https://www.nj.gov/oag/ge/2023news/PrevalenceReport2023Final.pdf>

and family members could contribute to increased problem gambling rates over time. It could also contribute to underage gambling (i.e., those ages 18 to 20 in this study), as teens and emerging adults may find it easier to access illegal gambling sites online or to gamble with consent on the accounts of parents, friends or others who are unaware of the dangers of problem gambling. It is important to note that this study did not explore how those underage were gambling, i.e. illegal, off-shore sites, with family and friends, bookies etc.), but this could be an important consideration for future studies.

Both the 2017 and the 2023 studies showed that problem gambling severity was highest in “the mixed group” – those who gambled at retail facilities and online. That was followed by online-only gamblers and then retail-only gamblers. The recent study showed that about half of the mixed-venue players had symptoms of problem gambling and 20% were at high risk.

The authors admitted that “Ideally, such a population prevalence study would have been conducted at ‘baseline’ before the introduction of Internet gambling (in 2013). However, the 2017 study was conducted within the first full year of play and provides a basis for understanding the prevalence of gambling and each activity, the prevalence of problem gambling across levels of severity, and the relationship of frequency, venue choice and other factors to problem gambling severity.”

It is important to note that just because online gambling is not legal in Indiana, it does not mean that some Hoosiers are not gambling online. In fact, the 2017 New Jersey survey showed that more than 36.8% of the respondents stated that they had gambled online even before it was legalized.

2. Igaming Play and Tools

The primary difference between digital sports betting and digital casino betting is speed of play. Whereas sports wagers are placed on an event-by-event basis or a play-by-play basis, igaming players can take several “spins” of an igaming slot machine per minute, potentially depleting their budgets quickly and without ever handling or even seeing cash. As summarized in one research report, “Behavioural results were more inconsistent across studies, though the general trend supports the notion that games with faster speeds of play encourage more wagers, longer game play, and caused players, particularly problem gamblers, to experience difficulty in ceasing gambling.”⁵⁷

On the other hand, igaming has two primary responsible-gaming advantages over physical casino play:

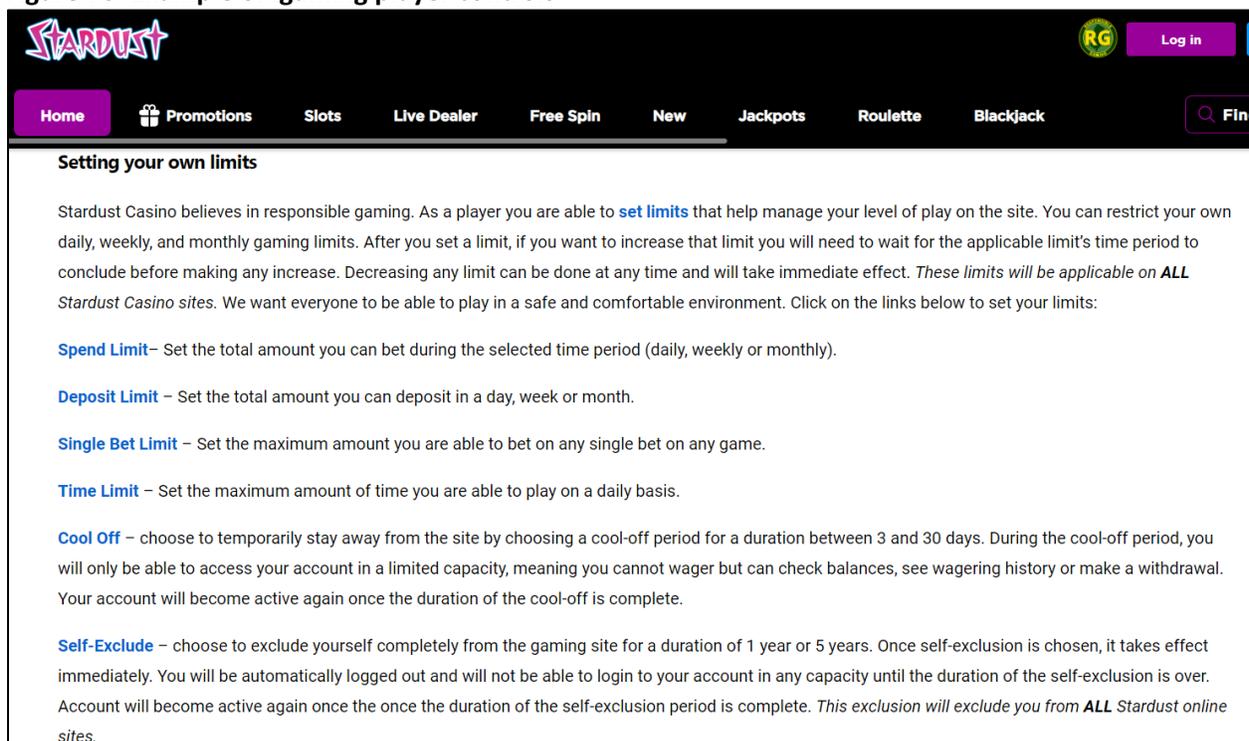
- **It is not anonymous.** Participants must provide their legal name, address, date of birth, phone number and last four digits of their Social Security Number as part of registration. With account-based gambling, digital casinos use know-your-customer tools (see section B above) to positively identify a player at registration.
- **Built-in self-limiting technology tools.** Players can set limits on their wagering activity. In the example shown in Figure 76 below from the Stardust digital casino in New Jersey, the operator notes that once players set their limits, decreases to the limits will be effective immediately.

⁵⁷ Andrew Harris and Mark D Griffiths, “The Impact of Speed of Play in Gambling on Psychological and Behavioural Factors: A Critical Review,” as published in the National Library of Medicine, June 2018. <https://pubmed.ncbi.nlm.nih.gov/28643152/#:~:text=There%20was%20a%20consistent%20finding,suffering%20with%20a%20gambling%20problem>

However, “You can restrict your own daily, weekly, and monthly gaming limits. After you set a limit, if you want to increase that limit you will need to wait for the applicable limit’s time period to conclude before making any increase. Decreasing any limit can be done at any time and will take immediate effect.”⁵⁸

Whyte said that both regulators and igaming operators can go further than taking a passive approach in using technology to help with responsible gambling. With the myriad data points collected in the course of a player’s gambling, igaming operators could issue notices that either remind or warn them about their activity based on any number of informational points entered by the player, either upon registration or in voluntarily offering information for the purpose of receiving such notices should he or she reach certain thresholds. Whereas such tools are used (and required) now in the United Kingdom and Scandinavia, US states just allow or require igaming operators to them available to players; there is no requirement for players to enroll in such programs or use them. Examples of such self-limiting tools are shown in Figure 76 below.

Figure 76: Example of igaming player controls

The image is a screenshot of the Stardust Casino website's responsible gaming page. At the top, there is a navigation bar with the Stardust logo on the left and a 'Log in' button on the right. Below the navigation bar is a menu with links for Home, Promotions, Slots, Live Dealer, Free Spin, New, Jackpots, Roulette, and Blackjack. The main content area is titled 'Setting your own limits' and contains a paragraph explaining the casino's commitment to responsible gaming and the ability to set limits. Below this paragraph are six bullet points, each describing a different type of limit: Spend Limit, Deposit Limit, Single Bet Limit, Time Limit, Cool Off, and Self-Exclude. Each bullet point includes a brief description of what the limit does and how it can be adjusted or removed.

Source: Stardust New Jersey, November 2023

Such tools do not have to be Orwellian in nature, Whyte says, but can help gamblers help themselves by posting flags that alert them to their levels of activity, leaving it to them to decide if they need to cool off. Such responsible-gaming tools can operate in concert with the igaming operators’ existing CRM (customer-relationship management) systems, as they do in Europe, he said.

⁵⁸ Stardust online casino, “Responsible Gaming.” <https://nj.stardustcasino.com/casino> (accessed November 15, 2023)

Just as casinos and igaming sites reward players for registering and for reaching certain expenditure thresholds, Whyte said he would like to see casinos incentivize igaming players for setting self-limiting controls (such as those shown above) or at least reward players for reviewing responsible-gambling information. He said it would be effective for igaming sites to inform players of what other players collectively are doing in this regard – show them player averages to let them know they are in good company for setting a deposit limit or a wager limit, for example. In the big picture, Whyte said, the technology tools should be about helping to develop a player who is informed about the gambling choices he or she is making or is about to make.

The technology capabilities associated with igaming lead to a critical question: What is the balance between player and operator for responsibility of a player’s spending activity? While problem-gambling professionals generally agree that the gaming industry could be doing more to help players – particularly those who have a gambling problem or those who are at risk of developing one – they also say that the burden of responsible gaming ultimately rests with the player, not the host jurisdiction or the host operator.

The NCPG in 2012 issued its first “Internet Responsible Gambling Standards” in advance of New Jersey and Delaware becoming the first states to launch the activity in 2013. The group’s standards have been updated several times over the years to adapt to changing technology and regulations, most recently in 2021.⁵⁹ (See *Appendix II: National Council on Problem Gambling Internet Responsible Gambling Standards* of this report). The standards cover corporate/operator policy, corporate staff training, supporting informed decision-making by players, assisting players, offering self-exclusion, advertising and promotion (from the standpoints of responsibility, not volume), game and site features, research, and payments.

A recent study pointed out convincing reason why it makes good business sense for igaming operators to have a sensible approach to responsible gaming. Optimove, a company that specializes in relationship marketing and customer retention, queried almost 400 US residents who were 21 or older and who were players of online games.⁶⁰ More than three-quarters of them indicated that they regularly wagered on sporting events online, while 70% indicated they wagered on casino games. Its report, released in September 2023, noted a link between the availability of responsible gaming tools on an igaming site and player loyalty and trust: “Additionally, the report highlights a high level of awareness, with 97% of respondents being aware of responsible gambling resources, and over half (56%) have utilized these resources. These findings collectively underscore the growing importance of responsible gambling practices within the industry.”⁶¹

⁵⁹ National Council on Problem Gambling, “Internet Responsible Gambling Standards,” Revised May 31, 2021. <https://www.ncpgambling.org/wp-content/uploads/2023/01/NCPG-IRGS-May-2021-revised-2023-branding.pdf>

⁶⁰ Optimove *2023 Report of Players’ Preferences in iGaming Marketing*, September 2023. <https://www.optimove.com/lp/optimove-report-2023-bettors-preferences-in-igaming-marketing>

⁶¹ Optimove report, p. 14.

