

IS THE JUICE WORTH THE SQUEEZE?
LEGALIZING SPORTS WAGERING IN CALIFORNIA

A Thesis

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by

Jeremiah Ramirez

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by

Jeremiah Ramirez

Approved by:

_____, Committee Chair
Andrea Venezia

_____, Second Reader
Christian Griffith

Date

Student: Jeremiah Ramirez

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_____, Department Chair _____
Edward Lascher, Ph.D. Date

Department of Public Policy and Administration

Abstract
of
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The purpose of this thesis is to better inform the public debate surrounding sports wagering legalization in California. I review existing U.S. sports wagering markets for accessibility, pricing, and other notable characteristics. Then, I propose three markets suitable to California: (1) Tribal exclusivity with protectionism (Tribal), (2) Fully enabled commercial sports wagering (Commercial), and (3) State lottery administered monopoly with revenue sharing (Lottery). Using comparative alternatives matrix (CAM) analysis, I examine these market structures for political feasibility, socially responsible accessibility, and market pricing. *Results:* Tribal 3.4, Commercial 3.0, Lottery 2.4. Tribal does not have too much opposition or too little support, offers limited access to wagers, forgoes maximizing tax revenues in favor of more equitable social outcomes, creates a competitive market between tribes, and can undermine the illegal black market. By integrating sports wagering into existing tribal gaming compacts, tribal gaming exclusivity is maintained, brick-&-mortar casinos are not undermined, access is more limited than commercial or lottery markets, and the spirit of gaming as an economic means for tribes is upheld.

_____, Committee Chair
Andrea Venezia, Ph.D.

Date

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CHAPTER ONE: THE SPORTS WAGERING POLICY WINDOW

Introduction

On May 14, 2018, the Supreme Court of the United States (SCOTUS), in *Murphy v NCAA*, invalidated The Professional and Amateur Sports Protection Act (PASPA), a 1992 federal prohibition of legalized sports wagering (Supreme Court of the United States, 2018). As a result, states are now free to exercise self-determination in legalizing and regulating sports wagering. Historically, bettors were limited to legal sportsbooks in Nevada or the illegal black market (Lang, 2016). Now, upwards of 40 states are exploring, debating, or outright pursuing the legalization of sports wagering (D’Andrea, 2018; Olivier, 2019).

At stake for California is a new source of tax revenues and consumer protections for the sports wagering public. Oxford Economics (Oxford) (2017), in a report commissioned by the American Gaming Association (AGA), a casino industry trade group, estimates California’s sports wagering black market to be \$20 to \$40 billion annually and a clear indication of prohibition’s ineffectiveness. The multitude of pressing issues confronting California’s elected leaders are subduing the public debate of peripheral issues like sports wagering legalization (Garofoli, 2019). The absence of substantive public debate risks abdicating the issue to gaming industry interests keen on full scale Class III, or *Nevada-style*, gaming via the ballot initiative process (Hintze, 2018).

There is an information asymmetry of sports wagering legalization in California— that is, there is a dearth of objective analysis. *The purpose of this thesis is*

to better inform the public debate surrounding sports wagering legalization using comparative analysis to examine which structure of sports wagering in California maximizes political feasibility, socially responsible accessibility, and pricing to yield a safe, sustainable, and competitive market that undermines the illegal black market.

In Chapter One, I provide an overview of the sports wagering industry and examine other states' existing sports wagering market structures. Chapter Two is a review of the existing literature on sports wagering regulation. I examine California's social, political, and regulatory environments relevant to legalized sports wagering in Chapter Three. In Chapter Four, I offer alternatives as to how California may structure a sports wagering market. I explain and my methodology and criteria of market pricing, socially responsible accessibility, and political viability in Chapter Five. In Chapter Six, I apply my criteria to the alternatives and provide analysis of the outcomes. Lastly, in Chapter Seven I offer recommendations and discussion for legislators' consideration.

Overview

The origin of sports wagering in the U.S. is credited to horse racing in 1820's New York (Lang, 2016). Over time, sports wagering expanded to dogs, roosters, and eventually humans (Lang, 2016). Today, sports wagering in the U.S. is a technologically-enabled and sophisticated multi-billion-dollar geopolitical industry rife with organized crime, jurisdictional rivalry, and incessant demand (Cabot & Miller, 2018; Lang, 2016). In this overview section, I provide background information about the U.S. sports wagering industry. First, I identify basic and essential concepts and terminology. Next, I describe the scope and magnitude of the illegal black market. Then, I examine how states

are structuring these newly created sports wagering markets, with a focus on pricing and socially responsible accessibility. Lastly, I describe the current state of sports wagering legalization efforts in California.

Basic Terminology and Concepts

To fully consider sports wagering legalization and market structure requires understanding its unique jargon. Fundamentally, *sports wagering* involves two willing parties risking money on opposing outcomes of a sports event (Thompson, 2015). The *bettor* is an individual seeking out *action*, or the act of placing a wager (TheLines.com, 2019). A *sportsbook* is a legitimate entity, typically affiliated with or owned by a casino, that accepts wagers on sports events (Lang, 2016; Thompson, 2015). A *bookie* is an individual illegally accepting wagers on sports events (Lang, 2016; Thompson, 2015). The entity accepting a wager, be it a sportsbook or bookie, is referred to as the *house* (TheLines.com, 2019). The commission or fee charged by the house is the *vig* or *juice* and is the primary driver of competition among sportsbooks and bookies (Cabot & Miller, 2018; Lang, 2016; Thompson, 2015). The standard juice charged by illegal operators is ten percent, and legal operators do not stray far from this benchmark out of fear of losing market share (Lang, 2016). Savvy bettors typically seek wagers with the lowest juice without regard to legal status (Cabot & Miller, 2018; Lang, 2016). The *handle* is the gross amount wagered on an individual event (TheLines.com, 2019). This differs from gross gaming revenue, the amount of money left after paying out winning bets (Cabot & Miller, 2018; Lang, 2016; Thompson, 2015). *Local share* refers to the portion of the gross gaming revenue reserved for the local jurisdiction where the wager

was placed (Cabot & Miller, 2018; Lang, 2016; Thompson, 2015). Lastly, problem gambling, more commonly known as gambling addiction, is clinically defined as persistent and recurrent problematic gambling behavior (American Psychiatric Association, 2013).

As authors Cabot and Miller (2018) state, there are three prevailing types of wagering systems in the U.S., *fixed-odds*, *pari-mutuel*, and *betting exchanges*. First, fixed-odds is the predominant system used by sportsbooks today. Wagers are treated as contracts with payout terms known at the time of acceptance and not subject to change. Some common types of fixed-odds wagers, with specific definitions found in Appendix I, include moneyline wagering, parlay wagers, proposition bets, and in-game betting. Next, pari-mutuel wagering, known also as *pool sharing*, combines all bets into a common pool, deducts the house take and taxes, and divides the remaining amount among the winners of the wager. Payout amounts are typically not known until after the event, as wagers are accepted up to the start of an event. The most well-known pari-mutuel wagering systems are state lotteries. Lastly, betting exchanges are akin to peer-to-peer stock markets for wagers, and sustained on transaction fees. Bettors may create or accept wagers and then turn around and sell those wagers to other willing buyers.

The federal Indian Gaming Regulatory Act (IGRA) distinguishes gaming activities into classes (National Indian Gaming Commission, 2019). Class I gaming refers to social games for prizes of minimal value or traditional tribal ceremonies or celebrations. Class I gaming activities are not subject to federal law (National Indian Gaming Commission, 2019). Class II gaming includes games of chance like bingo, state

lotteries, and other card games as allowed by states. Lastly, IGRA specifically defines Class III gaming as all gaming not identified as Class I or II. The most common examples are sports wagering, dice games, roulette, slot machines, and banked card games like blackjack and baccarat. (National Indian Gaming Commission, 2019).

Illegal Black Market

Oxford (2017) compiled multiple estimations of illegal sports wagering handles and concluded this difficult-to-measure activity ranges from \$80- \$380 billion annually. Further, Oxford attributes \$20-\$40 billions of illegal wagers originating in California. Historically, the black market was propagated by neighborhood bookies (Cabot & Miller, 2018; Lang, 2016; Thompson, 2015). The advent of the internet and the convenience of mobile devices enabled illegal wagering operations to exist beyond the reach of U.S. law enforcement entities while remaining accessible to bettors (Cabot & Miller, 2018; Lang, 2016). Illegal sports wagering operators are typically harbored by non-extraditing nations and governments susceptible to bribery. Additionally, more informal variations of illegal sports wagers include office pools and fantasy sports leagues (Cabot & Miller, 2018; Lang, 2016).

Existing U.S. Sports Wagering Markets

Following oral arguments on December 4, 2017, SCOTUS observers widely anticipated PASPA's demise based on the justices' expressed skepticism of the federal government's defense (Dewey, 2018; Howe, 2017; Noto, 2018). Even still, the ruling was met with astonishment by observers and spawned uncertainty across state jurisdictions and the betting public (Barnes, 2018; Totenberg, Domonoske, Dwyer, & Montanaro,

2018). Anticipating PASPA's demise, a small number of states passed legislation to initiate sports wagering immediately upon a favorable ruling (D'Andrea, 2018). By the end of 2018, seven states joined Nevada to allow legal sports wagering (Olivier, 2019). An additional two states and the District of Columbia (DC) passed legislation with the expectation of launching marketplaces in 2019, while 29 other states have pending legislation to legalize some form of sports wagering (Rodenberg, 2019).

The variation of existing U.S. sports wagering market structures is a valuable resource to states like California considering legalization because, in the spirit of Louis Brandeis's *laboratories of democracy*, each state is a case study in public policy experimentation (Legal Information Institute, 2019). *The market characteristics relevant to my examination of pricing and accessibility are where and how sports wagering is accessed, licensing fees, gross gaming tax rates, local share tax rates, types of authorized operators, and any other unique or notable market traits.* The following subsections, in descending order by date of enactment, are a state-by-state inventory of these characteristics. The market descriptions are fleeting snapshots of a new and dynamic policy topic and will soon be outdated. Lastly, when available, I cite the total sports wagering revenue for 2018 and January 2019. It is important to note the total revenue figures below refer only to sports wagering pre-tax gross gaming revenue.

Nevada. Nevada legalized sports wagering in 1949 and is the nation's only mature, pervasive, and highly accessible sports wagering market (Rodenberg, 2019; The Lines, 2019). Brick and mortar casinos and racetracks are authorized to operate sportsbooks with fixed odds and pari-mutuel wagering systems (Nevada Gaming Control

Board, 2019). Online and mobile sports wagering operators are required to be affiliated with brick and mortar establishments (Nevada Gaming Control Board, 2019). Market entry requires an upfront \$100,000 licensing fee (Nevada Gaming Control Board, 2019). The gross gaming revenue tax rate for in-person wagers at brick and mortar sportsbooks is 8.5 percent while online and mobile wagers carry a 13 percent tax (Rodenberg, 2019). Local share is 1.25 percent of the state's take (Rodenberg, 2019). As a statewide business development incentive, lower gross gaming revenue tax rates are applied to new operators for an unspecified introductory period (The Lines, 2019). Nevada's total sports betting revenue in 2018 is \$300,674,000 and \$14,626,000 through January 2019 (Center for Gaming Research, 2019).

Delaware. Delaware's sports wagering market dates to 1976, when it authorized the Delaware Sports Lottery, a state administered sportsbook to offer Sports Pick, a three-team or greater parlay card game where bettors must successfully choose multiple outcomes to win (The Lines, 2019; Rodenberg, 2019). Sports Pick underperformed and lasted only one year, but because Delaware's enabling legislation remained active, it was exempt from PASPA (The Lines, 2019). Sports Pick returned in 2009, yielding \$9 million of tax revenue in 2017 (Delaware Sports Lottery, 2019). Delaware was the first state to enact sports wagering following PASPA's invalidation when its three in-state casinos began accepting pari-mutuel single game wagers on June 5, 2018 (Rodenberg, 2019). Wagers on in-state teams are prohibited (Delaware Sports Lottery, 2019). Notably, Delaware utilizes a revenue sharing model distributing 50 percent to the state, 40.2 percent to the casino, and the remaining 9.8 percent subsidizes the state's horse tracks

(Delaware Sports Lottery, 2019). Delaware's total sports betting revenue in 2018 is \$8,919,919 and \$1,438,357 through January 2019 (Center for Gaming Research, 2019).

