

Legalized Sports Betting in the United States and Potential Impacts in Massachusetts



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Executive Summary

The purpose of this report is to examine the current status of legalized sports betting in the U.S. including an assessment of the various legislative and operational models adopted, revenues generated, economic and social outcomes identified to date, and sports betting behavior observed in states where this activity has been legalized as well as in international jurisdictions where sports betting behavior has been investigated. The intent is to identify the economic and social outcomes associated with the introduction of sports betting to date and, based on this analysis, provide specific policy recommendations intended to optimize the economic and social benefits of sports betting in Massachusetts while minimizing economic and social harm.

The report begins with a brief history of sports betting in America and a discussion of the convergence between online gaming, online gambling, and sports betting; and follows with presentations of variation in sports betting legislation, regulatory frameworks, and operations across the 30 states and the District of Columbia that have legalized sports betting since 2018. This is followed by a review of the research literature on the demographics and behavior of sports bettors, attitudes towards sports betting, harms associated with sports betting, prevention of sports betting harms, the economic impacts of sports betting, and the relationship between sports betting and the pandemic. The literature review is followed by presentation of survey data from two recent U.S. national surveys carried out by the National Council on Problem Gambling and a review of findings from cross-sectional surveys and cohort research carried out in Massachusetts since 2013.

Synthesizing the **social impacts** thus far:

- Sports betting occurs in all demographic groups, but is most popular among young, well-educated men.
- National online panel data show an increase in sports betting participation between 2018 and 2021 (20% to 26% for traditional sports betting and 17% to 24% for fantasy sports betting). Massachusetts-specific online panel data also shows an increase in sports betting from 2013/2014 to 2022 (13.2% to 23.8%), although there are some methodological differences between the surveys that may partly account for the increase. Participation rates have increased presumably due to the legalization of sports betting during this period (10 states in 2019; 13 in 2020; 23 in 2021; 30 in 2022) as well as the national upsurge in sports betting advertising.
- The current prevalence rate of sports betting in Massachusetts using representative sampling is uncertain but estimated to be in the 13% - 20% range. The precise rate will be known when the results of the SEIGMA Follow-Up General Population Survey are analyzed in the next few months. National online panel data indicates that the current prevalence rate of sports betting in Massachusetts is very similar to the prevalence rate in other states where sports betting has been legally operational for several years.
- Coincident with the national increase in sports betting participation, there is evidence of some increase in national as well as Massachusetts-specific levels of gambling-related harm.
- Problem and at-risk gambling is significantly higher among sports bettors, including in Massachusetts. However, this is primarily because sports bettors are often involved in a wide range of gambling activities in addition to sports betting. When controlling for their involvement in other types of gambling there is very little evidence that sports betting is a riskier form of gambling (unlike electronic gambling machines and casinos).
- Legalizing sports betting in Massachusetts has the potential to increase rates of gambling-related harm among Massachusetts sports bettors as well as overall rates of problem gambling in the population.

However, while this will certainly occur to some extent, the magnitude of these impacts is expected to be modest due to the fact that:

- The current rate of sports betting in Massachusetts appears to be very similar to states that have been legally offering it for several years. This, in turn, is likely attributable to the fact that most sports betting is done online, and there have never been any significant barriers to Massachusetts residents wishing to gamble online out-of-state (even though it is illegal).
- Only a small portion of the population currently participates or ever will participate in sports betting. Even if there are significantly higher rates of problem gambling among those who participate in sports betting in Massachusetts, this will have a fairly small effect on the overall problem gambling rate for the entire population.
- That said, concerns remain about the potential for gambling-related harm in Massachusetts for risk groups not previously involved in sports betting, such as adolescents, young adults, women, immigrants, individuals in recovery from gambling problems, and college athletes.

By comparison, there is very little research on the economic impacts of sports betting, such as job creation and recapture of gambling dollars from the illegal sports betting market or from neighboring jurisdictions that have already legalized sports betting.

Synthesizing what is known about the **economic impacts** thus far:

- There is mixed evidence regarding the question of substitution, or cannibalization, of other types of gambling when sports betting is introduced.
- With respect to revenue maximization, analysis conducted within this report suggests that this: requires having a *variety* of different online operators; may also require some land-based options; and is not contingent on having collegiate sports betting.
- Maximizing revenue is not the same as maximizing the economic benefits for the state. Sports betting can only have limited *net* economic benefit for the state's economy as it will primarily only be redistributing money that already exists within the state economy, rather than attracting new money from out-of-state. That said, economic benefits can still occur by:
 - Redirecting money back to the state that is currently being spent on illegal sports betting out-of-state.
 - Creating additional state-based jobs.
 - Creating tax revenue for the state government that is utilized for the good of the state populace.
- While there is limited potential for net economic benefits in Massachusetts, there is significant potential for economic harm if:
 - Sports betting causes high rates of problem gambling.
 - A significant portion of the revenue from sports betting operations leaves the state.

These conclusions are followed by a number of specific policy recommendations intended to optimize the economic and social benefits of sports betting in Massachusetts while minimizing economic and social harm. Recommendations cover types of operators, regulatory mandate, licensing fees, taxation rates, ongoing auditing and complaint resolution procedures, funding of problem gambling prevention, treatment and research, restrictions on provision, and restrictions on advertising and celebrity endorsement.