Optimove made recommendations for existing operators, but they could also be used as a tool for officials in Indiana and other states that are considering legalizing igaming. They include:

1. **Promote Responsible Gambling:** Given the high awareness of responsible gambling resources and the positive impact they have on trust and loyalty, iGaming operators should actively promote these tools. This can include prominently featuring responsible gambling information on their websites and in marketing materials. Operators should not only provide these resources but also communicate their commitment to responsible gambling in a transparent manner. This can build a positive brand image.
2. **Encourage Setting Betting Limits:** Since a significant percentage of players actively set betting limits, operators should encourage this behavior. They can implement features that make it easy for players to set and adjust limits according to their preferences.
3. **Continuous Education:** Operators should continue educating players about responsible gambling practices and resources. This can include providing information on the potential risks of gambling and how to recognize signs of problem gambling.
4. **Monitoring and Support:** Operators should have systems in place to monitor player behavior for signs of excessive gambling and offer support and intervention when needed. This demonstrates a commitment to player well-being.
5. **Data Analytics:** Utilize data analytics from a Customer Data Platform (CDP) to identify and support players who may be at risk of developing gambling problems. Early intervention can abate serious issues.⁶²

Indiana can also look to states that are implementing other forms of digital gaming, such as ilottery, when crafting a responsible-gaming strategy, as the same issues must be addressed. Michigan, for example, is addressing both ilottery and igaming in its policies. The Michigan Lottery's Responsible Gaming program includes the following ilottery controls, as posted on its website:⁶³

- Self-Exclusion – Players may choose to take a break from Michigan Lottery's online gaming. Self-Exclusion means your account will be closed for the selected exclusion length and will not be reopened for any reason during the exclusion period. Exclusions may be set by the player through the Responsible Gaming Tools section in "My Account" or with the help of a Michigan Lottery Support Center representative upon request.
- Deposit Limits – Players may set daily and weekly deposit limits. A default \$505 weekly limit is set at registration. Deposit limits can be raised or lowered at any time. Lowering a deposit limit will take immediate effect, but players choosing to raise their deposit limits must wait 48 hours for such changes to take effect.
- Age Verification – Age and identity-verification technology is used during account registration to ensure all players are at least 18 years of age. Any instance of a minor found playing the Michigan Lottery online games will result in forfeit of all winnings and possible referral to local law enforcement.
- Play History – Players can monitor the time and money they spend on Michigan Lottery's online gaming through their personalized account histories. Each account history provides a

⁶² Optimove report, pp. 15-16.

⁶³ Michigan Lottery, "Online Gaming Safeguards and Tools." <https://www.michiganlottery.com/responsible-gaming> (accessed November 15, 2023)

full overview of the games played, the amount wagered on each game, wins and losses, and deposited and withdrawn funds. Players can access their account histories in the “My Account” section of the site.

- Geolocation – Players must be physically located in Michigan to make purchases and use some other features. Advanced technology is used to determine each player’s location.
- Security and Privacy – The Michigan Lottery has strong mechanisms in place to maintain the security of players’ financial information and to protect their privacy.

Indiana already has a Voluntary Exclusion Program for problem gamblers that is similar to those in other jurisdictions. The Indiana Gaming Commission notes that:

A person may sign up at any Indiana casino, at the IGC office in Indianapolis or with a designated problem gambling treatment provider for one year, five years or lifetime exclusion. The list of excluded persons is confidential. In order to sign up for the VEP, an interested participant must fill out a Request for Voluntary Exclusion form in person, witnessed by a gaming agent or IGC designee. The participant must complete the form of their own free will and not be under the influence of alcohol, controlled substances or prescription medication. Once enrolled, it is the responsibility of the VEP participant to stay away from gaming areas of the casinos. A photograph will be taken at the time the person requests voluntary exclusion.⁶⁴

With the introduction of digital sports wagering, Indiana initiated an Internet Self-Restriction Program similar to the Voluntary Exclusion Program that applies to physical casinos. Individuals can ask to be excluded from participation in digital sports betting for a minimum of one or five years.⁶⁵ The statute makes clear that casino operators in Indiana may choose to exclude anyone who signs up for the self-restriction program from retail casinos in Indiana as well as other states where they operate. An important difference in the programs is that anyone enrolling in the Internet Self-Restriction Program can do so online and does not have to go the offices of the gaming commission or a designated treatment provider. It is certainly reasonable to assume that any legislation to authorize igaming throughout the state would extend the Internet Self-Restriction Program to cover internet gaming options in addition to sports.

New Jersey’s Rebeck said Indiana, or any state that is considering igaming, should require links on every web page to get to the state’s exclusion program and there should be an online process to allow someone to exclude himself or herself from gambling facilities. “You’ve got to make it convenient for people to take advantage of self-exclusion. Many states don’t have an online system right now and that’s not good. ... The numbers of people who self-exclude online compared to going in person, we have a hundred times more online,” Rebeck said.⁶⁶

3. Funding Problem Gambling Programs

Of course, if the expansion of gaming in Indiana generates a need for additional assistance for problem gamblers, that will involve additional costs. When igaming and sports betting were introduced in

⁶⁴ Indiana Gaming Commission, “Voluntary Exclusion Program.” <https://www.in.gov/igc/voluntary-exclusion-program/> (accessed July 10, 2022)

⁶⁵ Indiana Code 4-38

⁶⁶ Rebeck interview, May 18, 2022.

New Jersey, the state dramatically increased the amount of money going toward responsible gaming. In order to receive an igaming permit, casinos were required to pay an annual responsible-gaming fee of \$250,000 that was directed to the Council on Compulsive Gambling of New Jersey or a similar organization. For an initial sports wagering license, casinos had to pay a fee of \$100,000, of which half was earmarked “to provide funds for evidence-based prevention, education, and treatment programs for compulsive gambling.”⁶⁷ The state also set the annual renewal fee at \$100,000; the percentage that was directed to compulsive gambling programs was not specified, but up to the director of the New Jersey Division of Gaming Enforcement to determine on an annual basis. “What we did here for funding was very simple – every year you pay a fee, 75% of the money is going to (responsible gaming),” Rebeck said.⁶⁸

In Michigan, igaming began in January 2021 and quickly surpassed \$1 billion in gross gaming revenue. The increased activity resulting from igaming made it clear to officials that additional resources were needed and, as a result, Michigan’s state legislature recently passed a budget for the upcoming fiscal year that increases funding for the Michigan Gaming Control Board (“MGCB”) by \$7 million. According to the MGCB, the additional appropriation will fund “new MGCB positions and IT support/infrastructure to assist with the surge of higher-than-expected internet gaming activity, internet sports betting, and fantasy contests. The funding will increase network storage capacity, and network speeds in MGCB casino offices to support operations, including the transfer of large regulatory files.”⁶⁹ As Casino.org reported:

With more play comes the potential for higher rates of problem gambling, the MGCB contends. In its appeal to the state for more funding, the Gaming Control Board said it plans to spend around \$3 million during the 2023 fiscal year to get out a responsible gaming message.

“The funding will support a comprehensive responsible gaming messaging campaign, direct citizens to services available for problem gambling, and extend our outreach to community organizations,” the MGCB explained of the initiative.⁷⁰

In Pennsylvania, the law that allowed for gaming expansion did not mandate additional revenue from igaming for problem-gambling initiatives. It did, however, mandate some revenue from sports wagering and video gaming terminals be directed to such programs. That revenue, like revenue from retail gaming, goes to the Commonwealth’s Bureau of Drug and Alcohol Programs. The Pennsylvania Gaming Control Board receives revenue for problem gambling initiatives beyond its requested and approved general budget only through the confiscation of funds from individuals on the self-exclusion or involuntary exclusion lists who gamble.

In Rhode Island, the law required the state’s two casinos, collectively, to pay no less than \$200,000 to the state to fund problem gambling awareness programs for employees, a self-exclusion program and

⁶⁷ N.J.A.C. 13:69A-9.4. <https://casetext.com/regulation/new-jersey-administrative-code/title-13-law-and-public-safety/chapter-69a-applications/subchapter-9-fees/section-1369a-94-casino-license-fees> (accessed July 9, 2022)

⁶⁸ Rebeck interview, May 18, 2022.

⁶⁹ Michigan Gaming Control Board, “Legislature approves bipartisan deal expanding funding for the Michigan Gaming Control Board,” July 5, 2022. <https://www.michigan.gov/mgcb/news/2022/07/05/legislature-approves-bipartisan-deal-expanding-funding-for-the-michigan-gaming-control-board>.

⁷⁰ Devin O’Connor, “Michigan Gaming Control Board funding increases as responsibilities expand,” Casino.org, July 7, 2022. <https://www.casino.org/news/michigan-gaming-control-board-funding-increases/>

to help fund a hotline for problem gamblers. The new law authorizing igaming requires the casinos collectively to provide another \$50,000 a year for education and prevention programs as well.⁷¹

The amount of funding set aside for problem gambling varies from state to state, but public officials have clearly decided to allocate additional funds as they introduced igaming. A recent article⁷² noted that the average per capita responsible gambling spending in 2021 was \$0.32, but the average for states with online gaming was \$0.69. The article went on to note:

- According to the National Association of Administrators for Disordered Gambling Services, the average per capita expenditure on problem gambling was \$0.38 in 2022. The median per capita expenditure was about \$0.22, showing how much most states underspend on problem gambling.
- Only 19 states spent more than average per capita on problem gambling in 2022. All seven legal online casino states were among them.

What sets the high spenders apart is their funding of prevention, treatment and, in some cases, research. For example, New Jersey funds public awareness campaigns and counselor cross-training. That covers prevention and treatment. New Jersey is also a national leader in problem gambling research through the Rutgers Center for Gambling Studies.

So what about funding in Indiana? When sports wagering was legalized in Indiana, the State imposed a 9.5% tax on sports wagering revenue that generated \$31.2 million for the State in FY 2021. The statute requires that 3.3% of the tax collected be used to fund addictions services at the Division of Mental Health and Addiction. But, according to Christina Gray, Executive Director of the Indiana Council on Problem Gambling, much of the money in the fund goes to treat people with drug or alcohol addictions, not gambling addictions.⁷³ The law requires that only 25% of the money go to problem gambling programs. Gray said there were a number of reasons why the largest chunk of money goes to programs for drug and alcohol addiction, including that there are federal programs that provide matching funds for drug and alcohol treatment programs but not for pathological gambling treatment. So, by using tax revenue derived from gambling, the state can receive significantly more federal dollars to benefit people in Indiana, not just those with a gambling problem.

Gray said that as Indiana legislators work on igaming bills, they should not use the same language that they did when they authorized sports wagering – the language that allows funds to treat other addictions. “Give it all to problem gambling. Don’t put that addiction thing in there,” she said.⁷⁴ Her recommendation is that for the first two years, all of the money should go to funding advertising and education programs so that people are made aware of problem-gambling issues. The introduction of

⁷¹ State of Rhode Island General Assembly, “An Act Relating To State Affairs And Government – Video Lottery Games, Table Games And Sports Wagering,” Introduced: April 27, 2023.

<https://webserver.rilegislature.gov/BillText/BillText23/SenateText23/S0948b.pdf>

⁷² Chris Gerlacher, “Does The United States Have A Gambling Problem?” PlayUSA, November 20, 2023.

<https://www.playusa.com/united-states-gambling-problem-new-jersey/>

⁷³ Christina Gray was interviewed for this report by Spectrum Gaming Group, July 8, 2022, and on November 17, 2023.

⁷⁴ Gray interview, 2022.

igaming – which as noted in Chapter II of this report attracts a different type of customer – is expected to significantly increase the number of people who need help for gambling problems, Gray said. But she said that too many people may be unaware that there is help available.