New Jersey. New Jersey, the plaintiff responsible for successfully challenging PASPA, initiated sports wagering on June 14, 2018. Modeled after Nevada, New Jersey is pursuing a pervasive and highly accessible market structure. Brick and mortar casinos and racetracks are authorized to operate sportsbooks with fixed odds or pari-mutuel wagering systems (New Jersey Division of Gaming Enforcement, 2019). Online and mobile sports wagering operators are required to be affiliated with brick and mortar establishments and bettors must be physically present in the state (New Jersey Division of Gaming Enforcement, 2019). Market entry requires an upfront \$100,000 licensing fee for brick and mortar operators and \$650,000 for online and mobile operators (New Jersey Division of Gaming Enforcement, 2019). The gross gaming revenue tax rate for in-person wagers at brick and mortar sportsbooks is 8.5 percent while online and mobile wagers carry a 13 percent tax (New Jersey Division of Gaming Enforcement, 2019). Local share is 1.25 percent of the state's take (New Jersey Division of Gaming Enforcement, 2019). Notably, New Jersey will allow, but has yet to implement, in-game live betting and arena sportsbooks (Rodenberg, 2019). New Jersey's total sports betting revenue in 2018 is \$94,022,392 and \$18,777,386 through January 2019 (Center for Gaming Research, 2019).

Mississippi. Prioritizing expediency to market, Mississippi repealed a ban on sports wagering and enacted legalization legislation in 2017, a full year before the SCOTUS decision was announced (Legal Sports Report, 2019; The Lines, 2019). The

state's 28 casinos were empowered to operate sportsbooks and began accepting sports wagers on August 1, 2018 (Legal Sports Report, 2019; The Lines, 2019). Sports wagering is limited to brick-and-mortar casino establishments (Mississippi Gaming Commission, 2019). Brick-and-mortar establishments may offer mobile sports wagering within their physical confines, but so far only one casino has pursued this (Mississippi Gaming Commission, 2019; Shirley, 2019). Mississippi charges a gross gaming revenue tax rate of 12 percent, of which eight percent goes to the state and four percent to local share (Mississippi Gaming Commission, 2019). Mississippi uses a hybrid licensing fee structure for market entry (The Lines, 2019). First, there is the annual *Gaming Establishment License Fee* of \$5,000 for each brick-and-mortar establishment. Additionally, Mississippi levies an annual *License Fee Based on Number of Games*, an incremental fee-schedule proportionate to the quantity of sports wagering games offered (State of Mississippi Department of Revenue, 2019). Mississippi's total sports betting revenue in 2018 is \$15,175,668 and \$2,793,238 through January 2019 (Center for Gaming Research, 2019).

West Virginia. Like Mississippi, West Virginia calculated the benefits of early market entry and enacted legislation to legalize sports wagering in the months prior to the SCOTUS decision (Olivier, 2019). Sports wagering at the state's five casinos began September 1, 2018 (Olivier, 2019; West Virginia State Lottery, 2019). The casinos may offer online and mobile sports wagering applications, but bettors must be physically within the state (Rodenberg, 2019). Additionally, casinos may offer live in-game wagering and proposition bets (Olivier, 2019; Rodenberg, 2019). Market entry requires a

\$250,000 licensing fee and gross gaming revenue is taxed at 10 percent (Legal Sports Report, 2019). The West Virginia Lottery commission is the initial chief regulator of sports wagering (Rodenberg, 2019). Lastly, West Virginia hosts the only private casino in the U.S., The Casino Club at the Greenbrier Resort, where casino gaming and sports wagering is exclusive to the patrons of the resort (Olivier, 2019). West Virginia's total sports betting revenue in 2018 is \$6,758,436 and \$1,746,233 through January 2019 (Center for Gaming Research, 2019).

New Mexico. A standout among the states with sports wagering, New Mexico neither enacted legislation nor issued a judicial ruling to enable sports wagering. Rather, the Santa Ana Pueblo Tribe took advantage of a loophole in state law and their tribal gaming compact to boldly create, essentially out of thin air, legal sports wagering in New Mexico as of October 17, 2018 (Ruddock, 2018). There exists no state statute expressly prohibiting sports wagering, while the tribal gaming compact clearly grants permission to operate the full spectrum of gaming activities (Ruddock, 2018). Once the federal prohibition was invalidated, the tribe seized this new gaming opportunity by claiming it subject to the existing compact and started accepting sports wagers at their brick-and-mortar casino (Ruddock, 2018; The Lines, 2019). Wagers on in-state collegiate contests are not permitted (Rodenberg, 2019). New Mexico's gross gaming revenue for sports wagering is not publicly available as of this writing.

Pennsylvania. Pennsylvania's brick-and-mortar gaming establishments started accepting sports wagers on November 17, 2018 (Rodenberg, 2019). Further, these establishments are authorized to offer online, mobile, and live in-game sports wagering to

bettors physically in the state (Legal Sports Report, 2019; Penn Bets, 2019). The necessary technological infrastructure is in development and these services are expected to begin later in 2019 (Legal Sports Report, 2019; Penn Bets, 2019). Notably, market entry requires a one-time \$10 million licensing fee and gross gaming revenue is subject to a 34 percent tax with two percent local share (Legal Sports Report, 2019; Penn Bets, 2019; Pennsylvania Gaming Control Board, 2019; PlayUSA, 2019). Pending legislation permits new online sports wagering operators unaffiliated with brick-and-mortar casinos (Penn Bets, 2019). Pennsylvania's total sports betting revenue in 2018 is \$2,515,542 and \$2,607,215 through January 2019 (Center for Gaming Research, 2019).

Rhode Island. On November 26, 2018, Rhode Island's two brick-and-mortar casinos started offering in-person sports wagering, and on March 12, 2019 enacted the allowance of mobile and online sports wagering (Ramsey, 2019; Rodenberg, 2019). The casinos serve as retail outlets in partnering with The Rhode Island State Lottery, the state's initial administrator, and IGT, a gaming technology contractor responsible for all technological administration and expertise (Legal Sports Report, 2019; PlayUSA, 2019; The Lines, 2019). Rhode Island uses a revenue-sharing model where the state receives 51 percent of gross gaming revenue, IGT receives 32 percent of gross gaming revenue, and the casinos receive 17 percent of gross gaming revenue (Legal Sports Report, 2019; PlayUSA, 2019; The Lines, 2019). This seemingly uneven allocation, where a third-party contractor receives nearly twice the gross gaming revenue as the casinos, originates from the state's leverage over an immature gaming industry (PlayUSA, 2019; The Lines, 2019). Notably, Chapter 20, Provision 6 of the Rhode Island Lottery's Rules and

Regulations requires the collection of winnings by those with outstanding child support debt over \$500 (Rhode Island Lottery, 2019). The Division of Lotteries is directed to provide retailers a list of all individuals found on the Rhode Island Family Court's and Department of Human Service's Child Support Enforcement Computer System (Rhode Island Lottery, 2019). Rhode Island's total sports betting revenue in 2018 is \$159,978 and \$1,030,910 through January 2019 (Center for Gaming Research, 2019).

Imminent Sports Wagering Markets

Washington D.C. (DC), Arkansas, and New York all passed legislation in late 2018 or early 2019 to legalize sports wagering, but are still developing the necessary rules, regulations, and infrastructure needed for implementation (Candee, 2019; O'Malley, 2019; Rodenberg, 2019). DC is the first U.S. jurisdiction without casinos to authorize sports wagering (O'Malley, 2019). Rather than awarding this monopoly to a third-party contractor, DC will instead administer sports wagering through the DC Lottery (Candee, 2019; O'Malley, 2019). DC will allow mobile, online, and in-game sports wagers, and notably, the establishment of sportsbooks in major professional sports venues (Candee, 2019; O'Malley, 2019; Rodenberg, 2019). Sports arena market entry requires a \$500,000 licensing fee, due every five years, and includes a two-block radius of exclusivity of wagering app access (O'Malley, 2019). Non-sports arena operators must pay \$100,000 license fee (O'Malley, 2019).

Arkansas voters passed Issue 4 in 2018, removing a prohibition of casino and sports gambling from the state constitution (Butler, 2019). Despite voters approving legalized casinos and sports wagering, implementation of Issue 4 is marred in litigation

by opponents of gambling, resulting in several compromises of access (Candee, 2019). Among the notable compromises, gaming and sports wagers will be limited to brick-and-mortar establishments with no online or mobile gaming or wagers permitted (Candee, 2019; Butler, 2019).

New York's 2013 Gaming Economic Development Act allows the 4 state-operated casinos to offer sports wagering under the approval of the state's gaming commission (Gelman, 2019). State regulators are resisting calls to unilaterally implement sports wagering, preferring instead for the state legislature to provide a clarifying directive (Gelman, 2019). The most recent version of a legal sports wagering market is limited to brick-and-mortar establishments (Gelman, 2019; Rodenberg, 2019). Additional legislation is needed to expand sports betting to racinos, tribal casinos, off-track betting facilities (OTBs) and mobile apps (Gelman, 2019).

Legalization Efforts in California

Legislatively, sports wagering legalization in California is stalled (Myers, 2019). Legalization requires amending Article IV Section 19(e) of the California Constitution by removing the specific prohibition on *Nevada-style* casinos (California Legislative Information, 2019). Preliminary efforts in 2017 and 2018 by California State Assemblymember Adam Gray to legalize and regulate Daily Fantasy Sports (DFS), likewise requiring amending the state constitution, stalled amid feuding by gaming interests and a perceived lack of urgency (Hintze, 2018). Efforts to legalize online poker over the last two decades succumbed in similar fashion (Hintze, 2018). Gaming expansion requiring constitutional amendment has proven very difficult over time.

California's existing gaming industry of tribal casinos, card rooms, and horse tracks is historically contentious with competing, and at times, warring interests (Hintze, 2018; Olivier, 2018). Cardrooms have operated in California since the state's inception while horse tracks were legalized in 1933 by legislative constitutional amendment (Dunstan, 1997). Tribal Casinos were legalized by constitutional amendment ballot initiatives in 1998 and 2000, and over time the state signed 62 gaming compacts with various tribes across the state (California Nations Indian Gaming Association, 2019; SFGATE.com, 2004). Fundamental to these compacts is the exclusive right to offer Class II and select Class III gaming (California Nations Indian Gaming Association, 2019). The first wave of compacts enacted in 1999 expire December 31, 2020, while the next wave of compacts enacted in 2006 expire December 31, 2030 (California Legislative Analyst's Office, 2007). Gaming interests effectively wield political influence and capital to undermine competing legislative efforts, a dynamic that is marginalizing lawmakers and inhibiting needed legislation (Hintze, 2018; Olivier, 2018).

Dissatisfied with the lack of legislative progress on sports wagering legalization, a California-based gaming consultant authored an ambitious but ultimately unsuccessful constitutional amendment ballot initiative for the 2020 election, the California Sports Wagering Initiative (Initiative) (Ballotpedia, 2019; Hintze, 2018; Padilla, 2018). The Initiative would vastly expand gaming by removing all prohibitory language from the state constitution, therefore enabling cardrooms, horse tracks, and tribal casinos to operate sportsbooks and other Class III gaming, and further restricts both the Governor's ability to sign future tribal compacts and prohibits tribes from opening gaming

establishments on newly acquired land (Legislative Analyst's Office, 2018; Padilla 2018). The Initiative is undergoing revision and the sponsor intends to re-file in time for the 2020 Presidential Election (Kredell, 2019). Additionally, the sponsor characterizes the initial version of the Initiative as a *conversation starter* to engage stakeholders, build a coalition, and secure much-needed funding for a likely expensive ballot initiative campaign (Kredell, 2019).

In this opening chapter, I provided an overview of the sports wagering industry with essential concepts and terminology. Then, I examined the existing and imminent sports wagering markets for notable policies and structures. I concluded Chapter One by describing the status of sports wagering legalization in California. In Chapter Two, I review existing literature to evaluate the effectiveness of the various market structures in place across the U.S. and inform my design of alternative sports wagering market structures.

CHAPTER TWO: LITERATURE REVIEW

There is minimal and fragmented transferable literature specific to sports wagering regulation at the state level. Within the broader gaming canon, the literature reflects a historical bifurcation between a social field focused on gaming addiction's impact to public health and a regulatory field focused on enforcement and reigning in organized crime (Frey, 1992; Livingstone & Adams, 2015). The regulatory literature is predominantly federally oriented, concerned with international relations and cross-boundary enforcement, and ultimately, non-transferable to California's consideration of sports wagering (Cabot & Miller, 2018; Frey, 1992; Hellman, Ornberg, & Livingstone, 2017). Similarly, the social literature fixates on the prevention, diagnosis, and treatment of problem gambling—a hyper-focus motivated by the pursuit of clinical acceptance and recognition of problem gambling as an addictive disorder (Hellman, Ornberg, & Livingstone, 2017; Livingstone & Adams, 2015).