Gray said that when she joined the council in 2017, it received \$8,000 annually to pay for advertising during March, which is Problem Gambling Awareness Month; that figure was recently increased to \$18,000. That amount, however, does not allow the council to purchase any significant amount of advertising in any of the traditional media, including print, radio, television or direct mail. Digital advertising has allowed her to develop more targeted advertising and reach more people, but there is still a great need for a lot more outreach. “It amazes me,” she said, that despite advertising and distributing information at conferences and other events, “people come up to me and say “problem gambling? I didn’t know that was a thing.””⁷⁵After the first two years of igaming, she said the money from the tax should be used to expand and support treatment programs around the state. She said that at present, there are no inpatient programs to treat pathological gamblers. She also said the funds should be used to help counsellors become certified to treat problem gambling and to eliminate a gap in pay between problem gambling counselors and their counterparts who treat drug and alcohol addictions. She said problem gambling counselors are paid \$10 an hour less and that all such professionals should be paid the same. “We need treatment providers,” she said, suggesting some type of incentive program. “We need younger providers.”⁷⁶

Massachusetts has a significant amount of funding for problem gambling – \$24 million in 2023 – but it appears that very few problem gamblers are receiving treatment for their gambling problems. A recent series of articles by New Hampshire Public Radio reported:

According to state [Massachusetts] gambling research, about 2% of the population has a severe gambling addiction — the kind that ruins finances, mental health and relationships. Another 8% is considered at-risk for serious problems. That’s about a half-million people total.

But experts say only a tiny fraction of them are in treatment; the state does not track how many.

A DPH spokesperson said the agency only knows about people without insurance coverage who bill the state as what’s called a “payer of last resort.” For the last two years, the spokesperson said, no one has billed the state for gambling treatment.

Keith Whyte, head of the National Council on Problem Gambling, said Massachusetts did many things right in setting up gambling regulations.

“But their treatment numbers are abysmal,” he said, “in spite of the fact that the amount of money that’s going into the system is historic.”⁷⁷

One reason for the low utilization of the treatment services, according to the article, echoed concerns raised by Gray in Indiana – the lack of advertising and promotion:

⁷⁵ Gray interview, 2023.

⁷⁶ Gray interview 2023.

⁷⁷ Karen Brown, “Despite millions of dollars earmarked for gambling treatment in Massachusetts, few in state get help,” New Hampshire Public Radio, November 9, 2023. <https://www.nhpr.org/2023-11-09/despite-millions-of-dollars-earmarked-for-gambling-treatment-in-massachusetts-few-in-state-get-help>

When we asked a few of the mental health clinics in western Massachusetts why they stopped offering specialized gambling treatment, they all said not enough patients were asking for it.

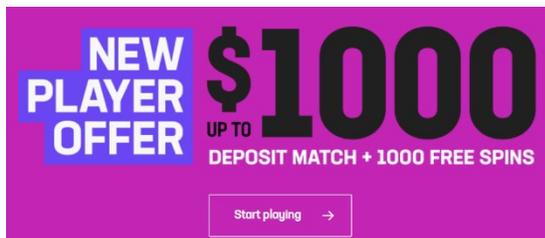
But at least one acknowledged they didn't actively promote the service either.

"I'm not sure how much it was that we weren't out there visibly advertising and recruiting and building relationships with MGM and Mass Lottery and places like that to receive direct-line referrals," said Kathy Mague, a senior vice president at Springfield-based Behavioral Health Network.⁷⁸

D. Igaming Promotions

As Indiana experienced, the launch of digital sports betting resulted in a multimedia onslaught of advertising from sports-betting operators. The ads offered promotions designed to attract players to a particular app or website. Typical promotions included risk-free bets, deposit bonuses, and boosted odds. If Indiana were to authorize igaming, it could expect a similar advertising blitz in which operators offer promotions such as deposit match, free play and cash-back offers. Although in New Jersey's experience the igaming advertising subsided over time, promotions remain a vital part of the operators' marketing strategy – just as they do for retail casinos. Following are recent examples of New Jersey igaming promotions.

Figure 77: Examples of New Jersey igaming promotions, November 2023



Hard Rock



Golden Nugget



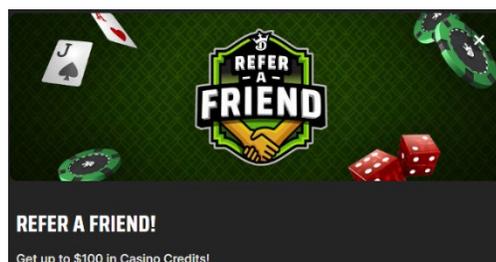
BetMGM



Tropicana



FanDuel

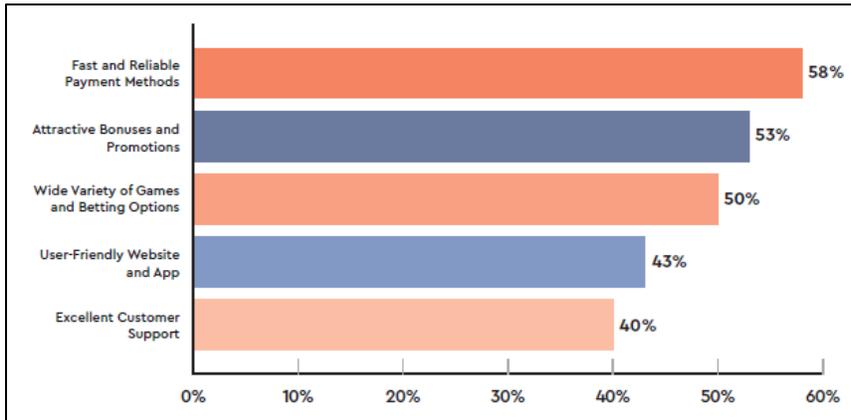


DraftKings

⁷⁸ Ibid.

Promotions have become an expected part of an igaming player’s gambling experience, just as they have for retail casinos. Optimove found that bonuses and promotions are the second-most important factor in players choosing which site to play, as illustrated in the following chart:

Figure 78: What are the top three factors that make you loyal to an igaming site



Source: Optimove

New Jersey’s Rebutk said in May 2022 that, while advertising is a serious issue, Indiana should rely on existing tools to deal with it. “You already have laws and you already have regulations in place that deal with consumer protection, the content of the advertising, and truth in advertising, so that the misleading advertisements, the actions to get people to gamble that are vulnerable ... it’s illegal already,” Rebutk told Spectrum. “So the content side of the advertising, the regulators already have power over to ensure that if somebody comes out with some ... ad that is geared to the underage kids or is untruthful or misleading, you don’t need a new law. You already got it.”

In Australia, the Standing Committee on Social Policy and Legal Affairs of Parliament’s House of Representatives issued a report in June 2023 recommending sweeping changes to how internet gambling runs in that country, including, among other things, an immediate ban on any inducements, a ban on commissions paid to anyone involved in the referral or provision of online gambling to a person, and a complete ban on advertising for online gambling. The committee’s chair, Peta Murphy, said in the forward to the nearly 200 page long report:

Online gambling companies advertise so much in Australia because it works. Online gambling has been deliberately and strategically marketed alongside sport, which has normalised it as a fun, harmless, and sociable activity that is part of a favourite pastime. Gambling advertising is grooming children and young people to gamble and encourages riskier behaviour. The torrent of advertising is inescapable. It is manipulating an impressionable and vulnerable audience to gamble online. Australia’s largest professional sporting codes and broadcast media were largely in lockstep with their advertising and sponsorship partners in the gambling industry during this inquiry to oppose further restrictions ...

“A phased, comprehensive ban on all gambling advertising on all media – broadcast and online, that leaves no room for circumvention, is needed. Partial bans on gambling advertising do not work. The 2017 media reforms resulted in gambling advertising on television increasing. Harmful industries have shown they will identify and capitalise on any gaps in marketing restrictions and that they are taking advantage of the less regulated online environment. The advertising ban should be enforced sequentially, with advertising that

has the highest risk of harm to be addressed immediately. To enable sporting bodies and broadcasters adequate time to locate alternative sources of advertising revenue and to comply with current contractual obligations, the Committee recommends that the comprehensive ban be phased in over a three-year period.⁷⁹

In the United States, a crush of advertising as witnessed in several sports-betting markets may seem overwhelming to consumers – particularly those who have, or may be at risk of developing, a gambling problem. The following report from KUSA/9News in Colorado concerns the deluge of sports betting ads in that state but, in Spectrum’s opinion, could also apply to a state that is developing an igaming policy:

Sports betting ads are the new political commercial, but instead of gracefully coming to an end after an election, they just keep coming.

A Colorado legislator behind the effort to legalize sports betting in Colorado is considering figuring out a way to regulate the excessive sportsbook ads brought on by legalization.

“I thought that the industry or the market itself would start to regulate itself,” Colorado House Speaker Alec Garnett (D) said. “It clearly hasn’t.”

“Every legislator should be able to say that sometimes there are unintended consequences and you have to take responsibility for them and clean them up and that’s what I’m doing.”

Garnett didn’t get into too many specifics, as he said he’s still crafting the possible legislation, but he said the state could regulate the sports gaming industry as it does other industries.

“We’ve done it with marijuana, we’ve done it with tobacco, we’ve done it to certain degrees with alcohol,” he said. “So, we need to be smart about going about this.”

“You can limit how they talk to the people across the state both in online advertising, on billboards and on TV. You can try to limit who they are speaking to and what populations they’re trying to address.”

Garnett said he’s also working a separate package of legislation to try to bolster Colorado’s support for people addicted to gambling.

“I think the industry knows people are frustrated,” Garnett said. “The industry just hasn’t done anything about it. The industry is too slow.”⁸⁰

Rebuck echoed some of Garnett’s concerns and said that if digital operators do not exercise control over the frequency and content of their ads, “you are going to have the same issue they had with tobacco and alcohol industry where government’s going to step in and say, ‘You’re not advertising at all.’”

Andrewes, the Resorts Digital Gaming CEO, said advertising has gone overboard in the area of sports betting, but not so much on the gaming side, and he recognizes that some people may want to

⁷⁹ Parliament of Australia, House of Representatives, Standing Committee on Social Policy and Legal Affairs, “You win some, you lose more: Online gambling and its impacts on those experiencing gambling harm,” June 2023, pp. iv-v. https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000159/toc_pdf/Youwinsome.youlosemore.pdf

⁸⁰ Steve Saeger, “Even lawmaker who helped bring sports betting to Colorado thinks there are a lot of sports betting ads,” 9News, February 14, 2022. <https://www.9news.com/article/news/local/next/lawmaker-sports-betting-colorado-ads/73-d4ae57c6-0cab-43b0-8c00-09d6fde87858>

place restrictions on it. He added, however, that “it won’t work if you say the industry should be responsible and self-regulate.”

Penn Interactive’s Pearl said in 2022 that some jurisdictions are looking at ways to restrict advertising, particularly for sports betting. Some restrict operators from offers with a specific dollar figure, and some impose a cutoff time prohibiting ads for a certain number of hours prior to an event. Any effort to restrict advertising and commercial speech must be carefully considered because of the constitutional questions that it would raise, particularly with respect to limits on free speech.