Notably, the most recent trend in gaming research bridges the historical divide between the social and regulatory fields by embedding consumer protections into the construction of regulatory models (Choliz & Saiz-Ruiz, 2016; Kim & Lee, 2016; Miller & Cabot, 2018; Reber, 2012; Rorie, 2017). This integrative approach spawned a flurry of innovative regulatory models designed to simultaneously strengthen consumer protections while sustaining a viable gaming market. In this literature review, I summarize the relevant gaming canon to establish the two primary historical approaches to gaming regulation. Then, I explore integrative models and their underlying social and regulatory remedies for transferability to sports wagering in California.

Classical Regulatory Approaches

Among the small number of states with commercial gaming, there are two predominant regulatory approaches: the Nevada model and the New Jersey model (Cabot & Miller, 2018; Edelman, 2017; Frey, 1992; Ma, 2016; Miller, 2013; Raj, 2006). Most fundamentally, the Nevada model regards gaming establishments as no different than other businesses or industries in the pursuit of maximizing the state's economic benefits, a condition widely accepted as the primary reason for Nevada's gaming market dominance (Cabot & Miller, 2018; Frey, 1992; Ma, 2016; Raj, 2006). Ma's (2016) comparative analysis further credits Nevada's gaming market dominance and prominence to the indiscriminate treatment of the gaming industry and resulting competitive business environment. In Cabot & Miller's (2018) landmark study of state and federal sports wagering policies, economics, and regulations, Nevada is cited as the ideal regulatory model for its balancing of oversight and sustaining a robust market. Raj (2006) further attributes the Nevada model with a distinctly strict regulatory compliance approach motivated by maintaining public confidence in the marketplace.

In contrast, the New Jersey model is a more invasive and interventionist approach, born from the state's history with organized crime (Cabot & Miller, 2018; Edelman, 2017; Frey, 1992; Ma, 2016; Walker & Calcagno, 2013). Ma (2016) extends the origins of the New Jersey model to an inherent philosophical conviction that the gaming industry is susceptible to corruption and requires close monitoring. Structurally, the New Jersey model imposes limits on the quantity and location of licensed gaming operators, consequently resulting in high barriers to entry and limited competition (Cabot

& Miller, 2018; Edelman, 2017; Ma, 2016; Walker & Calcagno, 2013).

Administratively, regulators wield substantial authority in exercising oversight and verifying compliance (Cabot & Miller, 2018; Ma, 2016). Both Cabot and Miller (2018) and Walker and Calcagno (2013) link the regulatory and economic inefficiencies arising from the barriers to entry and additional high costs of regulatory compliance to the enduring underperformance of the New Jersey gaming market.

Regulatory Model Innovations

The Nevada and New Jersey models represent the extremes of the regulatory spectrum and are subject to simultaneous ideological and political criticisms for their level of allowance or restriction of gaming (Cabot & Miller, 2018; Cholz & Saiz-Ruiz, 2016; Ma, 2016; Reber, 2012). Moreover, states considering legalizing sports wagering or other forms of commercial gaming are forgoing the classical regulatory models and instead exploring hybrid structures in pursuit of optimally balancing sustainable and robust markets with consumer protections (Cabot & Miller, 2018; Cholz & Saiz-Ruiz; Reber, 2012). Of the few published hybrid approaches, only Cabot and Miller's (2018) is suitably transferable to California. However, individual components of other models are relevant and worthy of consideration. In this section, I summarize these regulatory innovations within the gaming literature, first identifying relevant individual components, then conclude with Cabot and Miller's (2018) model.

Reframing Gaming Activities

Reber's (2012) EVF model is notable among the early innovative approaches for advancing the reframing of gaming by directly confronting the societal contradictions

between gaming and other forms of risking money (Cabot & Miller, 2018; Edelman, 2017). The EVF model uses two continuous dimensions, expected value and flexibility, to re-categorize gaming activities and spark debate of reassessing historically accepted or taboo activities and how to appropriately regulate them. Reber (2012) finds sports wagering to have a negative expected value, or low expectation of winning, and high flexibility in a player's ability to control the outcome—that is, to choose the wager. Edelman (2017), in offering a regulatory approach specific to fantasy sports, similarly recasts gaming and non-gaming activities based on their anticipated economic and entertainment value to destigmatize the perception of wagering on sports.

Reber (2012) goes on to equate sports wagering with other negative expected value-high flexibility non-gaming activities such as starting a small business and investing in the stock market, arguing that the individuals, organizations, and governments engaging in these activities assume a similar level of risk and expectation to those engaging in gaming activities. Rorie (2017), in constructing a *responsive regulatory approach* to gaming, reaches the same conclusion after applying the structural contradictions theory to gaming markets and further clarifying the inherent contradictions in regulating markets.

Ultimately, Edelman (2017), Reber (2012), and Rorie (2017) attribute the societal condemnation associated with gaming activities to historical religious and moral objections. Rorie (2017) finds that restrictive gaming regulations are motivated by these objections and detrimental to regulators' efforts to balance oversight and sustained economic performance. Reber (2012) further concludes gaming as an activity provides

social value as entertainment and is deserving of society's acceptance when used with appropriate addiction prevention strategies.

Addiction and Access

There is consensus within the literature that problem gambling is positively associated with accessibility (Choliz & Saiz-Ruiz, 2016; Deans, Thomas, Derevensky, & Daube, 2017; Hellman, Cisneros, Ornberg, & Livingstone, 2017; Young, Markham, & Doran, 2012). Accessibility, commonly defined in the literature as the extent to how and where gaming activities may be obtained by an individual, dually extends to the geographic location and modes of access, including brick-and-mortar locations, online, and mobile apps (Cabot & Miller, 2018; Choliz & Saiz-Ruiz, 2016; Deans et al., 2017; Hellman et al., 2017; Young et al., 2012). Equally consequential, particularly to youth, are the effective inducements of gaming advertising and marketing (Deans et al., 2017; Hing, Vitartas, & Lamont, 2017; Pitt, Thomas, & Bestman, 2016). Deans et al. (2017) found sports betting in Australia was normalized from pervasive implicit and explicit exposure to advertising. Both Hing et al. (2017) and Hing et al. (2018) conclude financial inducements and in-play betting are highly suggestive to bettors and undermine consumer protections. Pitt et al. (2016) and Nyemcsok, Thomas, Bestman, Pitt, Daube, and Cassidy (2018) further conclude gaming advertisements are imprinting on young people's recall and perceptions of sports betting, specifically normalizing betting into the sports fan experience.

Lastly, the allure of tax revenue to jurisdictions is only increasing access to gaming; a trend accelerated and enabled by the internet, smartphones, and now by the

potential of legalized sports wagering to government coffers (Choliz & Saiz-Ruiz, 2016; Gainsbury, Liu, Russell, & Teichert, 2015; Hing et al., 2017). Recognizing that gaming access is unlikely to recede for the foreseeable future, Choliz and Saiz-Ruiz (2016) argue that addiction prevention should be the primary policy objective of gaming regulation. Choliz and Saiz-Ruiz (2016) construct a three-pronged addiction-prevention regulatory approach imposing limits on advertising, accessibility, and the addictive nature of the games themselves. The model restricts advertising to the physical spaces where gambling occurs, limits audiovisual media to between the hours of 10pm and 6am, requires online audiences be age-verified, and prohibited from spaces where minors may exist (Choliz & Saiz-Ruiz, 2016).

Consumer Protections and Sustainable Markets

Within the literature, only Cabot and Miller's (2018) landmark study of gaming policies, economics, and regulation offers a transferable regulatory and market structure for state adoption. The study offers multiple federal and state recommendations in striving for a regulatory equilibrium between consumer protections and a sustainable and competitive gaming market. Notably, the consumer protections are largely economic and transactional protections rather than social protections mitigating addiction risk. Cabot and Miller (2018) equally prioritize tax revenue maximization and undermining the black market as regulatory objectives. Cabot and Miller (2018) enlist seven primary criteria in constructing three potential regulatory approaches for state-level adoption. As the authors state, the intent of the criteria is to identify market inefficiencies, political dynamics, and ultimately, the advantages and disadvantages of regulatory models.

The first criterion, *barriers to entry/pricing*, assesses the direct and indirect economic costs to market entry, relies on the generally accepted economic principles of supply and demand, and prioritizes market competition. Cabot and Miller (2018) further specify direct costs as licensing fees and tax rates, and attribute indirect costs to the burdens of regulatory compliance and the lack of regulatory uniformity across states. Next, *liquidity* assesses the monetary and wagering limitations imposed on gaming operators (Cabot & Miller, 2018). Greater levels of liquidity result from unlimited wagers, absorb fixed costs, offer a greater variability of wagers, and draw action away from more restrictive wagering markets. The increased action creates more wagering data for regulators to better identify betting anomalies (Cabot & Miller, 2018). Lower levels of liquidity result from gaming operators offering unnatural or modified odds to mitigate the risk of large payouts or by jurisdictions imposing wager and winnings limits. Lastly, low liquidity can mask betting anomalies by shifting action to the black market and stymying enforcement efforts.

The third criterion, *revenue potential*, assesses for the highest potential yield of gross gaming revenue and resulting tax revenue (Cabot & Miller, 2018). The authors (2018) prioritize the higher revenue potential of less restrictive or unrestricted markets over the lower revenue potential of more restrictive markets. The fourth criterion, *fan engagement*, assesses how jurisdictions, sports leagues, and gaming operators incentivize fan and viewer interactions with sports events to increase event attendance, media viewership, and ultimately, induce wagering to further maximize gross gaming and tax revenues (Cabot & Miller, 2018). Fifth, *speed to market* dually assesses how quickly

operators can open for business and complete the product approval process to offer new wagering products or innovations to the public (Cabot & Miller, 2018).

The sixth criterion, *effectiveness*, assesses if the regulatory approach is achieving its stated policy goals. To adequately consider regulatory effectiveness, Cabot and Miller (2018) rely on Black's (2002) common regulatory failures of knowledge failure, instrument failure, implementation failure, and motivation failure. Lastly, models are assessed for *political viability* largely by determining if existing gaming operators exert dominant, weak, or non-existent political influence (Cabot & Miller, 2018).

Drawing from the regulatory approaches of other forms of gaming, Cabot and Miller (2018) propose four state-level sports wagering regulatory approaches. First, *The Status Quo*, is a basic intrastate approach in which individual states determine that their own licensing requirements and gaming operations are limited to a brick-and-mortar presence within the confines of the state. The federal government's oversight is limited to interstate or foreign crimes. In evaluating this approach, the authors acknowledge that states with existing gaming have distinct speed to market advantage in initiating sports wagering and approving new wagering products. Further benefits of this regulatory approach are the preservation of state autonomy to instill its own values and pursue their own policy goals, responsiveness to technological changes, and political viability. Conversely, this approach can result in high barriers to entry and compliance costs for companies operating in multiple states, protectionist policies to limit competition and benefit existing operators, inhibit national sports integrity policies, result in smaller wagering pools, and therefore limiting the potential for fan engagement.

Cabot and Miller's (2018) second proposal, *State Regulation with Open Markets*, is nearly identical to *The Status Quo* but for one key factor—that gaming operators not be required to maintain a physical presence in the state, thereby resembling the daily sports fantasy industry. The authors maintain this single modification increases liquidity by enabling gaming operators to further spread out fixed costs across larger operations. Simultaneously, this modification increases the costs and burdens of regulatory compliance as gaming operators are subject to varying requirements across states.

The third proposal, *State Regulation with Reciprocity*, allows gaming operators to accept wagers from any state that has legalized sports wagering, but reserves regulatory oversight to those jurisdictions where the operators maintain servers or a brick-and-mortar presence, mimicking the horseracing industry (Cabot & Miller, 2018). The authors claim this approach would lower barriers to entry because gaming operators need only obtain licensure and maintain regulatory compliance in their home state. The authors further claim this approach maximizes liquidity and revenue potential because gaming operators may choose the best suitable state to be in while enjoying access to multiple markets. The authors envision this resulting dynamic to spur competition among states' bureaucracy to minimize regulatory costs and burdens and maximize speed to market. Further, Cabot and Miller assert that access to multiple markets creates high liquidity and increases operators' ability to offer a higher variety of wagers and increase fan engagement. The authors concede this approach hinges on states avoiding a *race to the bottom*, in which competition to attract gaming operators would erode regulatory standards and public confidence in the market.

Cabot and Miller's (2018) final state-level regulatory approach, *Liquidity Created by Interstate Agreements*, is related to their third proposal, *State Regulation with Reciprocity*, but requires states to enter compacts to enable interstate wagering and resembles the regulatory approach for internet poker and lottery games such as Powerball. States would exercise autonomy over the terms of the compacts. The more populous states would be gatekeepers to the high liquidity of larger markets, ideally exerting leverage to prevent a regulatory race to the bottom. Political viability is difficult because a compact must instill uniformity between the states, a potentially time-consuming endeavor delaying speed to market.

In summary, the literature historically bifurcates between problem gambling and federal and international enforcement. There are two predominant state-level regulatory models, the New Jersey model and the Nevada model. More recently, states are exploring hybrid regulatory approaches balancing consumer protections and sustaining markets. While Cabot and Miller (2018) offer a comprehensive regulatory approach focusing on the economic and policy implications, their model values maximizing tax revenues and sustaining industry and lacks a true commitment to addiction prevention and mitigation.

CHAPTER 3: THE LEGAL, REGULATORY, POLITICAL, AND SOCIAL DYNAMICS OF CALIFORNIA SPORTS WAGERING

Historically, Californians associated gambling and sports wagering with organized crime and immorality, activities so deplored that prohibition was enshrined into the state's constitution in 1966 (California Legislative Information, 2019; Lang, 2016; Reber, 2012). In 1999, compelled by legal rulings and enticed by the promise of tax revenues, Californians passed two voter-initiative constitutional amendments empowering the state to negotiate gaming compacts granting native tribes exclusive dominion over Class II and select Class III gaming (Hintze, 2018; Myers, 2019; Olivier, 2018). Presently, proponents of sports wagering aspire to wholly remove the California Constitution's prohibition on *Nevada-style casinos* to leverage compromise among the gaming stakeholders (Myers, 2019). There is no publicly available, current, and methodologically sound public opinion polling on California sports wagering, although some limited but nongeneralizable national polling exists. Regardless of this information gap, the shift in Californians' attitudes on the various forms of gaming is clear.

The current sports wagering legalization effort is largely supported by the cardroom, horsetrack, and daily fantasy sports industries, and enjoys newfound support from professional sports leagues, and has technology companies eager for the market potential of sports wagering applications (Kridell, 2019; Myers, 2019; Olivier, 2019). The tribes oppose any gaming expansion not upholding their existing exclusivity to Class II and III games as a breach of tribal compact agreements (Kridell, 2019). State leaders carry skepticism born from the unfulfilled promises of marijuana legalization and prior

gaming expansions and are reluctant to engage on a politically vexing topic (Oliver, 2019; Olivier, 2018). All the while, some unknown millions of Californians are wagering in the black market and are vulnerable to both nefarious operators and the risks of addiction (Choliz & Saiz-Ruiz, 2016; Kridell, 2019; Myers, 2019; Oxford, 2017). Efforts to legalize sports wagering do not exist in a vacuum and must reconcile with California's unique dynamics. If and how sports wagering ultimately exists in California will be determined by how these dynamic environments converge and conform not just to one another but with their own internally competing forces. In this third chapter, I examine the dynamics within California's legal and regulatory, political, and social environments relevant to sports wagering.

Legal and Regulatory Environment

Federally, there is no overarching legislation or regulatory oversight entity for sports wagering, or commercial gaming in general (Lang, 2016). The recently nullified federal prohibition effectively restricted sports wagering to Nevada. The historical absence of interstate commerce provided no constitutional regulatory authority to the federal government (Lang, 2016). In 1951, the federal government enacted a ten percent *ad valorem* excise tax on the handle, or more plainly, levied a value-based percent tax to commercial sports wagering revenues (Cabot & Miller, 2018; Internal Revenue Service, 2019; Lang, 2016). Considered a sin tax, the initial and intentionally high ten percent tax rate was catastrophic to Nevada and resulted in the closing of 20 out of 24 of the state's sportsbooks (Cabot & Miller, 2018). The tax rate was reduced to two percent in 1974, and again in 1984 to 0.25%, where it remains today (Cabot & Miller, 2018; Lang, 2016).

The sports wagering industry rebounded following each subsequent reduction of the excise tax (Cabot & Miller, 2018, Lang, 2016). In today's era of sportsbooks expansion, this historical trend is cited by the sports wagering industry as evidence that the federal excise tax should be either further reduced or repealed (Cabot & Miller, 2018; Harris, 2019).

Additionally, in response to the rise of organized crime within, among others, the gaming industry, a series of federal anti-corruption laws known collectively as the Interstate Anti-Crime Acts were enacted in 1961 (Lang, 2016). But until the U.S. Supreme Court's 2018 decision in *Murphy v NCAA*, the legal U.S. sports wagering industry remained largely self-contained to Nevada, with the notable exception of horse racing (Cabot & Miller, 2018; Lang).

The Interstate Wire Act and Horseracing

Among the various Interstate Anti-Crime Acts is The Interstate Wire Act, a criminalization of using wire communication for sports wagering (United States Government Publishing Office, 2019). Most simply, it became a federal crime to use any type of electronic communication to place a sports wager across state boundaries. To date, the scope of the act is not settled law (Cabot & Miller, 2018; Lang, 2016). The U.S. Department of Justice, on several occasions since the law's enactment for the purposes of political conformity, modified its formal legal opinion of the act to either expand its scope beyond sports wagering to all forms of gaming, or limit its scope to solely sports wagering (Cabot & Miller, 2018; Lang, 2016). Most recently in June 2019, the U.S. Court of Appeals ruled the scope of the act is indeed limited to sports wagering, but

because the U.S. Supreme Court has never weighed in on the law, it is potentially subject to further reversal (Edelman, 2019).

In the 1970's, a fledgling horsetrack industry embraced and harnessed the technological advancement of television simulcasting, that is, the simultaneous broadcasting of an event over two different mediums like television and radio, to reinvigorate its decreasing popularity and profitability (Cabot & Miller, 2018; Lang, 2016). Most commonly, horse races in one state are broadcasted to horse tracks in other states, with wagering permitted at the broadcast sites. Federal lawmakers were swayed to exempt horse racing simulcasts from the Wire Act, and in 1978, passed the Interstate Horseracing Act (Lang, 2016). The act allowed interstate pari-mutuel, or pool wagers on horse racing simulcasts if consented by the local horsemen's association, local track management, and both the originating and receiving states' racing commissions (Lang, 2016). Today, 32 states allow horse racing simulcasts, and it is considered a model for one potential application of a nationwide pari-mutuel sports wagering market (Cabot & Miller, 2018).

The Indian Gaming Regulatory Act

In 1986, California regulators raided and attempted to shut down two small Southern California tribal gaming establishments (Harris, 2019). In 1987, the U.S. Supreme Court upheld the tribes' right to offer gaming in states where other forms of gaming were permitted, as they are in California (Supreme Court of the United States, 1987). Only in states where all forms of gaming are prohibited were tribes not permitted to operate gaming establishments. In the ruling's aftermath, tribes across the U.S.

expanded gaming on reservations and in turn, motivated national leaders to agree on a regulatory framework for tribal gaming (Harris, 2019). The result was enactment of the Indian Gaming Regulatory Act, or IGRA in 1988 (Harris, 2019).

Consistent with the Supreme Court's ruling, IGRA authorizes gaming on tribal lands within states with other legal forms of gaming (United States Government Publishing Office, 2019). IGRA further enshrines gaming as a sanctioned means to improving tribes' economic well-being, establishes the National Indian Gaming Commission (NIGC) as an independent regulatory agency within the U.S. Department of the Interior to regulate gaming activities on sovereign tribal lands, and charges the Federal Bureau of Investigation (FBI) with enforcement authority (National Indian Gaming Commission, 2004; United States Government Publishing Office, 2019). In 2003, the FBI and NIGC created the Indian Gaming Work Group (IGWG) to collaboratively address suspected criminal activities in or by tribal gaming operators (National Indian Gaming Commission, 2004).

IGRA further requires tribal-state gaming compacts receive approval by the Department of the Interior prior to implementation, and prohibits states from taxing tribal gaming revenues (National Indian Gaming Commission, 2004; Sullivan, 2013; United States Government Publishing Office, 2019). Some tribes and states instead entered into revenue-sharing agreements to offset administrative and regulatory costs (Sullivan, 2013). Notably, the initial generation of revenue-sharing agreements between tribes and California were invalidated by the U.S. Court of Appeals in 2013 as violating tribal sovereignty and IGRA (Miller, 2015; Sullivan, 2013). The state's share of tribal gaming

revenues in the 2018-2019 budget is \$4.4 million, down dramatically from a high of \$241 million in 2014 (California Department of Finance, 2019; Miller, 2015).

Lastly, IGRA divides gaming activities into classes (National Indian Gaming Commission, 2019; United States Government Publishing Office, 2019). Class I gaming refers to social games for prizes of minimal value or traditional tribal ceremonies or celebrations. Class I gaming activities are not subject to federal law (National Indian Gaming Commission, 2019). Class II gaming includes games of chance like bingo, state lotteries, and other card games as allowed by states. Lastly, IGRA specifically defines Class III gaming as all gaming not identified as Class I or II (National Indian Gaming Commission, 2019). The most common examples are sports wagering, dice games, roulette, slot machines, and banked card games like blackjack and baccarat. (National Indian Gaming Commission, 2019). IGRA further designates Classes II and III as subject to state compacts (National Indian Gaming Commission, 2019).

California

Sports wagering legalization requires amending Article IV Section 19(e) of the California Constitution by removing the specific prohibition on *Nevada-style* casinos (California Legislative Information, 2019). The California Constitution can be amended three ways. First, a Legislative Constitutional Amendment requires a two-thirds majority vote in both chambers of the Legislature, the Governor's signature, and then passage by simple majority in a statewide election. Second, a Ballot Initiative Constitutional Amendment enables a private citizen to collect voter signatures and qualify an amendment to a statewide ballot, again requiring a simple majority vote to pass. Third,

two-thirds of each chamber of the Legislature may call into order a Constitutional Convention, then submit the request to simple majority public vote. The yields of the convention are then again submitted to public vote. However, beyond overcoming the constitutional hurdle there are two additional legal and regulatory factors warranting examination, the existing tribal gaming compacts and California's bifurcated gaming regulatory structure.

Tribal gaming compacts. As I previously stated in the Chapter One Overview, tribal casinos were legalized by constitutional amendment ballot initiatives in 1998 and 2000, and over time the state signed 62 gaming compacts with various tribes across the state (California Nations Indian Gaming Association, 2019; SFGATE.com, 2004). Fundamental to these compacts is the exclusive right to offer Class II and select Class III gaming (California Nations Indian Gaming Association, 2019). The compacts further commit gaming tribes to share gaming revenues with non-gaming tribes, provide administrative and regulatory reimbursement to the state, and provide social-cost mitigating relief to local communities surrounding tribal gaming establishments (California Gambling Control Commission, 2019).

The first wave of compacts enacted in 1999 expire December 31, 2020, while the next wave of compacts enacted in 2006 expire December 31, 2030 (California Legislative Analyst's Office, 2007). However, some compacts were already renegotiated while others contain optional tribal extension clauses (Harris, 2019). The obvious implication of the expiring compacts is that sports wagering, and additionally online poker, are likely to be a focus of compact renewal negotiations. Yet, California cannot expand the gaming

compacts to include sports wagering while the constitutional prohibition remains in place, and explicit language standard to the compacts expressly prohibits any Class III gaming not named in the compact. Therefore, tribes are preempted from litigating the inclusion of sports wagering into the existing compacts and must instead rely on political negotiations.

Bifurcated Regulatory System. The Gambling Control Act (Act), first enacted in 1984 and last amended in 2008, established a bifurcated gaming regulatory system in California, dividing the regulatory and enforcement authorities between two separate entities (Office of the Attorney General, 2019). First, the California Gambling Control Commission (Commission) is the primary policy, regulatory, and licensing body for commercial gaming, and on a more limited scope, tribal gaming (California Gambling Control Commission, 2019). The Commission is an independent agency within the Executive Branch and led by five Governor-appointed Commissioners. The Commission licenses gaming operators and determines suitability of potential owners, key employees, and third-party vendors of gaming services (California Gambling Control Commission, 2019). Lastly, the Commission administers several tribal gaming revenue-sharing trust funds (California Gambling Control Commission, 2019).

California's gaming enforcement authority is the Bureau of Gambling Control (Bureau), an independent entity within the California Department of Justice (California Department of Justice, 2019). The Bureau conducts compliance and criminal investigations, reviews and approves the rules of games at cardrooms, and registers gaming equipment suppliers and services (California Department of Justice, 2019).

Additionally, the Bureau administers the statewide Self-Exclusion Program through which individuals, typically those with or at-risk of addiction, may voluntarily choose to be banned from gaming establishments within California (California Department of Justice, 2019).

Bifurcation of regulatory and enforcement authority is common across states with gaming, but California's bifurcation is unique in that it divides these authorities between two constitutionally elected offices (Palermo, 2015; Palermo 2017). The Commission is within the executive branch and subject to the Governor's authority, whereas the Bureau is an arm of the California Department of Justice and under the authority of the Attorney General (Palermo, 2015; Palermo 2017). A May 2019 State Auditor's report highlighted the systemic inefficiencies of bifurcation, including inconsistent, incomplete, and redundant procedures and fees resulting in the unequal treatment of gaming licensure applicants (California State Auditor, 2019). Further, the regulatory division across constitutional offices embeds the potential of political differences impeding the efficient and effective regulation and oversight of gaming, a potential realized in 2014 when California's regulators struggled with internal corruption.