But efforts that were undertaken by mid-2022 clearly were insufficient, and all of the concerns raised back then by Rebeck, Andrewes and Pearl now seem prescient. The aggressive advertising for digital sports betting and the potential impact it could have on the issues of problem gambling and underage gambling resulted in blistering criticism. Rep. Paul Tonko of New York, whose district includes Albany as well as Saratoga County and its famous racetrack, went so far as to introduce a bill in Congress that would make it “unlawful to advertise a sportsbook on any medium of electronic communication subject to the jurisdiction of the (Federal Communications) Commission.”⁸¹ The bill has little chance of passing, but it certainly highlighted the growing public frustration with and opposition to the heavy-handed advertising by the online sports sites.

After officials in multiple states initiated efforts to create limits on advertising for online sports wagering,⁸² the industry’s trade group, the American Gaming Association, announced in March 2023 that its members agreed to adopt a new responsible marketing code. An Associated Press article explained the move this way:

The U.S. gambling industry is adopting a new responsible marketing code that will ban sports books from partnering with colleges to promote sports wagering, bar payments to college and amateur athletes for using their name, image or likeness, and end the use of the terms “free” or “risk-free” to describe promotional bets.

The American Gaming Association told The Associated Press on Tuesday the changes are necessary to keep up with developments in the fast-growing legal sports betting industry, which currently operates in 33 states plus Washington, D.C. The group is the national trade association for the commercial gambling industry.

But they also follow criticism of the gambling industry from regulators and those who treat gambling addiction; several states are outlawing the kind of betting partnerships covered by the code, and others are taking a renewed look at overall sports betting advertising.”⁸³

⁸¹ U.S. House of Representatives, “A Bill To prohibit the advertising of sportsbooks on any medium of electronic communication subject to the jurisdiction of the Federal Communications Commission, and for other purposes,” introduced February 9, 2023. <https://www.govinfo.gov/content/pkg/BILLS-118hr967ih/pdf/BILLS-118hr967ih.pdf>

⁸² Eric Lipton and Kevin Draper, “First Came the Sports Betting Boom. Now Comes the Backlash,” *New York Times*, May 23, 2023. <https://www.nytimes.com/2023/05/13/sports/online-sports-gambling-regulations.html>

⁸³ Wayne Parry, “New sports wagering code bans college betting partnerships,” Associated Press, March 28, 2023. <https://apnews.com/article/sports-betting-advertising-college-gambling-underage-7ae3c4081ab0a742275be6489ffca92b>

In adopting the code, the AGA said members pledge to “certain practices in the marketing and advertising of sports wagering services” and it spelled out the following standards:

1. Respecting the legal age for sports wagering

- No sports betting message should be designed to appeal primarily to those below 21 – the prevailing legal age for sports wagering.
- Advertising should not depict cartoon characters or feature entertainers, athletes, influencers or music that appeal primarily to audiences below the age of 21.
- Models, actors, influencers, athletes and entertainers appearing in advertising should be a minimum of 21 years old, substantiated by proper identification.
- No message should suggest or imply that underage persons engage in sports wagering.
- Sports wagering advertising and marketing should be placed in broadcast, cable, radio, print or digital communications (e.g., social media, SMS, websites, streaming) only where at least 73.6 percent of the audience is reasonably expected to be 21 years or older (determined by using reliable, up-to-date audience composition data).
- No sports wagering messages—including logos, trademarks or brand names—should be used or licensed for use on clothing, toys, games or game equipment intended primarily for persons below 21.
- To the extent that promotional products carry sports wagering messages or brand information, AGA members and their employees will use commercially-reasonable efforts to distribute them only to those 21 years of age or older.

2. Limiting college and university advertising

- Sports wagering should not be promoted or advertised in college or university-owned news assets (e.g., school newspapers, radio or television broadcasts, etc.) or advertised on college or university campuses.
- Partnerships with colleges or universities should not include any component that promotes, markets or advertises sports wagering activity. This prohibition does not apply to alumni networks or content that is exclusively focused on responsible gaming education or problem gambling awareness.
- Sportsbooks should not enter name, image and likeness (NIL) endorsements or partnerships with amateur athletes.

3. Supporting responsible gaming

- Each message will contain a conspicuous responsible gaming message, along with a toll-free helpline number, where practical.
- Messages will not promote irresponsible participation in sports wagering.
- No message should suggest that social, financial or personal success is guaranteed.
- No message should suggest engaging in sports wagering is without risk or utilize “risk free” language.
- No message should encourage players to chase their losses or suggest that betting is a means of solving financial problems.
- No message should imply or suggest any illegal activity of any kind.

- Messages should adhere to contemporary standards of good taste that apply to all commercial messaging, as suits the medium or context of the message.

4. Controlling digital media and websites

- Operator-controlled messages placed in digital media—including third party internet and mobile sites, affiliate platforms, commercial marketing emails or text messages, social media sites and downloadable content—shall comply with all applicable provisions of this Code concerning the content of such messages.
- Owned websites and apps that offer sports wagering should include a responsible gaming message and a link to a site that provides information about responsible gaming and responsible gaming services.
- Owned websites or profiles that include sports betting content, including social media pages and sites, shall include a reminder of the legal age for sports wagering.
- Age affirmation mechanisms, utilizing month, day and year of birth, will apply before a user can gain access to any page where individuals can engage in gambling.
- Owned websites will include geolocation mechanisms on those pages where individuals can engage in gambling, in order to restrict access only to those wagering within a legal jurisdiction.
- User-generated content on an owned site or web page will be monitored and moderated on a regular basis for compliance with the provisions of this code.
- Digital marketing communications will respect user privacy and comply with all applicable legal privacy requirements including those governing consent. All such messages targeting an individual recipient will be clearly identified as originating from the sports betting operator or otherwise attributable to the operator. In addition, each such message sent via email or text message will provide the option therein of opting out or unsubscribing.
- Owned websites shall disclose to users—in their terms of use or other policy statements—any practices of the website that involve sharing user information with third parties unrelated to the operator sponsoring the site.

5. Maintaining the code

- The AGA and its members will conduct an annual review of the tenets of the code to ensure the guidelines evolve with the maturation of the legal marketplace.
- Updates will specify an effective date based on the significance of changes and commercially reasonable implementation timelines.
- Updates will apply to new marketing and advertising as of the specified effective date and not applied retroactively.
- Updates will be published and broadly publicized to ensure awareness.

6. Monitoring Code Compliance

- The AGA will offer annual training opportunities for members and employees of members involved in the advertising or marketing of sports wagering services.
- AGA members will provide training on the provisions of this code, including periodic refreshers and updates, to all individuals involved in the advertising or marketing of sports wagering services.
- AGA members will deliver a copy of this code to advertising agencies, media buyers, affiliates and other third parties involved in the member's advertising or marketing.

- AGA members shall adopt an internal review process to evaluate whether promotional and marketing messages comply with this code, and will conduct periodic reviews of promotional and marketing messages to evaluate compliance with this code.
- The commitments in this code apply to persons or entities operating in partnership with or as agents of sports wagering operators in conducting advertising and marketing activity related to sports betting.⁸⁴

The AGA also spelled out a detailed process for monitoring compliance with the code and for filing and adjudicating complaints.

While the AGA's action, and the moves by regulators in several states, may have already changed the advertising landscape, it remains to be seen if these actions will be sufficient to curtail advertising practices that many clearly found objectionable. At the same time, any efforts by states, or even the federal government, may be subjected to judicial review to determine whether an effort to restrict advertising or commercial speech may be an unconstitutional infringement of free speech. Whatever happens could also presage what may happen as additional states introduce igaming.

1. Deductibility of Promotional Expense

Another aspect of promotions deals with the ability of the igaming operator to deduct the cost of the giveaways and other promotions from gross gaming revenue. The ability to deduct such costs may encourage operators to increase their promotional spending, which if successful, would increase the taxable-revenue base. The counter-argument is that the percentage of that gaming-revenue base that would be taxable would diminish.

This is a balancing act that legislators must weigh as they consider the goals of the state to maximize fiscal receipts against the goals of the gaming operators to maximize profits in an often-hypercompetitive marketplace. This balancing act has come to the fore in sports betting in some states where fiscal receipts have not met expectations. Colorado on June 7, 2022, enacted a bill that gradually reduces the tax write-off for sports betting promotions – up to 2.5% of beginning January 1, 2023, diminishing to 1.75% after July 1, 2026. As *Legal Sports Report* noted, “As the state initially allowed operators to write off the cost of bonuses since CO sports betting launched in 2020. That allowance, combined with a 10% tax rate, has led to underwhelming tax revenues.”⁸⁵

Of the six current active igaming states, only one does not exempt promotional credits when calculating state gaming-tax payments.

⁸⁴ American Gaming Association, “Responsible Marketing Code for Sports Wagering.” <https://www.americangaming.org/responsible-marketing-code-for-sports-wagering/> (accessed November 19, 2023)

⁸⁵ Brad Allen, “Colorado Ending Tax Breaks For Sports Betting Promo Spend,” *Legal Sports Report*, May 27, 2022. <https://www.legalsportsreport.com/70580/no-more-tax-breaks-colorado-sports-betting-promos/>

Figure 79: Deductibility of igaming promotional gaming credits by state

State	Deduct Promotional Play from Gaming-Tax Calculation?
Connecticut	Up to 25% of GGR
Delaware	TBD
Michigan	Yes
New Jersey	Yes, limited*
Pennsylvania	Yes
Rhode Island	Yes; details TBD
West Virginia	No

Source: State regulators. *Deductible against the 8% retail casino GGR tax after \$90 million annually; does not apply to the igaming GGR tax calculation.

Regarding the deductibility of promotional gaming credits for existing gaming in Indiana:

- The definition of adjusted gross receipts does not include a deduction for promotional wagers. Operators are also not allowed the deduction of the federal excise tax, as they are in some jurisdictions. The state imposes a 9.5% tax on sports wagering AGR.
- The deductibility of free play for casinos is a more complicated calculation. Since 2015, casinos have been able to deduct up to \$7 million annually in free play when calculating AGR. However, the statute also permits an operator to assign all or part of its \$7 million allocation to another operator. As there are now 12 casino operators, the maximum deduction of free play is \$84 million.

About This Report

This report was prepared by Spectrum Gaming Group, a non-partisan consultancy founded in 1993 that specializes in the economics, regulation and policy of legalized gambling worldwide. Our principals have backgrounds in operations, economic analysis, law enforcement, regulation, research and journalism.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potential clients.

Each Spectrum project is customized to our client's specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Our clients in 44 US states and territories, and in 48 countries on six continents, have included government entities of all types and gaming companies (national and international) of all sizes, both public and private. In addition, our principals have testified or presented before the following governmental bodies:

- Brazil Chamber of Deputies
- British Columbia Lottery Corporation
- California Assembly Governmental Organization Committee
- Connecticut Public Safety and Security Committee
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia House Study Committee on the Preservation of the HOPE Scholarship Program
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Illinois House Executive Committee
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague
- Iowa Racing and Gaming Commission
- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- Michigan Senate Regulatory Reform Committee
- National Gambling Impact Study Commission
- New Hampshire Gaming Study Commission
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee

- New York Senate Racing, Gaming and Wagering Committee
- New York State Economic Development Council
- North Dakota Taxation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- Pennsylvania House Gaming Oversight Committee
- Puerto Rico Racing Board
- US House Congressional Gaming Caucus
- US Senate Indian Affairs Committee
- US Senate Permanent Subcommittee on Investigations
- US Senate Select Committee on Indian Gaming
- US Senate Subcommittee on Organized Crime
- Washington State Gambling Commission
- West Virginia Joint Standing Committee on Finance
- World Bank, Washington, DC

Disclaimer

Spectrum has made every reasonable effort to ensure that the data and information contained in this study reflect the most accurate and timely information possible. The data are believed to be generally reliable. This study is based on estimates, assumptions, and other information developed by Spectrum from its independent research effort, general knowledge of the gaming industry, and consultations with the Client and its representatives. Spectrum shall not be responsible for any inaccuracies in reporting by the Client or its agents and representatives, or any other data source used in preparing or presenting this study. The data presented in this study were collected through the cover date of this report. Spectrum has not undertaken any effort to update this information since this time.

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Appendix I: Indiana and Regional Gaming Market Overview

To provide context for the prospective introduction of igaming Indiana, it is helpful to understand the gaming landscape in and around Indiana. In the table below, the Digital column under Casino is the same as igaming. Casinos remain the focal point of the total-gaming landscape in most relevant states because of their revenue generation and direct employment.

Figure 80: Types of legal gambling types in Indiana, neighboring states

	Casino				Distributed Gaming	Sports Betting		State Lottery	Live Horse Racing
	Commercial	Racetrack	Tribal	Digital		Retail	Digital		
Indiana									
Michigan									
Ohio									
Kentucky									
Illinois		*							

Source: Spectrum Gaming Group research. *Planned

The casino industry in the Midwest began with the launch of three riverboats in Iowa in April 1991. In the subsequent years casino gaming spread across the nation and the Midwest, including Indiana beginning in 1995. The table below presents the number of gaming locations in Indiana and each of its border states, as well as the number of legal slot machines (or similar legal gaming machines).

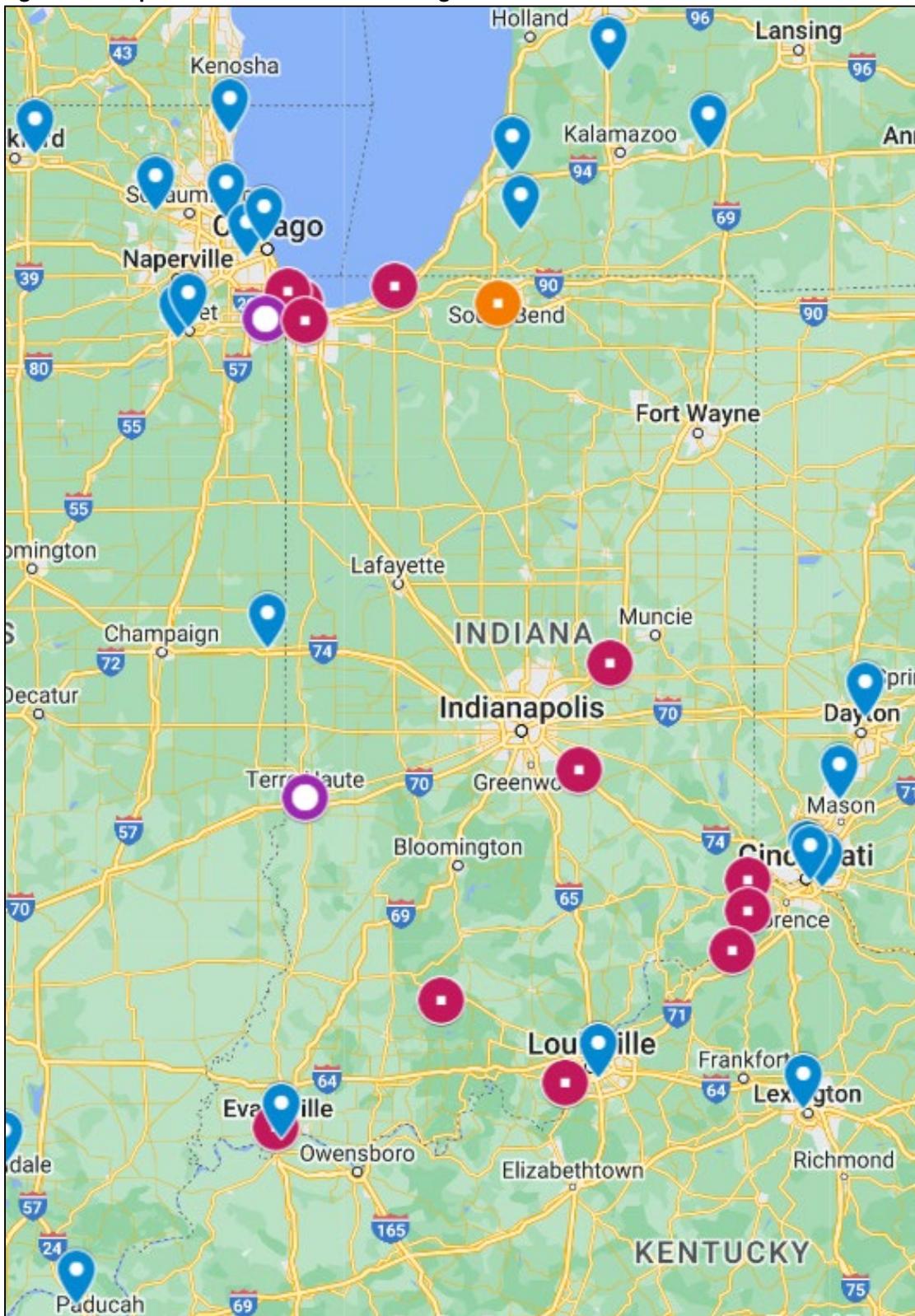
Figure 81: Gaming facility data for Indiana and neighboring states

	Commercial Casinos & Racinos	Tribal Casinos	Non-Casino Locations	Total
Number of Gaming Locations				
Indiana	12	1	-	13
Illinois	15	-	8,425	8,440
Kentucky	10	-	-	10
Michigan	3	23	-	26
Ohio	11	-	-	11
Region Totals	51	24	8,425	8,500
Number of Gaming Machines				
Indiana	13,960	1,900	-	15,860
Illinois	11,638	-	46,673	58,311
Kentucky	6,968	-	-	6,968
Michigan	7,368	22,072	-	29,940
Ohio	16,529	-	-	16,529
Region Totals	56,463	23,972	46,673	127,108

Source: American Gaming Association, state regulators, Spectrumetrix

The map in Figure 82 below shows the locations of Indiana casinos, gaming facilities in surrounding states, and a planned casino in Illinois. Plainly, Indiana and its neighbors are well populated with casinos, with 10 of Indiana's 13 located at or near state borders to attract out-of-state players.

Figure 82: Map of casinos in and surrounding Indiana



Source: Google Maps, Spectrum Gaming Group, state regulators. Red circles denote Indiana casinos. Blue pins denote casinos in other states. Purple circles denote planned casinos.

A. Brief History of Casino Gaming in the Region

Following is a brief history of regulated gaming in Indiana and its neighboring states, presented by state in order of legalization.

Illinois: In 1990, the Illinois legislature approved the Riverboat Gambling Act, which authorized the Illinois Gaming Board to grant up to 10 riverboat casino licenses. In 2009, to confront the challenge of unlicensed and unregulated “sweepstakes games” and “skill games,” the legislature approved an act to permit licensed establishments to offer up to five video gaming terminals (“VGTs”). The VGT program began in 2012 and by 2023 there were more than 46,000 VGTs at more 8,400 locations across the state. In 2019, the Illinois legislature again expanded gaming, approving the issuance of six new licenses for retail casinos, and allowing racetracks to apply for licenses to offer slots and table games. The 2019 law also legalized sports wagering at casinos, racinos, off-track betting facilities and sports stadiums, including Wrigley Field (Cubs), the United Center (Bulls and Blackhawks), and Guaranteed Rate Field (White Sox). The law permitted digital sports wagering. Since the new law, there have been a number of developments in the state:

- The first casino licensed under the new law was Hard Rock Rockford. Hard Rock opened a temporary casino in November 2021 and the permanent casino is under development.
- The Waukegan licensee Full House Entertainment has opened a temporary casino approximately 60 miles north of Chicago. Construction of the permanent casino has been delayed by pending litigation.
- In Danville, Illinois Golden Nugget opened a casino in May 2023. The casino with 500 slots and 14 table games is located near the Indiana border and has excellent access from Interstate 70. As is usual with Golden Nugget, the property has added a Salt Grass Steakhouse, one of the national brands owned by Landry’s, the owner of Golden Nugget.
- Elite Casino Resorts, a family-owned casino developer and operator with four casinos in Iowa and Nebraska, opened Walkers Buff Casino near Carbondale in August 2023. The property has 650 slots, 14 tables, a steak house, a café a sports bar and a 116-room hotel. Like Golden Nugget, this operator chose not to develop a temporary casino.
- Bally’s won the bid to develop a casino in Chicago. In September 2023, Bally’s opened a temporary casino in the old Medinah Temple building near Michigan Avenue while the permanent casino at the former site of the *Chicago Tribune* printing plant is developed. The temporary casino has 800 slots and 56 table games. Of the new licensees, this property is likely to have the most impact on Indiana’s casinos. The casinos in Lake County, IN, rely on business from Illinois.
- The Wind Creek casino being developed in Homewood, IL, will also be a threat to the Lake County Indiana licensees. The location at Halsted and Interstate 294 is close to the Indiana border approximately 13 miles west of the Hard Rock Northern Indiana at Burr Street in Gary, potentially cutting off players to the Gary property. Poarch Creek is planned to open January 2025 with 1,350 slots, 56 tables, several restaurants and a 252-room hotel.

Indiana: Seeing the early success of the Illinois riverboats, and wanting to spur economic development in targeted areas, the Indiana legislature approved the Riverboat Gambling Act in 1993, which authorized 11 riverboat casino licenses. Only 10 of the licenses were issued; the 11th was intended

for a casino on Patoka Lake in southern Indiana. The lake was controlled by the Army Corp of Engineers, which did not want a casino on their lake. Originally, five casino licenses were awarded to counties along Lake Michigan: two at Buffington Harbor in Gary, one in Hammond, one in East Chicago, and one in Michigan City. In 2019, the Indiana General Assembly approved legislation to allow one of the licenses in Gary to relocate within the City of Gary and the other to move to Terre Haute. To follow the intent of the original law and bring a casino to the region, in 2003 the legislature authorized an 11th commercial casino within a “historic hotel district,” paving the way for the opening of French Lick Resort Casino. In 2007, a law was passed to allow slot machines at the two Indiana horse racing tracks, and table games later were added to the racetracks. In July 2018, the Pokagon Band of Potawatomi opened a casino in South Bend. Initially, the property could only offer electronic bingo machines. In early 2021, the State of Indiana and the Pokagon signed a gaming compact allowing the Pokagon to offer all casino games. After the repeal of the federal Professional and Amateur Sports Protection Act in 2018, the legislature passed a bill authorizing sports betting at commercial casinos and racinos, as well as at off-track betting facilities. The casinos and racinos are allowed to offer digital sports wagering as well.