Bob Lytle, a Former Bureau Enforcement Chief who resigned in 2007, was accused in 2014 by then-Attorney General Kamala Harris for engaging in a conflict of interest to benefit a San Jose card club (Amsel, 2016; Palermo, 2015; Palermo 2017). A Bureau investigator passed confidential information to Lytle about an active investigation of profit skimming by Lytle's employer, fatally undermining the Bureau's case (Amsel, 2016; Palermo, 2015; Palermo, 2017).

Harris filed a formal complaint with the Commission, seeking revocation of Lytle's key employee licensure for ethical breaches. The Bureau and Commission publicly squabbled at an administrative hearing about the lack of information sharing, coordinated actions, and protocol for adjudicating the case against Lytle (Amsel, 2016; Palermo, 2015; Palermo, 2017). Harris's office did not criminally charge Lytle, the Bureau investigator leaking information, or the card club, nor did the Attorney General's Office provide a rationale in forgoing criminal charges (Amsel, 2016; Palermo, 2015; Palermo, 2017). Yet, the fallout from this case ultimately resulted in resignations by the investigator, both the Commission's Executive Director and Chairman, and exposed a rift between the political priorities of the constitutional offices overseeing gaming (Amsel, 2016). Also counted among the casualties of the Lytle case is California's effort to legalize online poker (Amsel, 2016). Legislative and public confidence in the Bureau's and Commission's abilities to carry out their regulatory charges further burdened an already politically difficult objective (Amsel, 2016). Industry observers caution against sports wagering legalization without substantial regulatory reform, but the political energy thus far is focused on overcoming the constitutional prohibition and reaching consensus among warring stakeholders (Amsel, 2016; Palermo, 2017).

Political Environment

California gaming politics are divisive to the point of paralysis. Cardrooms creatively and continually contort their gaming products to encroach upon the boundaries of tribal gaming exclusivity. Tribes decry both the enduring need to defend their contractual rights and a perceived lack of state enforcement on their behalf. Each wields

political influence to undermine the other's legislative agenda—a dynamic of mutually assured legislative neutralization that is marginalizing lawmakers and stagnating needed legislation (Hintze, 2018; Olivier, 2018). Sports wagering is but the latest front in this ongoing feud. In this section, I examine public opinion, stakeholder interests, and external pressures shaping the political environment of sports wagering legalization.

Public Opinion

In California, public opinion of sports wagering is critically relevant because amending the constitution requires a majority statewide vote. Yet, reliable and methodologically sound public opinion polling is non-existent. Nationwide, the most recent methodologically sound public polling was January 2019, conducted by Seton Hall University's Stillman School of Business (Stillman). The Stillman poll indicates paradoxical opinions of sports wagering legalization. First, 81 percent of respondents believe legal sports betting can lead to cheating or fixing of games by players, and 79 percent believe sports betting can lead to referees or umpires cheating or fixing games. Conversely, 71% of respondents presume to be more likely to watch a broadcast game if able to bet on it, with young adults aged 18-29 years old agreeing at a five-to-one rate.

The poll illustrates a paradox between the public's expectation of corruption and superseding inclination to still engage in sports wagering. This is a meaningful and substantive finding because, when additionally factoring in the robust black market, it indicates a potentially high floor of national public support for sports wagering. Moreover, the lack of statewide polling creates a knowledge gap currently filled by the inference that public support of sports wagering exists due to the presence of a robust

black market and the popularity of daily fantasy sports. This inference will remain predominant in the absence of reliable and methodologically sound statewide polling.

Stakeholders and Interests

The sports wagering stakes are high for tribes, cardrooms, and horsetracks. Tribes cling to what is theirs while cardrooms and horsetracks enviously envision a more prosperous future. However, the potential economic and social impact of sports wagering attracts political forces beyond these traditional stalwarts of California's gaming industry. In the following section, I identify the stakeholders and examine their interests.

Native American gaming tribes. There are 59 tribes operating 60 casinos throughout California, primarily on the outskirts of urban areas or remote rural areas of the state (California Gambling Control Commission, 2019). Fortunately for the tribes, geographic proximity to population centers is less a contributor to gaming revenues than amenities and quality, enabling some remote casinos to flourish (Harris, 2019). In all, California tribes reported \$9.3 billion in gross gaming revenue for 2017, 28 percent of the national total, a three percent increase from 2016, and 27 percent increase since 2009 (National Indian Gaming Association, 2018). Tribal gaming remains a growing industry in California and provides tribes with both economic and political capital to spend.

The tribes act politically through their trade association, the California Nations Indian Gaming Association (CNIGA). CNIGA acknowledges a hesitancy to reopen compact negotiations for either sports wagering or online poker, an action exposing their gaming exclusivity as potentially subject to renegotiation (Kredell, 2019). Moreover, there is a lack of consensus among gaming tribes whether the projected marginal gaming

revenues from sports wagering is worth the risk and investment (Stutz, 2019). Some tribes are leery of mobile/online gaming, be it sports wagering or otherwise, because it directly impacts the tribes' dependency of customers at brick and mortar casinos; others perceive it as an inevitable development that, unless confronted, will undermine those very same brick and mortar casinos (Harris, 2019; Stutz, 2019). Conversely, tribes are unified both in their opposition to cardrooms infringing on their gaming exclusivity and the state failing to enforce the compacts (Palermo, 2017). Ultimately, tribes acknowledge the circumstances that gaming exclusivity was beyond what IGRA requires California to provide tribes, and as gaming compacts expire, exclusivity may not be renewed (Harris, 2019; Stutz, 2019).

Commercial gaming operators. According to the California Gambling Control Commission, there are 86 active cardrooms licenses, and per the California Horse Racing Board, there are four horsetracks and five racing fairs in operation (California Gambling Control Commission, 2019; California Horse Racing Board, 2019). Both cardrooms and horsetrack owners perceive sports wagering as a critical opportunity to reinvigorate dwindling customer bases and increase revenues. They are envious of the scale of revenue and enduring growth of tribal gaming (Harris, 2019; Palermo, 2017). The California Gaming Association (CGA) is the predominant gaming trade association representing the state's cardrooms (California Gaming Association, 2019). Most notable among the various horse racing trade groups is the National Thoroughbred Racing Association (NTRA), a coalition of horse racing interests that includes tracks, owners, breeders, and trainers. Presently, horse racing is in crisis from a spate of horse deaths

linked to track conditions and faces an uncertain future in California (Peter, 2019). The cardroom industry's future, while not nearly as bleak as horsetracks', is restrained by tribal exclusivity and lacks growth potential.

Nevada casinos. The Nevada casino industry is generally represented as the combined Las Vegas and the Reno/Lake Tahoe markets. Since the inception of California's tribal gaming industry, its growth in Southern California resulted in less gaming tourism to Las Vegas, while growth in Northern California was detrimental to Reno and Lake Tahoe casinos (Harris, 2019; Stutz, 2019). Nevada casinos spent \$25 million in opposing 1998's Proposition 5, the initial voter initiative approving tribal gaming (Macy, 2000). Nevada casinos unsuccessfully lobbied California's elected leaders and spent heavily on marketing campaigns opposing tribal gaming (Stutz, 2019). Ultimately, Nevada casinos shifted to expanding amenities and entertainment options to distinguish themselves, a strategy more successfully implemented by Las Vegas than Reno and Lake Tahoe (Stutz, 2019).

Today, Nevada casinos posit that California is saturated with gaming options and tribal gaming growth is now at the expense of older or lesser quality tribal casinos (Stutz, 2019). However, Californians must still travel to Nevada to play dice games, roulette, and place sports wagers. Nevada is sure to protect their last competitive advantages by spending and lobbying in opposition to sports wagering legalization.

Professional sports leagues. Plagued by a multitude, and at times, high profile betting scandals throughout the 20th century, professional sports leagues and the NCAA opposed both legal and illegal sports wagering (Lang, 2016). Fundamentally, athletes

were so poorly compensated by teams that they were prime targets for corruptors (Lang, 2016). Today, salaries for professional athletes are substantial and significantly outweigh the risks of corruption across most American sports leagues. A glaring exception is the NCAA's preservation of *amateurism* as a workforce model. Annual revenues for college athletics nationwide are estimated at one billion dollars, yet the NCAA and its member educational institutions continue to prohibit student athletes from sharing in the windfall (Cameron, 2019). Collegiate athletes are the most susceptible group to corruptors because their athletes are not compensated beyond scholarships covering the cost of attendance. Ideally, the low compensation would prompt states to prohibit wagers on collegiate athletic events, but the premier NCAA events are also some of the highest wagered events and is not realistic (Cabot & Miller, 2018).

There are three factors motivating sports leagues' newfound support of sports wagering. First, they recognize the social environment of sports wagering has evolved, perceiving fantasy sports and the enduring black market as evidence of public support. Second, they believe the ability to wager on televised sports will result in increased viewership and new fans to create new revenues. Third, the leagues desire to directly profit from the wagers, seeking a portion of the sports wagering revenues through an *integrity fee* surcharge. States have yet to pass integrity fees while casinos do not agree with the leagues' rationale for sharing gaming revenues.

Daily sports fantasy leagues. There are two predominant daily fantasy sports companies, FanDuel and DraftKings. Both companies are venture capital start-ups structurally instilling gambling into fantasy sports and exploiting ambiguous and

fragmented gaming laws. Whether daily fantasy sports are games of chance, skill, or some mixture of the two is legally unsettled beyond the State of New York (Edelman, 2017). The companies operate in an oligopoly with a 95 percent market-share and are rarely in direct competition. The companies briefly attempted to merge before the Federal Trade Commission and Attorney Generals from California and Washington DC threatened to challenge the merger and further regulate the industry (Edelman, 2017).

Problem gambling advocates. In principle, advocates oppose gaming expansion of any form (Choliz & Saiz-Ruiz, 2016). However, some advocacy groups acknowledge sports wagering is immensely popular and instead are advocating for restricted and inconvenient access, strict limits on marketing and advertising, and no mobile gaming (California Council on Problem Gambling, 2019; Choliz & Saiz-Ruiz, 2016). The California Council on Problem Gambling (2019) cites a severe disparity in public funding compared to other addictive afflictions, specifically, that there is one gambling addict for every four alcoholics but problem gambling receives 334 times less funding than alcoholism treatment programs. There are only a handful of problem gambling advocacy organizations in California, most notable is Gamblers Anonymous. These organizations are treatment oriented and not politically influential when compared to sports wagering proponents and Californians' enduring appetite for gaming.

External Pressures

California's economy is in its longest period of growth ever—113 consecutive months (Mendonca, 2019). The state's short-term fiscal health is good, but faces uncertainty in the long-term (Mendonca, 2019). Moreover, economic prosperity is

uneven and sectors of the state are struggling (Mendonca, 2019). California's leaders are searching for policy solutions and funding sources for a housing and homelessness crisis, rising pension costs, Pacific Gas and Electric bankruptcy, and a new reality of severe fire risk. These competing priorities all require substantial new funding. This, I assert that sports wagering will likely be portrayed as a new revenue source much the same as proponents said of the state lottery, tribal gaming, and marijuana.

The marijuana comparison. Sports wagering draws an inevitable but unfair comparison to marijuana. Both were historically taboo and illegal, but enjoy newfound social acceptance. The desire to regulate and tax these industries is a central argument for legalization (Ballotpedia, 2019). However, two fundamental conditions of the marijuana market are not compatible to the sports wagering market: (1) a federal-state tension, and (2) overriding local control.

California voters legalized medicinal marijuana use in 1996 and recreational use in 2016 (Ballotpedia, 2019). Among myriad political arguments by marijuana proponents was the promise of substantial new tax revenues resulting from a robust legal market (Ballotpedia, 2019). However, marijuana remains prohibited by the federal government, a constraint creating legal tension and market uncertainty. Because the banking industry is federally regulated, marijuana businesses are unable to access banking services and must operate on a strictly cash basis. Federal authorities continue to enforce federal law, seizing cash and other property from marijuana proprietors, several of whom are currently incarcerated in federal prison although they operated legally under state law (McPhate, 2017).

Further stifling the legal marijuana market is the statutory authority granted to local jurisdictions to approve and regulate marijuana businesses (California Bureau of Cannabis Control, 2019). Local control of the marijuana industry has resulted in a concentration of proprietors in the population centers and a dearth in the rural areas (Fuller, 2019). This overriding local control, in conjunction with the federal-state tension, is stifling business investment and limiting access to consumers. Resultingly, the state's marijuana market is severely underperforming in both expectation and economic impact, and most importantly, entrenching rather than undermining the illegal black market (Fuller, 2019).

Ultimately, the marijuana comparison is not valid beyond newfound social acceptance. In the absence of superseding federal gaming regulation, sports wagering is subject to state regulatory authority. Local control is moot because, per IGRA, tribes may offer any non-prohibited gaming. If California voters approve sports wagering, the 60 tribal casinos scattered throughout the state will offer it. Additionally, there is no federal-state tension in sports wagering. The essential matter of PASPA's nullification is that the federal government may not prohibit states from regulating sports wagering, therefore, sports wagering inherently lacks the federal-state tension undermining the marijuana market.

Social Issues

Accepted at face value, Oxford's (2017) estimation of California's annual \$20 to \$40 billion sports wagering black market suggests two important conditions (Oxford, 2017). First, that prohibition is an ineffective public policy, otherwise, how could such a

robust black market continue to thrive. Second, that the act of sports wagering is socially acceptable, a reasonable conclusion based on the advent, popularity, and proliferation of fantasy sports and office pools for the Super Bowl and National Collegiate Athletic Association (NCAA) Basketball Tournament.

But the Oxford report requires qualification; it was commissioned by the American Gaming Association, the premier U.S. gaming trade association. Further, Oxford Economics is an Oxford University for-profit enterprise and incentivized to satisfy its client. But in the absence of reliable public polling, even if Oxford's findings are inflated, the considerable cultural popularity of fantasy sports and office pools indicates a high floor for social acceptance of sports wagering. More so, television sports programmers and announcers long ago identified the demand and accepted the subtle inclusion of betting odds as a necessary component of sports programming. Today, entire media outlets are dedicated to sports wagering programming. The stigma and political consequences of discussing sports wagering odds and contests in media and the public are now non-existent.

There are four modes of gambling in California: cardrooms, racetracks, tribal casinos, and the state lottery. More precisely, there are 86 cardrooms, three horsetracks, 60 tribal casinos, and approximately 23,000 lottery retailers (California Gambling Control Commission, 2019; California State Lottery Commission, 2017). These simple facts indicate access to gaming is already pervasive. The California Problem Gambling Council (2019) states that 83% of adult Californians have gambled at least once in their lives, and as many as 1.2 million Californians are problem or disordered gamblers. Sports

wagering legalization further diversifies the access routes to gaming and promises to infiltrate our households via live sporting events. Considering California's sustained gaming growth over the last thirty years, the immense popularity of professional sports, and robust betting black market, legalization raises the possibility of sports wagering transcending its social acceptance into a societal norm and further burdening the state to mitigate the increased risk of problem gambling to its citizens.

CHAPTER FOUR: SPORTS WAGERING MARKET ALTERNATIVES

In Chapter One, I identified the spectrum of existing state sports wagering markets with a focus on accessibility, market pricing, and other notable characteristics. This existing variability informs my offerings of sports wagering market alternatives. The structure of a sports wagering market demonstrates the values and priorities of the state's interest. For example, Nevada treats gaming firms as no different than any other industry, a signal of free-enterprise to the state's robust gaming industry. Conversely, Delaware's state-sanctioned monopoly and revenue-sharing model reserves the bulk of economic benefits for the state. The alternatives I offer vary in accessibility and pricing, but also demonstrate distinct values and priorities. In this chapter, I first describe the overriding challenge to sports wagering legalization. Next, I define the variables inherent to the alternatives. Then, I offer three suitable but distinct sports wagering market structures. For a brief description of the alternatives, refer to Table 1 at the end of this chapter.

The Overriding Challenge: Winners and Losers

The California sports wagering issue is best emblemized by its warring political factions in zero-sum contest—a dynamic stagnating the legislative process and California's attempts to more effectively regulate its gaming industry. There will be winners and losers no matter the outcome of legalization. Tribes lose if sports wagering exists outside their exclusivity. Commercial gaming loses if tribal exclusivity is maintained, and both lose if the constitutional prohibition is not repealed. Even a market structure forged through compromise is a win for commercial gaming, because ultimately, it breaches tribal exclusivity. Rather, if Californians vote to remove the

constitutional prohibition, the Legislature and Governor will determine the market structure, a de facto selection of winners and losers sure to draw intense lobbying. Whether this anticipated political scrum yields a safe and sustainable market is the overriding challenge to sports wagering legalization. There are three fundamental choices for market structure, each with its own varying degrees of accessibility and pricing. The alternatives I offer below reflect these three choices and their inherent values.

Variables

The primary variable among my alternatives is the fundamental orientation of the market: (1) maintain tribal gaming exclusivity, (2) allow commercial enterprises to operate sportsbooks, or (3) state administered sports wagering. This primary variable is marred with tradeoffs and is highly politicized. Maintaining tribal exclusivity honors the spirit of the gaming compacts in providing tribes an economic means, but forgoes the tax revenue potential of both commercial and state administered sports wagering. Allowing commercial sportsbooks bolsters market competition and consumer choice but breaches tribal exclusivity and brings the highest potential for negative social impact. State administered sports wagering reserves the economic gains for the state but at the expense of consumer choice, market competition, and tribal exclusivity.

An additional consideration in choosing this fundamental market trait is determining if the state's primary interest in sports wagering is as an entertainment activity or as a substantial source of tax revenue. If maximizing tax revenues is the state's primary interest, then the choice is narrowed to either a competitive commercial market or a state administered monopoly. Conversely, if the state's primary interest is

entertainment value, all three of these choices will suffice. Lastly, if the social justice and restorative equity impact of tribal gaming is of meaningful state interest, then maintaining tribal exclusivity is the sole option.

There are two inherent secondary variables contingent on the outcome of the primary variable, (1) *modes of access*, and (2) *mechanism for state revenue*. The former, modes of access, differs across the spectrum of existing markets. Some states require in-person wagers at brick-&-mortar establishments while others allow mobile/online wagers within the physical confines of the establishment or state boundaries. These are all viable options for California. Prohibiting online/mobile sports wagering or limiting it to the confines of brick-&-mortar establishments is protectionist in favor of existing casino operators and is the lowest risk to public health. Conversely, pervasive access to sports wagering through mobile/online, arena sportsbooks and live in-game wagering undermines the existing casino industry and is the highest risk to public health.

Mechanism for state revenue, on the other hand, describes how the state can capture a share of sports wagering profits. Most commonly, states tax gross gaming revenues, the profit remaining after all winning wagers are paid. However, this tax mechanism is only relevant to commercial gaming. In a state administered revenue-sharing model, the state keeps the largest share of profit it generates. IGRA prohibits states from taxing tribal gaming. Despite California's prior tribal gaming revenue-sharing agreement being struck down by a federal court, revenue-sharing agreements are utilized in other states, meaning the potential for renegotiation exists but the state share is likely to be far less than the previous agreements.

Table 1: Policy Alternatives Derived from Market Structure Variables

Alternative	Brief Description
I: Tribal Exclusivity with Protectionism	Sports wagering is assimilated into existing tribal compacts, online and mobile wagering allowed but requires brick & mortar association.
II: Fully Enabled Commercial Sports Wagering	Allow new commercial sports wagering operators, both brick & mortar and online, live in-game betting and arena sportsbooks, moderate one-time licensing fee, highly competitive tax rate.
III: State Lottery Administered Monopoly-Revenue Sharing Model	State administered sportsbook via lottery outlets. Revenue Sharing Model.

Alternative I: Tribal Exclusivity with Protectionism

Sports wagering is assimilated into existing tribal compacts, online and mobile wagering allowed but requires brick & mortar association.

This market structure assimilates sports wagering into existing tribal gaming compacts, prioritizing the historical restitution central to the origins of tribal gaming. The implementation of sports wagering rests largely with gaming tribes, but is subject to statutory limitation. This protectionist alternative shields existing brick-and-mortar tribal gaming establishments from outside competition. Tribes may themselves operate or contract with third parties to operate both physical and online sportsbooks. The state has no authority over market pricing but may enter into tribal revenue sharing agreements.

Alternative II: Fully Enabled Commercial Sports Wagering

Allow new commercial sports wagering operators, both brick & mortar and online, live in-game betting and arena sportsbooks, moderate one-time licensing fee, highly competitive tax rate.

Modeled after Nevada, Alternative II enables a pervasive sports wagering market, that is, widespread and highly accessible. Tribes, horsetracks, and existing and new commercial operators may operate sportsbooks. Online and mobile wagering, along with live in-game sportsbooks would be permitted. Market entry requires a one-time licensing fee of \$250,000. A gross gaming tax rate competitive with the black market's benchmark of ten percent would be levied.

Alternative III: State Lottery Administered Monopoly with Revenue Sharing
State administered sportsbook via lottery outlets. Revenue Sharing Model.

Modeled after Delaware and Rhode Island, Alternative III authorizes the California State Lottery to offer sports wagering through its network of 23,000 retailers. Wagers, like the state lottery, are limited to in-person transactions with no mobile/online access. The state assumes the risk of operating a statewide sportsbook, but retains at least 50 percent of gross gaming revenues while divvying up the remainder among its vendors and retailers. A ten percent tax, equivalent to that of the black market, is levied on all wagers. There is no licensing fee for lottery retailers, as they make up the existing distribution network.

Conclusion

Informed by the spectrum of existing sports wagering market structures, myriad modes of access, and zero-sum nature, I am proposing three distinct potential choices, each with its own philosophical orientation, for the consideration of California's elected leaders in implementing sports wagering. These alternatives will be weighed against one another using the criteria I offer in Chapter Five.

CHAPTER FIVE: METHODOLOGY AND CRITERIA

The purpose of this thesis is to better inform a future public debate surrounding sports wagering legalization by exploring the attributes and tradeoffs of potential market structures. Thusly, I employ comparative analysis to examine which structure of sports wagering in California maximizes political feasibility, socially responsible accessibility, and market pricing. In this chapter, I first explain my methodology, then provide my criteria with relative weights.

Methodology

Informed by both Bardach (2012) and Munger (2000), this thesis utilizes a comparative alternative matrix (CAM) analysis to evaluate potential sports wagering market structures. A CAM is a qualitative analytical tool for comparatively evaluating alternatives using “objective” criteria, with the acknowledgment that few issues are truly objective. Bardach’s (2012) *Eightfold Path for Policy Analysis*, a primer for this method, is most simply summarized as the use of both objective and philosophical criteria in evaluating policy alternatives to a defined problem. The Bardach method allows for the inherent instillation of values and philosophy into the analysis, a necessary component to holistically examine the sports wagering issue.

Munger’s (2000) CAM methodology employs a Likert Scale—that is, a sliding scale of potential outcomes scored relative to the policy satisfying the stated criterion. The Likert Scale for this CAM is as follows:

- Rating of 1 indicates the policy alternative **does not satisfy** the criterion.
- Rating of 2 indicates the policy alternative **poorly satisfies** the criterion.

- Rating of 3 indicates the policy alternative **somewhat satisfies** the criterion.
- Rating of 4 indicates the policy alternative **mostly satisfies** the criterion.
- Rating of 5 indicates the policy alternative **completely satisfies** the criterion.

Table 2: Key to Interpreting the Extremes of Likert Scale (1 - 5) Rating Applied to Satisfaction of a Criterion by an Alternative

Criteria	Interpretation of Ratings	
	“5” — Very Strong	“1” — Very Weak
Political Feasibility	Very strong support, little to no opposition. Voters likely to amend constitution, Legislature & Governor support enactment. Tribes, commercial operators reach agreement.	Very strong opposition, little to no support. Voters do not support amending constitution. Legislature & Governor do not support. Tribes, commercial operators strongly oppose.
Socially Responsible Accessibility	Strong consumer protections with restricted or limited access, strong addiction mitigation, and difficult youth access. Prioritizes entertainment value over maximizing tax revenues.	Very weak or lack of consumer protections, widespread or pervasive access, weak addiction mitigation, accessible by determined youth. Prioritizes maximizing tax revenues over entertainment value.
Market Pricing	Undermines the black market, very low direct and indirect costs for operators & consumers. Competitive market breeds low pricing and consumer choice.	Does not undermine the black market, high direct & indirect costs for operators & consumers. Uncompetitive market breeds artificially inflated pricing, poor consumer choice.

Criteria and Weights

My selection of criteria is informed by the findings of the literature review, the spectrum of existing sports wagering markets, and California’s unique environmental factors. The criteria and their respective weightings are: (1) Bardach’s (2012) *Political Feasibility*, 0.40, (2) *Socially Responsible Accessibility*, 0.40, and (3) Mintrom’s (2012) *Market Pricing*, 0.20. The purpose of these criteria is to ferret out the safest and most

sustainable sports wagering market structure. For the purposes of this thesis, I define a safe sports wagering market as one which permits access to those allowed, denies access to those not allowed, allows addiction-vulnerable populations to avoid it, and does not corrupt the sports subject to wagering. Moreover, a sustainable market undermines the illegal black market with consumer choice and competitive pricing.