Michigan: In 1996, Michigan voters passed a referendum permitting a maximum of three commercial casinos in Detroit. The three commercial casinos have slot machines, table games and, now, sports betting. Michigan’s casino gaming market includes 23 tribal casinos operated by 12 sovereign tribal nations throughout the state. In December 2019, Michigan lawmakers authorized the state’s commercial casinos and 12 recognized Native American tribes to offer statewide digital sports betting and internet casino gaming, which commenced in January 2021. Digital sports betting and igaming have been very popular in Michigan. We believe people became more accustomed to internet commerce during the pandemic closures and that this level of comfort translated into a faster adoption of igaming in Michigan than in other states.

Ohio: Voters approved a ballot initiative in 2009 that authorized commercial casinos in Toledo, Cleveland, Columbus and Cincinnati. An executive order in 2011 approved video lottery terminals (“VLTs”) at established Ohio racetracks. The four casinos that offer slot machines and table games are regulated by the Casino Control Commission; the racinos are regulated by the Ohio Lottery Commission. Both retail and digital sports betting launched on January 1, 2023.

Kentucky: Although the state has no casino gaming, it does offer what are known as historical horse racing machines (“HHRs”). HHRs have been deemed a form of pari-mutuel wagering, and therefore are legal in Kentucky, whereas slot machines are illegal. Operators of HHR games must be affiliated with a live horse racing track. First introduced at Kentucky Downs in 2011, there are now 10 HHR facilities in the state. The state added in retail and digital sports wagering in September 2023. The tax rate for retail betting is 9.75% and for digital the rate is 14.25%

Both Illinois and Indiana had flat-rate casino revenue taxes when the industry was first authorized. Both also charged an admission fee or tax on each person who boarded the riverboat casino. The legislatures in Illinois and then Indiana felt that a graduated tax rate would bring in more money for the state and lighten the tax burden on smaller operators. Both states moved from a flat rate to a graduated tax. Indiana eliminated the admission tax and shifted to a Supplemental Gaming Tax. Illinois maintains the

admission tax. The following table provides a comparison of gaming-tax rates for Indiana and its neighboring states.

Figure 83: Gaming tax rates for Indiana and neighboring states

Venue	Slot Tax	Rates	Table Tax	Rates	Other Tax
Indiana Casinos	Variable	15%-40%	Variable	15%-40%	Supp. Tax 3.5%
Indiana Racinos	Variable	25%-35%	Variable	25%-35%	N/A
Illinois Casinos	Variable	15%-50%	Variable	15%-20%	\$2 -\$3 per Adm.
Illinois VGT	Flat	34%	N/A	N/A	N/A
Kentucky HHR	N/A	N/A	N/A	N/A	1.5% Handle
Michigan Commercial Casinos	Flat 19%	N/A	Flat 19%	N/A	N/A
Ohio Casinos	Flat 33%	N/A	Flat 33%	N/A	N/A
Ohio Racinos	Flat 33.5%	N/A	N/A	N/A	N/A

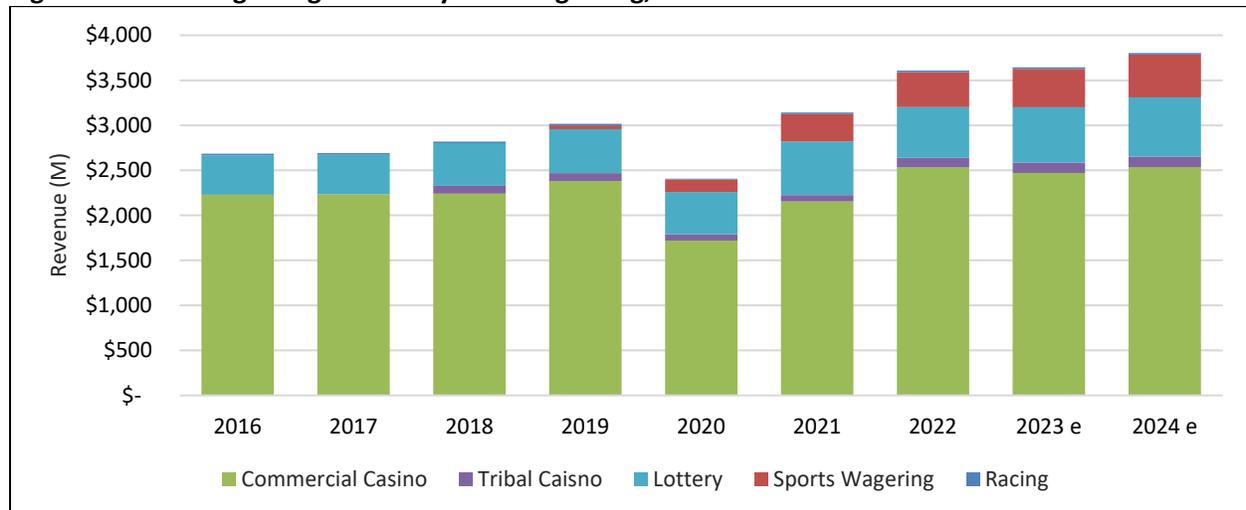
Source: American Gaming Association, Spectrum Gaming Group

B. Indiana

Indiana has 12 commercial casinos (with a 13th preparing to open in 2024), one tribal casino and two racetracks with casinos (“racinos”). Casino Aztar in Evansville became the first Indiana casino to open in 1995. Until 2020, the racinos did not offer table games. Over time, Indiana has introduced changes to the gaming environment, allowing the casinos that once had to sail on bodies of water to become land-based, eliminating admission fees, and reworking the gaming-tax structure. All of these changes sought to increase the viability of the gaming industry.

The most recent addition to the gaming arena was sports betting, which began in September 2019, a half-year prior to the beginning of the Covid-19 pandemic. Figure 84 presents the recent history of Indiana gaming revenues.

Figure 84: Indiana gaming market by form of gaming, 2016-2024e



Source: H2 Gambling Capital, Spectrum Gaming Group. Note: Lottery results are for revenue, not sales.

C. Illinois

After Iowa in 1991 became the first jurisdiction to commence legal casino gaming outside of Nevada and New Jersey, Illinois followed suit the same year when the Alton Belle riverboat near St. Louis became that state’s first casino. Illinois currently has 15 casinos. In 2019, the state approved table games and slot machines at racetracks. Two tracks, Hawthorne Raceway near Midway Airport and FanDuel Sportsbook and Horse Racing (until recently known as Fairmount Park) in Collinsville, have begun planning for installation. Hawthorne is eligible for 1,200 gaming positions and expects to open in 2025. FanDuel can have 900 positions and expects to open in late 2024. The 2019 gaming bill also authorized a casino for Chicago for the first time.

In May 2022, the City of Chicago awarded the allotted Chicago license to Bally’s after a public-bid process. The company plans a major casino resort located at the intersection of Chicago Avenue and Halsted Street on the near north side. The proposed Bally’s casino will have 3,400 slots, a 500-room hotel, and an entertainment center with seating for 3,000.⁸⁶ Spectrum believes this casino has the potential to divert players who are currently visiting Indiana casinos in Lake County, specifically the properties in East Chicago and Hammond. Hard Rock Northern Indiana may be better positioned to counter this threat both geographically – as it at an exit ramp on Interstate 94 – and physically, as Hard Rock is a new retail casino, whereas the East Chicago and Hammond casinos are older, boat-style casinos.

Figure 85: Estimated or actual sizes and opening dates of new Illinois casinos

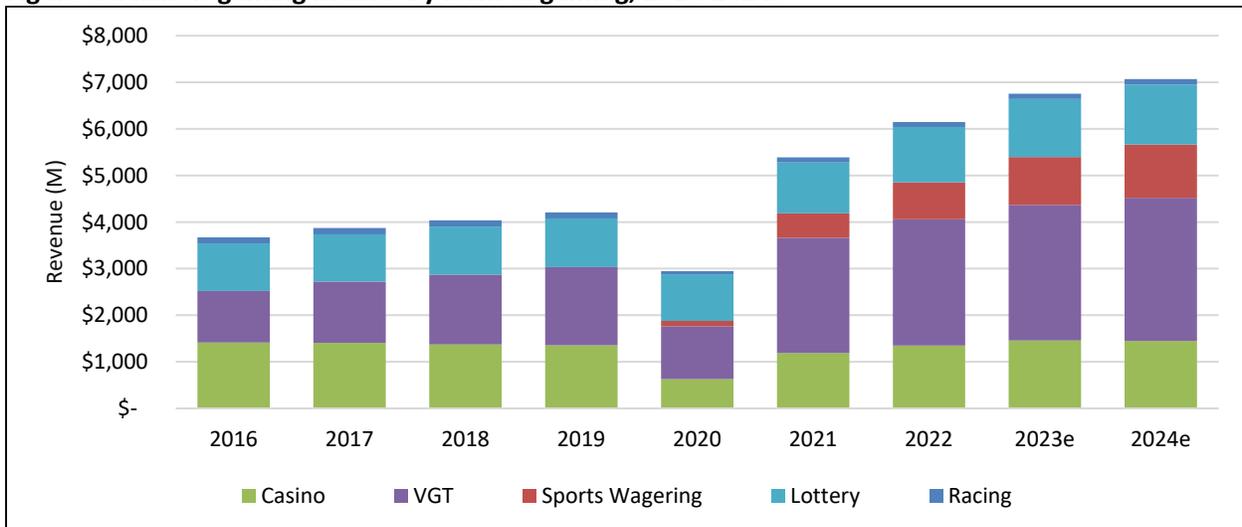
Casino	City	Slots	Tables	Est. or Actual Opening
FanDuel Sportsbook & Racing	Collinsville	600	15	Late 2024
Hawthorne Raceway	Stickney	1,100	40	Spring 2025
Walker’s Bluff Casino	Cartersville	639	14	August 2023
Hard Rock Rockford	Rockford	1,100	40	Temp November 2021
Wind Creek	Homewood	1,300	56	January 2025
Golden Nugget	Danville	477	14	May 2023
American Place	Waukegan	937	27	Temp February 2023
Bally’s Chicago	Chicago	3,400	170	Temp September 2023

Source: Spectrum Gaming Group research

The biggest change to the Illinois casino industry was the approval of VGTs at bars, cafes, truckstops and other approved locations across the state. One positive of the implementation of the VGT program was the elimination of gray market “amusement games” that had proliferated across the state. However, the convenience of VGTs (currently more than 46,500 at more than 8,400 locations) diverted gaming revenue from the casinos. Figure 86 below depicts recent years of Illinois gaming revenue.

⁸⁶ Fran Spielman and David Roeder, “\$1.7 billion Bally’s Chicago casino clears key hurdle,” *The Chicago Sun Times*, May 23, 2022. <https://chicago.suntimes.com/city-hall/2022/5/23/23138603/chicago-casino-city-council-vote-ballys-river-west-lightfoot-medinah#:~:text=Bally's%20has%20proposed%203%2C400%20slots,Sun%2DTimes%20also%20is%20produced>.

Figure 86: Illinois gaming market by form of gaming, 2016-2024e



Source: H2 Gambling Capital, Spectrum Gaming Group. Note: Lottery results are FY and are for revenue, not lottery sales.