Table 3: Relative Weights Applied to Each Criterion Used to Evaluate Alternatives

Criterion	Weight
Political Feasibility	0.40
Socially Responsible Accessibility	0.40
Market Pricing	0.20
TOTAL	1.00

Criterion One: Political Feasibility

Will the policy have enough political support? Bardach (2012) describes political feasibility as having two conditions: too much opposition and too little support. Both conditions can be equally fatal to a policy. My inclusion of political feasibility accounts for society's hesitancy to abandon tradition and norms in favor of new, unproven, and unknown policies (Bardach, 2012). I assign political feasibility the highest weighting of 0.40 because the zero-sum nature of sports wagering means the stakes are highest and the politics are most difficult. Ultimately, the stakeholder who most effectively exerts influence over public opinion, the legislature, and the governor will prevail with sports wagering. However, because sports wagering legalization requires amending the constitution and a statewide majority vote, I am imposing an across-the-board penalty of minus 0.1 (-0.10) because of the inherent political difficulty to achieving legalization among warring political factions.

Criterion Two: Socially Responsible Accessibility

This criterion evaluates sports wagering's accessibility-addiction tradeoff. As my literature review bore out, increased gaming access is directly associated with an increased risk of problem gambling. Therefore, the state has substantial interest in how and where people access sports wagering and to mitigate the subsequent risk to public health. There are dual considerations within this criterion: accessibility and government's philosophical value, respectively. First, *is access to sports wagering restricted, limited, widespread, or pervasive?* Restricted access is highly inconvenient to bettors and very difficult for minors to access. Limited access imposes a moderate level of inconvenience on bettors but retains the difficulty of access for minors. Widespread access is convenient for bettors but only somewhat difficult for minors to access. Pervasive access is highly convenient to bettors and accessible to determined minors. Lastly, Restricted and Limited access have lower risks of addiction than Widespread and Pervasive, but conversely, Widespread and Pervasive access better enable a profitable marketplace.

Second, *does the policy more highly prioritize maximizing tax revenues or equitable social outcomes?* A policy oriented toward the pursuit of tax revenues must enable widespread to pervasive access to achieve the magnitude of wagering necessary to capitalize on the market demand. Essentially, to maximize tax revenues requires incentivizing a known addictive behavior and is detrimental to public health. A policy oriented toward equitable social outcomes prioritizes consumer protections, legitimizes a socially accepted act, and philosophically values sports wagering for its entertainment value rather than its economic potential. Is the policy motivated by providing consumer

protections where there are currently none, or does it simply seek to replace the illegal bookie? Together, these dual considerations, accessibility and government's philosophical value, determine a policy's level of social responsibility accessibility. This criterion is weighted 0.40, equal to the highest weighting among the criteria, because how a policy addresses the access-addiction tradeoff is critical to attaining a safe and sustainable sports wagering market.

Criterion Three: Market Pricing

Will this policy create a competitive and sustainable market that undermines the illegal black market? This criterion considers Mintrom's (2012) direct and indirect costs of market participation by both operators and consumers to evaluate the cumulative effect of licensing fees, tax rates, assumption of risk, and regulatory costs on the policy's ability to sustainably undermine the black market. Further, this criterion determines if the policy imposes an artificially inflated price on wagers or allows market competition to determine prices. This criterion is weighted 0.20, the least of my three criteria, because it lacks the make-or-break nature of the political challenges and social implications of the access-addiction tradeoff.

Conclusion

This thesis employs CAM analysis, relative weighting, and a Likert Scale to explore the outcomes and tradeoffs of each of my proposed sports wagering market structures from Chapter Four. In the following chapter, I apply my criteria of political feasibility, socially responsible accessibility, and market pricing to my three proposed market structures.

CHAPTER SIX: CAM ANALYSIS OUTCOMES

In this chapter, I conduct a comparative analysis by applying my criteria of Political Feasibility, Socially Responsible Accessibility, and Market Pricing to my three sports wagering market alternatives: (1) Tribal Exclusivity with Protectionism, (2) Fully Enabled Commercial Sports Wagering, and (3) State Lottery Administered Monopoly – Revenue Sharing Model. First, I briefly restate my three proposed market structures. Then, I project and analyze the outcomes using my stated criteria. Lastly, I contrast the alternatives and explore any tradeoffs that arise.

Alternative I: Tribal Exclusivity with Protectionism. Sports wagering is assimilated into existing tribal compacts, online and mobile wagering allowed but requires brick & mortar association. This market structure assimilates sports wagering into existing tribal gaming compacts, prioritizing the historical restitution central to the origins of tribal gaming. The implementation of sports wagering rests largely with gaming tribes, but is subject to statutory limitation. This protectionist alternative shields existing brick-and-mortar tribal gaming establishments from outside competition. Tribes may themselves operate or contract with third parties to operate both physical and online sportsbooks. California has no authority over market pricing but may enter into limited tribal revenue sharing agreements.

Alternative II: Fully Enabled Commercial Sports Wagering. Allow new commercial sports wagering operators, both brick & mortar and online, live in-game betting and arena sportsbooks, moderate one-time licensing fee, highly competitive tax rate. Modeled after Nevada, Alternative II enables a pervasive sports wagering market,

that is, widespread and highly accessible. Tribes, horsetracks, and existing and new commercial operators may operate sportsbooks. Online and mobile wagering, along with live in-game sportsbooks would be permitted. Market entry requires a one-time licensing fee of \$250,000. A gross gaming tax rate competitive with the black market's benchmark of ten percent would be levied.

Alternative III: State Lottery Administered Monopoly with Revenue Sharing

Model. State administered sportsbook via lottery outlets. Modeled after Delaware and Rhode Island, Alternative III authorizes the California State Lottery to offer sports wagering through its network of 23,000 retailers. Wagers, like the state lottery, are limited to in-person transactions with no mobile/online access. The state assumes the risk of operating a statewide sportsbook, but retains at least 50 percent of gross gaming revenues while divvying up the remainder among its vendors and retailers. A ten percent tax, equivalent to that of the black market, is levied on all wagers. There is no licensing fee for lottery retailers, as they make up the existing distribution network.

CAM Analysis for Political Feasibility

In this section, I assess the alternatives for political feasibility, that is, does the market structure have too much opposition or too little support. My weighting for this first criterion is 0.40, but I impose an across-the-board deduction of 0.10 because of the inherent political difficulty of warring stakeholders and amending the state constitution.

Alternative I: Tribal Exclusivity with Protectionism

Gaming tribes wield tangible political influence on state lawmakers to establish a floor of political support capable of enacting this market structure. *This dynamic ensures*

the market structure is not inflicted by too little support. Conversely, this market structure generates a stronger opposition by those preferring the higher revenue potential of commercial or government-administered sports wagering. The severe reduction of tribal gaming revenue to the state exacerbates the economic outlook of tribal exclusivity as a viable market structure. There is potentially too much opposition to this market structure.

However, the social equity outcomes of tribal gaming still hold value among Californians. Tribes erected a network of brick-&-mortar casinos throughout the state, many in rural areas. Gaming products that siphon bettors away from those establishments undermine tribes' economic progress. In an era of social justice, I posit there is enough public and political will to, at minimum, not enact policies undermining these establishments. *Therefore, this market structure, while generating considerable political opposition, will not have too much opposition and is politically feasible because it benefits a population with public good will.* This market structure somewhat satisfies the criterion. **Likert Score: 3.**

Alternative II: Fully Enabled Commercial Sports Wagering

The political support for this market structure gravitates toward its economic potential, the highest among any sports wagering market structure. Like tribes, commercial gaming operators wield tangible political influence with state lawmakers, ensuring a floor of political support capable of enacting this market structure. Additionally, Daily fantasy sports (DFS) firms, professional sports leagues, horsetracks, and tax-revenue hungry local jurisdictions who stand to benefit from IGRA local mitigation revenue sharing further bolster its political coalition. *This market structure will*

not suffer from too little support because of the broad coalition of supporters with resources.

This market structure generates meaningful opposition. First, commercial sports wagering breaches tribal exclusivity and will be staunchly opposed by gaming tribes as a threat to their livelihood. Second, the pervasive access required to capitalize on the market potential of sports wagering inflicts a substantial yet undeterminable harm on the public, particularly to youth, in the form of problem gambling and normalization of wagering to the sports experience. *Yet, the coalition of powerful interests and allure of economic potential ensure this market structure is not overcome by too much political opposition.* This market structure mostly satisfies the criterion. **Likert Score: 4.**

Alternative III: State Lottery Administered Monopoly-Revenue Sharing Model

This market structure's political feasibility is vulnerable to both too little support and too much opposition, but these conditions are not fatal and can be overcome. The concept of a state administered sports wagering market will unify in opposition tribes, commercial operators, and those philosophically opposed to *government-run* markets. The ensuing threat to tribes and commercial operators of losing out on the opportunity to offer sports wagering will spur significant political backlash. Yet, the allure of reserving sports wagering gaming revenues to the state will garner political support among California's 23,000 lottery retailers and those searching for a source of on-going state funds. This market structure is an afterthought among the other two alternatives, because outside of Delaware, people are unfamiliar with it and it lacks a champion. This market structure poorly satisfies the criterion. **Likert Score: 2.**

Table 4: CAM Analysis for Political Feasibility

	Alternative I: Tribal Exclusivity with Protectionism	Alternative II: Fully Enabled Commercial Sports Wagering	Alternative III: State Lottery Administered Monopoly – Revenue Sharing
Criterion 1: Political Feasibility (-0.10 already deducted)	Rating: 3 Weight: 0.40 Total: 1.20	Rating: 4 Weight: 0.40 Total: 1.60	Rating: 2 Weight: 0.40 Total: 0.80

Summary of Political Feasibility Analysis

- Alternative II, a fully enabled commercial sports wagering market, mostly satisfies the criterion and scores highest with 1.60 out of a possible 2.00 because the potential economic benefits of a fully enabled market are supported by a broader coalition of interests than do other market structures.
- Alternative I, tribal gaming exclusivity with protectionism, somewhat satisfies the criterion and scored second highest at 1.20 out of a possible 2.00 because it is vulnerable to too much opposition, but in an era of social justice, undermining tribes' primary economic means likely comes with a high political cost.
- Alternative III, state lottery administered monopoly with revenue sharing model, poorly satisfies the criterion and scored 0.80 because it is an unfamiliar market structure with no champion that will unify historically warring interests in opposition to it, yet, will garner support from California's 23,000 lottery retailers and those in search of an ongoing state revenue source.

CAM Analysis for Socially Responsible Accessibility

In this section, I assess the alternatives for socially responsible accessibility, that is, how the market structure addresses the access-addiction tradeoff. First, I determine if a market structure enables restricted, limited, widespread, or pervasive access to sports wagering. Then, I explore the philosophical orientation of the market as maximizing economic potential or instilling socially equitable outcomes. The weighting of this criterion is 0.40.

Alternative I: Tribal Exclusivity with Protectionism

Tribes will impose limited access to sports wagering, that is, a moderate level of inconvenience on bettors to access wagers but still be difficult for minors to access.

Tribes will implement sports wagering to supplement but not undermine their brick-&-mortar casinos. The same is true of contracting with third parties to expand wagering to arenas or online/mobile because the brick-&-mortar casinos are substantial investments and critical to their own economic vitality. The more limited access inherent to tribal sports wagering forgoes maximizing the economic potential of widespread and pervasive market structures. The benefit of lower addiction risk from limited sports wagering access is a byproduct of the tribes' interest to protect their existing brick-&-mortar casinos. Regardless of tribes' motivations to limit access, the addiction-access tradeoff is favorable to addiction risk mitigation and public health. *This market structure explicitly provides equitable social outcomes to tribes because it maintains gaming exclusivity and to bettors currently using the illegal black market to conduct a socially accepted act.* This market structure mostly satisfies the criterion. **Likert Score: 4.**

Alternative II: Fully Enabled Commercial Sports Wagering

This market structure enables pervasive access to sports wagering, that is, highly convenient to bettors and accessible to determined minors, in pursuit of maximizing economic potential. This market structure exposes the highest number of people to problem gambling risk. Moreover, the subsequent marketing, advertising, and normalization of wagering in a pervasive market would alter youth perspectives and behaviors in an undeterminable way. This market provides an equitable social outcome to bettors currently using the illegal black market for a socially accepted act. However, a pervasive commercial gaming market undermines tribal brick-&-mortar casinos and their economic livelihood. This market structure severely prioritizes bettors to the detriment of tribes and public health. This market structure poorly satisfies the criterion. Likert Score: 1.

Alternative III: State Lottery Administered Monopoly-Revenue Sharing Model

This market structure enables widespread access, that is, convenient for bettors. A government administered sports wagering market is inherently oriented to maximize tax revenues, evidenced by the existing 23,000 state lottery retailers. Yet, the risk from problem gambling in this market structure is lower than a commercial market because limited wager choice and inflated pricing may result in an underutilized market. Further, the state lacks the advertising and marketing resources of tribes and commercial operators, and is more likely to ensure minors cannot participate. These addiction mitigations somewhat improve the addiction-access tradeoff of this market structure. This market structure somewhat satisfies the criterion. Likert Score: 3.

Table 5: CAM Analysis for Socially Responsible Accessibility

	Alternative I: Tribal Exclusivity with Protectionism	Alternative II: Fully Enabled Commercial Sports Wagering	Alternative III: State Lottery Administered Monopoly – Revenue Sharing
Criterion 2: Socially Responsible Accessibility	Rating: 4 Weight: 0.40 Total: 1.6	Rating: 1 Weight: 0.40 Total: 0.4	Rating: 3 Weight: 0.40 Total: 1.2

Summary of Socially Responsible Accessibility Analysis

- Alternative I, tribal gaming exclusivity with protectionism, mostly satisfies the criterion and scored highest at 1.60 out of a possible 2.00 because tribal gaming exclusivity is maintained and tribes will implement limited access of sports wagering to protect their brick-&-mortar casinos.
- Alternative III, state lottery administered monopoly with revenue sharing model, somewhat satisfies the criterion and scored 1.20 out of a possible 2.00 because widespread access via lottery retailers and the inherent orientation toward maximizing tax revenues is somewhat mitigated by the lack of marketing and advertising resources and the state’s interest to ensure minors cannot access it.
- Alternative II, a fully enabled commercial sports wagering market, poorly satisfies the criterion and scores lowest with 0.40 out of a possible 2.00 because pervasive access severely imbalances the addiction-access tradeoff by exposing the most people to problem gambling, including impressionable youth, prioritizing the maximization of sports wagering’s economic potential.

CAM Analysis for Market Pricing

In this section, I assess the alternatives for market pricing, that is, if the market structure is competitive and sustainable to undermine the illegal black market. I consider both direct and indirect costs to operators and consumers to evaluate the cumulative effect of licensing fees, tax rates, assumption of risk and regulatory costs.

Alternative I: Tribal Exclusivity with Protectionism

This market structure has an inherent barrier to entry as it is exclusive to tribes with a gaming compact. IGRA prohibits the state from erecting barriers to entry such as licensing fees or taxing tribal gaming revenues. The state may enter into a revenue-sharing agreement with gaming tribes to offset regulatory costs, administrative costs, and local social mitigation costs. Although California's previous revenue sharing agreement was nullified by a federal court, it can enter into a revised, albeit a severely less profitable agreement aligning with those used in other states.

This market structure enables a competitive market among tribes. However, because tribes assume the risk of operating a sportsbook, including any liquidity, or cash on hand, requirements, there is likely to be a smaller selection of wagers offered than a commercial market. This limited consumer choice alone likely entrenches the illegal black market. The market structure somewhat satisfies the criterion. **Likert Score: 3.**

Alternative II: Fully Enabled Commercial Sports Wagering

This market structure enables a competitive market with existing and new gaming firms authorized to operate a sportsbook. Despite the \$250,000 licensing fee and ten percent tax on gross gaming revenue, the sheer volume of firms likely ensures dynamic

pricing, ample consumer choice, and assumption of risk by industry. Most wagers will ultimately be placed online/mobile, forcing brick-&-mortar establishments to innovate and ideally benefit consumers. *This market structure best undermines the illegal black market.* This market structure completely satisfies the criterion. **Likert Score: 5.**

Alternative III: State Lottery Administered Monopoly-Revenue Sharing Model

This market structure will reflect the inefficiencies common to monopolies, that is, limited consumer choice and imposed market pricing. The limited choice arises because government assumes all the risk and will limit the wagers offered so taxpayers are not exposed to exorbitant payouts. Pricing will be both artificial and fixed rather than responsive to competition. This market structure's inefficiencies and inflexibility will entrench the illegal black market. This market structure poorly satisfies the criterion.

Likert Score: 2.

Table 6: CAM Analysis for Market Pricing

	Alternative I: Tribal Exclusivity with Protectionism	Alternative II: Fully Enabled Commercial Sports Wagering	Alternative III: State Lottery Administered Monopoly – Revenue Sharing
Criterion 3: Market Pricing	Rating: 3 Weight: 0.20 Total: 0.6	Rating: 5 Weight: 0.20 Total: 1.0	Rating: 2 Weight: 0.20 Total: 0.4

Summary of Market Pricing Analysis

- Alternative II, a fully enabled commercial sports wagering market, completely satisfies the criterion and scores highest with 1.00 out of a possible 1.00 because it

enables a competitive market with ample consumer choice and dynamic pricing among existing and new firms, and best undermines the illegal black market.

- Alternative I, tribal gaming exclusivity with protectionism, somewhat satisfies the criterion and scored second highest at 0.60 out of a possible 1.00 because it enables a competitive market among tribes, but the assumption of risk results in limited wager offerings and will entrench the illegal black market.
- Alternative III, state lottery administered monopoly with revenue sharing model, poorly satisfies the criterion and scored 0.40 out a possible 1.00 because, as a government monopoly, the public's assumption of risk will limit wagers offered and artificially inflate the pricing, further entrenching the illegal black market.

CAM Analysis Findings

My analysis finds *Alternative I: Tribal Exclusivity with Protectionism* to be the superior sports wagering market structure suitable to California. The following is a summary of my overall findings.

- Alternative II, a fully enabled commercial sports wagering market, mostly satisfies the Political Feasibility criterion and scores highest with 1.60 out of a possible 2.00 because the potential economic benefits of a fully enabled market are supported by a broader coalition of interests than other market structures. Alternative I scores 1.20 and Alternative III scores 0.80
- Alternative I, tribal gaming exclusivity with protectionism, mostly satisfies the Socially Responsible Accessibility criterion and scores highest at 1.60 out of a possible 2.00 because tribal gaming exclusivity is maintained and tribes will

implement limited access of sports wagering to protect their brick-&-mortar casinos. Alternative II scores 0.40 and Alternative III scores 1.20.

- Alternative II, a fully enabled commercial sports wagering market, completely satisfies the Market Pricing criterion and scores highest with 1.00 out of a possible 1.00 because it enables a competitive market with ample consumer choice, dynamic pricing among existing and new firms, and best undermines the illegal black market. Alternative I scores 0.6 and Alternative III scores 0.40.

Table 7: Quantitative CAM for Sports Wagering Market Structures

[Ratings: (1) Not at All, (2) Poorly, (3) Somewhat, (4) Mostly, (5) Completely]

	Criterion 1: Political Feasibility	Criterion 2: Socially Responsible Accessibility	Criterion 3: Market Pricing	Total Score
Alternative I: Tribal Exclusivity with Protectionism	Rating: 3 Weight: 0.40 Total: 1.2	Rating: 4 Weight: 0.40 Total: 1.6	Rating: 3 Weight: 0.20 Total: 0.6	3.4*
Alternative II: Fully Enabled Commercial Sports Wagering	Rating: 4 Weight: 0.40 Total: 1.6	Rating: 1 Weight: 0.40 Total: 0.4	Rating: 5 Weight: 0.20 Total: 1.0	3.0
Alternative III: State Lottery Administered Monopoly- Revenue Sharing Model	Rating: 2 Weight: 0.40 Total: 0.8	Rating: 3 Weight: 0.40 Total: 1.2	Rating: 2 Weight: 0.20 Total: 0.4	2.4

Alternative I: $3(.40) + 4(.40) + 3(.20) = 3.4$

*denotes recommended alternative

Alternative II: $4(.40) + 1(.40) + 5(.20) = 3.0$

Alternative III: $2(.40) + 3(.40) + 2(.20) = 2.4$

Conclusion

In this chapter, I comparatively analyzed my three potential market structures using my stated criteria. My analysis yielded *Alternative I: Tribal Gaming Exclusivity with Protectionism* as the recommended sports wagering market structure because it is politically feasible, ensures market competition among tribes, best balances the addiction-access tradeoff, and can undermine the illegal black market. In the next and final chapter of this thesis, I further discuss the findings and conclude this analysis.

CHAPTER SEVEN: RECOMMENDATION AND DISCUSSION

Recommendation

Consistent with the findings of this analysis, I recommend California uphold tribal gaming exclusivity and integrate sports wagering into existing tribal gaming compacts. A tribal gaming sports wagering market ensures market competition among tribes to ultimately undermine the illegal black market. Tribes will implement sports wagering in a protectionist manner to supplement their brick-&-mortar casinos, thusly limiting access to sports wagering and lowering the risk of problem gambling. Lastly, federal law enshrines gaming as an economic means for tribes, and undermining the tribal casinos and the spirit of social equity will likely spur political backlash from the public and directly harm tribal populations.

Limitations

First and foremost, this analysis is a fleeting snapshot of sports wagering as it exists in early 2019. The spectrum of state sports wagering market structures is sure to evolve as existing markets adjust and new markets open. California's political environment is likely to shift as legislative and voter constitutional amendments circulate, and should eventually spur reliable public opinion polling on sports wagering. However, time does not diminish the comparative analysis of how California may implement sports wagering.

This study is not generalizable because of the unique Californian environmental dynamics. States that need to amend their constitution to authorize sports wagering do not necessarily utilize direct democracy and voter initiatives as we do here, leaving

legislation as the sole path to legalization. California is also the only state to have extended Class II and select Class III gaming exclusivity to tribes. The historical and contemporary political difficulties among cardrooms and tribes does not exist in other states. Future studies should explore financial performance of sports wagering by market structure, the effect of online/mobile wagering to the health of brick-&-mortar establishments, and the influence of sports wagering implementation to rates of problem gambling.

Discussion

As the snapshot of existing U.S. sports wagering markets shows, there are a myriad of choices in structuring sports wagering in California. I honed in on the two most predominant models, commercial and state lottery, and added the California-specific option of tribal exclusivity. There is no singular right market structure because there are significant tradeoffs no matter how sports wagering is implemented. Maintaining tribal exclusivity comes at the opportunity cost of maximizing economic potential. Maximizing economic potential comes at the social cost of increased problem gambling risk and eroding tribal equity.

The truest description of this analysis is a search for the lesser evil. I invite, encourage, and challenge our elected leaders, esteemed policy practitioners, and the public to ponder the following questions.

- What exactly are we Californians willing to sacrifice for the leisure of sports wagering, a known addictive behavior?
- Does tribal gaming exclusivity end for our convenience to bet on sports?

- Are we willing to normalize gambling to the extent that future generations do not consume sports without something riding on the outcome?

Beyond these existential questions, there are other considerations requiring discussion. First, the longer California delays sports wagering legalization increases the chance that preemptive federal legislation will limit our market structure choices. Second, the black market's response to the loss of market share to legitimate markets is unknown currently. If and when the two biggest markets, California and New York, implement sports wagering should provide insight on the black market's behavior.

Conclusion

I undertook this subject because I am a sports fan who cares about public policy outcomes. I was troubled by the dearth of not just objective but critical analyses overall on the subject. There are significant economic and social outcomes at stake in the sports wagering issue. Yet, even prior to California's acute priorities that have arisen in the last year-plus, sports wagering legalization is politically fringe and low on the list of state priorities. My recommendation of maintaining tribal gaming exclusivity ensures a competitive market, dynamic pricing, consumer choice, undermines the illegal black market, and provides a socially equitable outcome. Of the evils, it is the lesser of the three.

Appendix A: Common Terminology

Action: having a wager on a game

Arbitrage: the simultaneous purchase and sale of the same game in different markets to profit from unequal prices

Betting Line (Line): odds or point spread determined by oddsmakers and offered by sportsbooks

Bookie: a person who accepts bets illegally and charges a vig (commission)

Buying points: allowing bettors to pay an additional fee to alter the set line or odds

Edge: a bettor's advantage against the house, refers to positive expected value.

Exchange wagering:

Futures bet: a long-term wager on a future outcome

Handle: the total amount of money wagered on an event

In-play (live betting, in-game): placing a wager on an event during the event

Limit: the most money a sportsbook will take on a single event

Moneyline: bettor simply picks the right team to win

Odds: general term for betting lines or point spreads

Off the board: a game or event made unavailable to bettors due to uncertainty

Over-under: a bet on the total number of points scored in a contest

Parlay: a bet with multiple outcomes that must occur

Point spread: the margin of victory determined by the oddsmaker to create action in a contest

Proposition bet (Prop): a bet on something other than the outcome of a game

Runner: an individual who places a wager on behalf of another person

Sportsbook (bookmaker, book, oddsmakers): establishment that takes bets from customers

Teaser: a type of parlay where the bettor may pay to modify the point spread

Vig or Juice: the commission charged by a book or bookie. 10% industry standard

Wager: any type of bet

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