As can be seen in the chart, VGT revenue has grown dramatically. The VGTs now generate more gaming revenue than the 11 casinos, and Illinois generated more tax revenue from the VGTs as well. Illinois has a graduated tax on casino revenues, but a flat 34% state tax on VGTs.

Figure 87: Illinois gaming revenue tax revenue from casinos and VGTs, 2018-2023

(M)	2018	2019	2020	2021	2022	LTM 9/23
Casino Win	\$1,375	\$1,354	\$367	\$1,187	\$1,349	\$1,465
VGT Win	\$1,500	\$1,677	\$1,134	\$2,475	\$2,710	\$2,851
State Casino Tax	\$383	\$337	\$69	\$249	\$290	\$311
State VGT Tax	\$375	\$444	\$325	\$718	\$786	\$827

Source: Commission on Government Forecasting and Accountability, Illinois Gaming Board⁸⁷

D. Kentucky

Casino gaming is not allowed in Kentucky. The state permits historical horse racing machines (“HHRs”). HHR machines are gaming machines that allow players to place bets on past horse races. Slot machines offer results based on a random number generator. HHR machines look like slots, play like slots and pay out the same as slots. An HHR machine determines the outcome on the dial by an algorithm fed 100,000 previous races. At an HHR machine, the player makes a wager, then the machine randomly selects a prior run race. If the player has selected the correct winning horse, they win. Colonial Downs, a racetrack and operator of HHR machines in Virginia, offers an excellent description of the difference between HHR machines and slots:

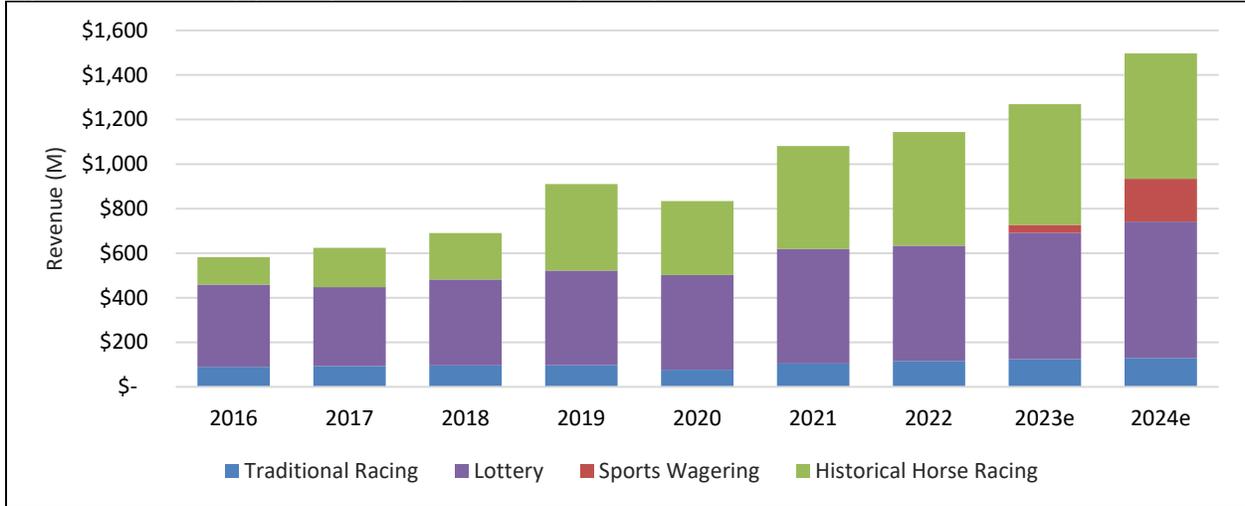
Historical Horse Racing games are a competitive substitute for traditional games. The major difference that sets HHR apart from traditional games is the results of these games are not random. HHR is a true pari-mutuel wagering system that is delivered to the customer in an entertaining video experience.

⁸⁷ Illinois Commission on Government Forecasting and Accountability, “Monthly Briefing, January 2023,”

<https://cgfa.ilga.gov/Upload/123%20Monthly.pdf>

The definition of pari-mutuel is the operator does not have a stake in the outcome of the wager and the net pool is returned to the players. HHR has multiple parallel entertainment paths. The cabinetry looks like a traditional game but it functions the same as placing a wager at an OTB Kiosk and the results are displayed as both a graphical representation of a past horse races and another screen provides animation similar to traditional games.⁸⁸

Figure 88: Kentucky gaming market by form of gaming, 2016-2024e



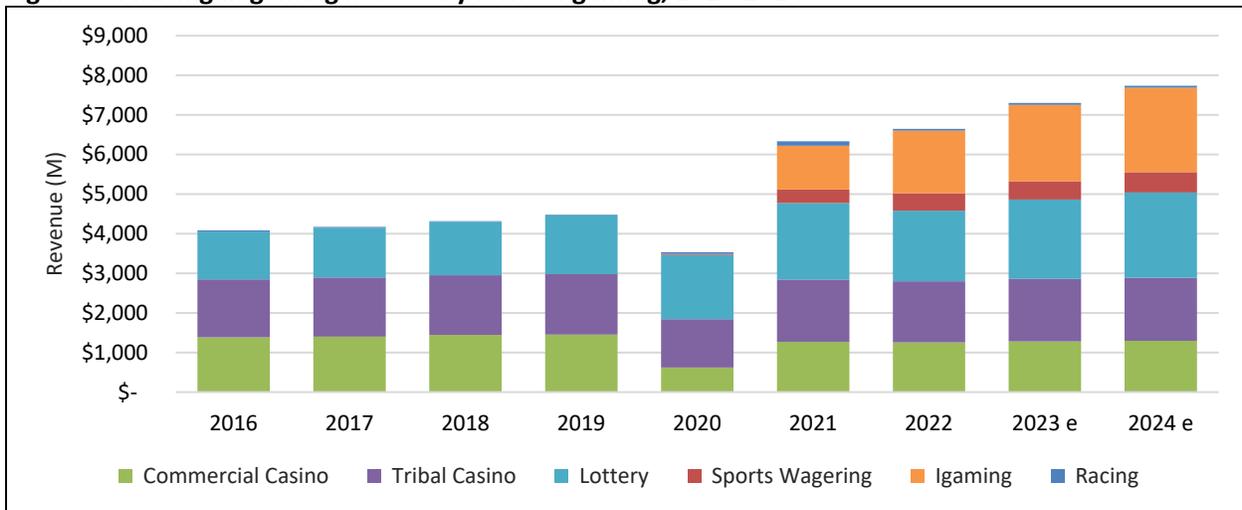
Source: H2 Gambling Capital, Spectrum Gaming Group. Note: Lottery results are FY and are for revenue, not sales.

E. Michigan

In 1993, the Saginaw Chippewa Tribe opened the first compacted tribal casino in Michigan in Mt. Pleasant. In November 1996, Michigan voters approved a referendum authorizing three licensed commercial casinos to be built in Detroit. In addition to the three commercial casinos in Detroit, there are 23 tribal casinos spread across the state. The tribal casinos remit a revenue-sharing payment to local governments. The commercial casinos are taxed on net win – the amount the casino keeps after paying winners. The combined tax rate is 19%. In 2020, Michigan launched sports wagering and igaming.

⁸⁸ Colonial Downs. <https://rosiesgaming.com/historical-horse-racing/> (accessed June 4, 2022)

Figure 89: Michigan gaming market by form of gaming, 2016-2024e



Source: H2 Gambling Capital, Spectrum Gaming Group. Note: Lottery data for year ending September 30. Lottery results are for revenue, not sales.

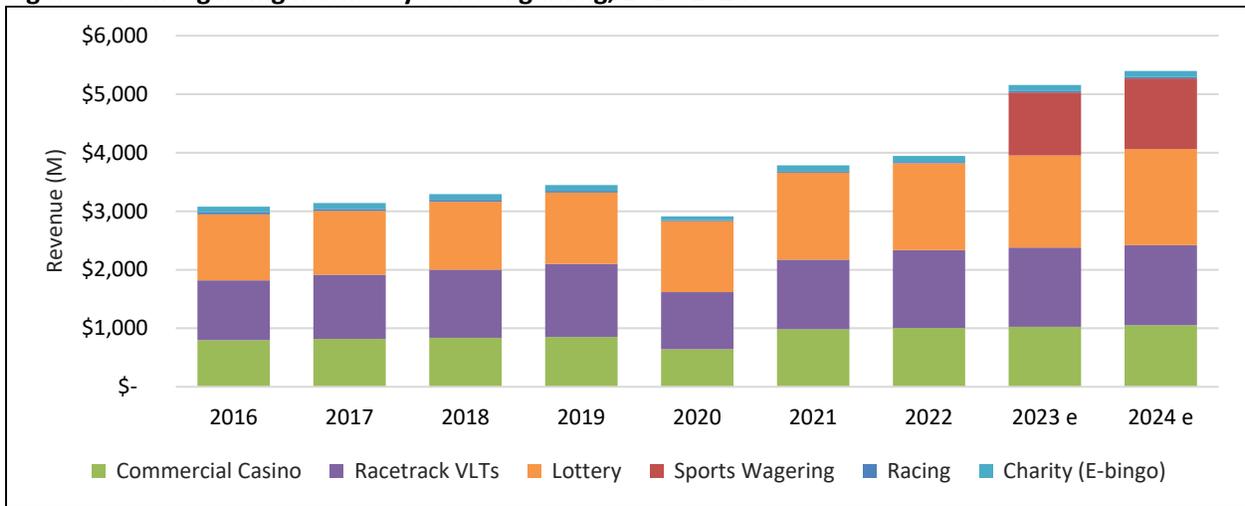
F. Ohio

In 2009, Ohio voters passed a constitutional amendment permitting casinos at four locations in the state – one each in Cincinnati, Cleveland, Columbus and Toledo. The first casinos, in Cleveland and Toledo, opened in May 2012. The four casinos are regulated by the Casino Control Commission.

In October 2011, the governor by executive order authorized up to 17,500 video lottery terminals (“VLTs”) at horse racing tracks around the state, creating “racinos.” The first racino, Scioto Downs opened in June 2012. VLTs are different from slot machines in that the outcome in a VLT is determined by a lottery game rather than a random number generator. To most players, the machines are indistinguishable. There are seven racinos throughout Ohio. Because the games at the racinos are a form of lottery, the Ohio Lottery regulates the racino operators.

In December 2021, the governor signed a law legalizing sports betting, and it launched on January 1, 2023. The tax rate on sports was initially set at 10% of net revenue but raised to 20% in July 2023.

Figure 90: Ohio gaming market by form of gaming, 2016-2024e



Source: H2 Gambling Capital, Spectrum Gaming Group. Note: Lottery results are for revenue, not sales.

Appendix II: National Council on Problem Gambling Internet Responsible Gambling Standards



INTERNET RESPONSIBLE GAMBLING STANDARDS

Revised May 31, 2021

Gambling may have benefits but also has well documented negative consequences. Internet gambling is no exception. It is clear that some who gamble online will develop problems and that these problems are serious. The most ethical and cost-effective response to gambling addiction issues is a comprehensive public health strategy that includes prevention, education, treatment, enforcement, responsible gambling, research and recovery services. Responsible gambling standards are an important aspect of this approach. The National Council on Problem Gambling has developed these standards to help guide discussions among all stakeholders on internet gambling, including operators, regulators, advocates and the public.

First developed in 2012 and updated several times including in 2021 to keep up with new regulations and technology, these standards have driven responsible gambling regulation in a number of states as online gambling has developed in the US. The final recommendations in this document come from our experience in problem gambling issues, empirical evidence, existing international codes and feedback from experts in the field including operators, vendors, regulators, researchers, clinicians and advocates. The NCPG standards are continually evolving, as internet gambling-related legislation, regulation and technology are rapidly being introduced. It is intended to apply across all platforms (including web, desktop, mobile, app and any other device that can be used for internet gambling).

It is strongly recommended that operators, vendors and regulators consult with experts in the problem and responsible gambling field during the development and implementation of internet gambling. Problem gambling, like other diseases of addiction, will likely never be eliminated, but we must make better efforts to mitigate the damage. A portion of all gambling revenue should be dedicated to reducing the social costs of gambling addiction. Organizations like NCPG provide services to prevent, treat and research gambling problems, as well as responsible gambling programs and policies such as IRGS.

Definitions: Problem gambling is a disorder characterized by preoccupation with wagering, chasing losses and losing control over the amount of time and money spent gambling. Responsible gambling is policies and programs designed to prevent and reduce potential harms associated with gambling; they often incorporate a diverse range of initiatives designed to promote consumer protection, improve community and consumer awareness and education, and provide referrals to treatment and recovery resources.

About NCPG: The National Council on Problem Gambling is the national advocate for programs and services to assist problem gamblers and their families. NCPG was founded in 1972 and is a non-partisan, non-profit organization that is neutral on legalized gambling.

730 11th Street NW, Suite 601, Washington, DC 20001 | T: 202.547.9204 | F: 202.547.9206 | www.ncpgambling.org

POLICY

Policy Commitment: Corporate policy makes a clear commitment to responsible gambling and identifies expectations for corporate leadership. The policy should seek to ensure that the prevention of gambling-related harm is included in all strategic decisions.

Strategy: The operator has a responsible gambling strategy with defined goals and a clear plan of action.

Evaluation and Reporting: The strategy should be evaluated annually for progress and a report made publicly available.

Support: A portion of the organization's internet gambling revenue should be dedicated to reducing the social costs of gambling addiction.

STAFF TRAINING

Corporate Policy: A senior staff member is responsible for implementation of responsible gambling policies and procedures, and that person is listed on the website. There are regular reminders to all Directors, managers and staff about the organization's responsible gambling policies, and general updates on industry best practice.

Training: All staff should be trained every year on responsible gambling, including but not limited to, definitions of key terms, myths and facts and where to get help, with content updated as necessary. Customer-facing staff should have enhanced annual training in player protection and responsible gambling interventions. These staff members are taught skills and procedures specific to their position to respond to situations where a player is in distress. Staff knowledge of responsible gambling should be tested as part of the training. Training should be developed or evaluated by an unaffiliated third party with experience in gambling addiction and responsible gambling.

SUPPORTING INFORMED DECISION MAKING BY PLAYERS

Safer Gambling Information: Players are provided with highly visible and readily accessible tools and information to help them make more informed decisions about their gambling. The information should be presented in a way that can be clearly understood by a player with a sixth grade reading level. The responsible gambling information includes, but is not limited to, player-focused information on:

Practical tips on how to keep gambling within safe limits

1. Common myths associated with the applicable games
2. How the site's individual games work, including randomness, house edge, odds of winning and payout ratios where applicable

3. Preventing access to a player's accounts by underage, unregistered, unauthorized or excluded players
4. How to use the site's responsible gambling tools and features
5. Risks associated with gambling
6. Signs of a potential gambling problem for themselves or their loved ones
7. How to access personal data on responsible gambling
8. Direct links to at least one organization dedicated to helping people with potential gambling problems. Regular testing for functionality occurs for all links to help services.

Personal responsible gambling data: Players have readily available access to their gambling history including amounts wagered, won and lost; time and money spent; games played; net wins/losses as well as session information. Players have access to their account details including all deposits, withdrawals, movement of funds between products, bonus information, restrictions such as exclusion events and limits, and net outcomes including total won or lost over a defined period. This information should be readily available across all platforms (including web, desktop, app).

Players can receive live updates during play about time and money spent and account balances in cash, not credits.

Limit setting: The site must allow players to set a variety of limits and should encourage and even incentivize the player to do so. These limits must be clearly signposted when a player joins the site.

- Players have the option of setting daily, weekly or monthly limits on the size of deposits.
- Players have the option of setting a system-wide or a product-based limit on the amount of time or money spent.
- Players should have the ability to block themselves from particular games or game types.
- Players should be able to lower limits immediately. Players may request increases in or removal of their limits. After the period ends and a request for increase or removal is made, there will be an additional delay of at least 24 hours and the player must reconfirm their request for the limit to be changed.

Play is stopped when the limit is reached. Players may view the status of their limits on the account details page at any time either via web browser or mobile app.

Time Out: Players have the option of setting time limits (time-outs). Time-outs are defined as instant stops in play that are at least 12 hours but less than six months. Longer stops in play are available under the self-exclusion procedure. Players may still receive marketing materials during a timeout, unless they wish to exclude.

Withdrawals: The site should allow a customer, when they request a withdrawal, to confirm that they do not wish to reverse this decision. This confirmation should be irreversible. A clear explanation of this process should be available at the time that the withdrawal is requested.

ASSISTING PLAYERS

Policies: Clear policies are in place for assessing and handling situations where a player indicates they are in distress or experiencing problems. Operators should have policies in place to monitor player activity for signs or triggers of problem gambling. There is a procedure in place to address third party (e.g., spouse, relative) concerns about players gambling behavior.

Responding to Player Information Requests: Customer service agents are knowledgeable about the helpline, self-exclusion/timeout, responsible gambling, online gambling blocking software and local help resources and able to provide that information on request. All information should be in clear and simple language, ideally in multiple languages where necessary.

SELF-EXCLUSION

Self-Exclusion: Self exclusion is a player-initiated restriction on their ability to play on the site. The self- exclusion functionality should be no more than three clicks from any game.

Self-Exclusion Policy: Players have the choice of registering online through their player account or with a customer service agent. Players have the option to register through a third-party provider recognized by NCPG or the regulatory agency.

Exclusion Length: The ban length is variable but is a minimum of six months and includes a lifetime option. Players have options to select the length. All bans, no matter what length, are irrevocable until the expiration of the exclusion term. Bans stay in effect indefinitely and accounts are not automatically re- opened until players go through the reinstatement process.

Communication with Players: Excluded players do not receive any promotional materials until a player goes through the reinstatement process.

Access to Help: Players who exclude also receive information about available help and prevention services (e.g., helpline number, blocking software, counseling, Gamblers Anonymous).

Conditions of Exclusion: Players receive clearly worded information that outlines the conditions of the ban. Players receive an outline of the conditions of the ban during registration and by email following registration, which should not contain promotional materials but includes:

- Length of exclusion
- The closure process for any accounts opened by the same person during the exclusion
- Requirements for reinstatement and renewal upon expiration of the exclusion
- How reward points, scheduled payments and remaining balances are handled

Enforcement: The player's account is closed or suspended so that no deposits or bets can be placed. Any new accounts detected following entry into a self-exclusion/timeout will be closed so that no deposits or bets can be placed.

Reinstatement: There is a process in place for players to resume play if their exclusion is less than lifetime duration. If a player requests reinstatement, this information is provided to the player along with help resources (e.g. tips on how to keep gambling within safe limits and encouragement to use the site's responsible gambling features).

Renewal: Players may renew their exclusion if their exclusion is less than lifetime duration. Players who renew their ban receive information concerning problem gambling and help resources.

ADVERTISING AND PROMOTION

Advertising Policy Statement: The operator has a clearly articulated commitment to advertising that does not mislead or target people with gambling problems or vulnerable populations such as minors. Advertising and promotions are not on any online pages that are geared towards responsible gambling. Advertising is not misleading about outcomes of gambling and does not misrepresent the odds of winning/losing.

Complaints: The complaints and disputes process should be easy to find on the website or app.

GAME AND SITE FEATURES

Display Cash: Games always display bets, wins, losses and account balances as cash, not credits or points.

Game Features: The site does not allow players to play games automatically using an auto play feature. The site avoids reinforcing myths (e.g., stop buttons are not available to avoid giving players the illusion of control or reinforcing the near miss).

New Features: All new games and site technology are reviewed in advance for possible impacts on gambling-related harms utilizing a risk assessment protocol.

Registration: Players receive responsible gambling information during registration, agree to the terms before starting to play and receive this information by email following registration. Terms are provided to players upon registration, including information about bonuses, deposits, withdrawal and the disposition of player funds. Terms and conditions should be in clear and simple language, and available in other languages on request. Self-exclusion lists are checked during the registration process and excluded players are denied access.

Multiple Accounts: Players are not allowed to have multiple accounts on the same site. Where an operator has multiple sites, they should state clearly how a customer who excludes from one site may be managed on the operator's other sites.

Free Games: Free or demonstration games should not be available to play without first signing into an account. Free or demonstration games have the same payout percentages, odds and age restrictions as paying games.

Encouragement to Continue: Players must not be encouraged to play with winnings rather than withdraw them. Communications with players do not intentionally encourage players to: (a) increase the amount they play with, (b) gamble continuously, (c) re-gamble winnings, and/or (d) chase losses.

Underage Gambling: Sites have an affirmative obligation to put in place technical and operational measures to prevent access by those who are underage. The age verification process should be required as a part of registration and prior to deposit of any funds. Such measures include requiring the site to use a reputable independent third party that is commonly in the business of verifying an individual's personal identity information. When an underage player is identified their play should be immediately stopped and their account closed. The site policy should clearly describe any other consequences including how any winnings or funds in the account are handled.

Minimum Age: We strongly recommend a minimum age of 21 to access any play on the site, whether free or paid.

RESEARCH

Transparency: Play data from regulated internet gambling sites should be publicly available through the regulatory agency to qualified researchers. Data must be anonymized to remove personally identifying information, consistent with Federal and state privacy, intellectual property and freedom of information laws. A customer should be able to request and receive all of their account information.

Evaluation: A research program should be in place which monitors and reviews the effectiveness of the operator's responsible gambling policies, including tracking player usage and uptake of responsible gambling tools.

PAYMENTS

Exclusion: Any electronic/digital/cashless payments method the site accepts should allow players to exclude.

Limits: Players should also be able to set limits on their gambling-related financial transactions, including amount and frequency of deposits.

Data: Data on payments made by players should be publicly available through the regulatory agency to qualified researchers. Data must be anonymized to remove personally identifying information, consistent with Federal and state privacy, intellectual property and freedom of

information laws. A customer should be able to request and receive all of their account information.

Know Your Customer: Players should undergo a thorough age and identification verification process in setting up their payment methods.

Credit: Players cannot obtain a line of credit from the site.

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