



MARKET AND POLICY ANALYSIS:

Prospective Internet Casino Gaming in Indiana

Prepared for the Indiana Gaming Commission
July 25, 2022



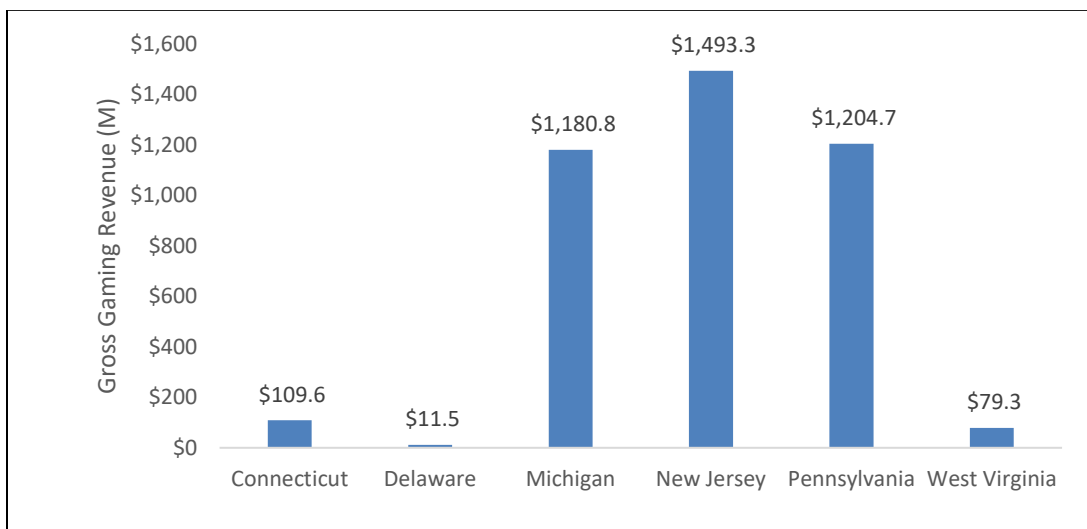
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Executive Summary

The Indiana Gaming Commission (“IGC”) in February 2022 engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to undertake a study of internet casino gaming, commonly called “igaming.” Following are key findings from our research and analysis.

- Seven states have igaming, but in Nevada it is limited to ipoker. The “big three” igaming states – Michigan, New Jersey and Pennsylvania – each generate more than \$1 billion in gross gaming revenue (“GGR”) on an annualized basis. The big three also offer the best insights into potential igaming in Indiana, as they also have more robust, widespread commercial gaming industries.

Igaming GGR by state, 12 months ending April 2022



Source: Spectrumetrix, from data reported by state regulators

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

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

Our analysis notes:

- Igaming players are distinctly different than traditional casino players. One national igaming operator reported from its database of more than 100,000 igaming customers the following about its customers:
 - The youngest age group accounts for nearly half of the players but only slightly more than a quarter of revenue.

- More than half of the players are women, but they account for less than half of the revenue.
- Avid players – those who have played at least 31 days in the year (or year-to-date, as is the case for 2022) – account for the overwhelming majority of revenue even though they account for less than a quarter of the player base.
- Another national igaming operator found that igaming players are younger than traditional casino players but older than digital sports bettors.
- Igaming and digital sports betting together create revenue synergies. Two national digital gaming operators reported that players who participate in both igaming and sports betting spend significantly more than players who participate in only sports betting or only igaming.

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

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

Estimated Indiana igaming revenue and igaming taxes at three tax rates

	Year 1	Year 2	Year 3	3-Year Total
Igaming Revenue (M)				
Spend per Adult Method	\$277	\$604	\$836	\$1,717
Spend As % GDP Method	\$564	\$690	\$821	\$2,076
Spend As % PDI Method	\$566	\$694	\$831	\$2,091
Average of Methods	\$469	\$663	\$830	\$1,962
Tax Scenario and Gaming-Tax Receipts (M)				
Taxes (M) at Average GGR and 20% Tax	\$94	\$133	\$166	\$392
Taxes (M) at Average GGR and 30% Tax	\$141	\$199	\$249	\$588
Taxes (M) at Average GGR and 45% Tax	\$211	\$298	\$373	\$883
Lowest Taxes (M) at 20% Tax	\$55	\$121	\$164	\$341
Highest Taxes (M) at 45% Tax	\$255	\$313	\$376	\$943

Source: Spectrum Gaming Group

Based on results from the six igaming states, Spectrum does not expect igaming to negatively impact Indiana casino revenues.

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

segment of igaming. The significant economic impacts of live-dealer gaming can be realized if the studios are situated in the host state, as is required in four of the five current live-dealer igaming states.

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

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Introduction

The Indiana Gaming Commission (“IGC”) in February 2022 engaged Spectrum Gaming Group (“Spectrum,” “we” or “our”) to undertake a study of internet casino gaming, commonly called “igaming.” The IGC tasked Spectrum with studying specific areas of igaming, namely:

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

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

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

Spectrum deployed a team of eight professionals to undertake this study, including two based in Indiana. We relied on publicly reported gaming data, other public information, interviews, and our extensive experience studying and analyzing the performance, policy and regulation of igaming and all other forms of legal gambling. We further conferred with the IGC in making certain assumptions in developing our forecasts.

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

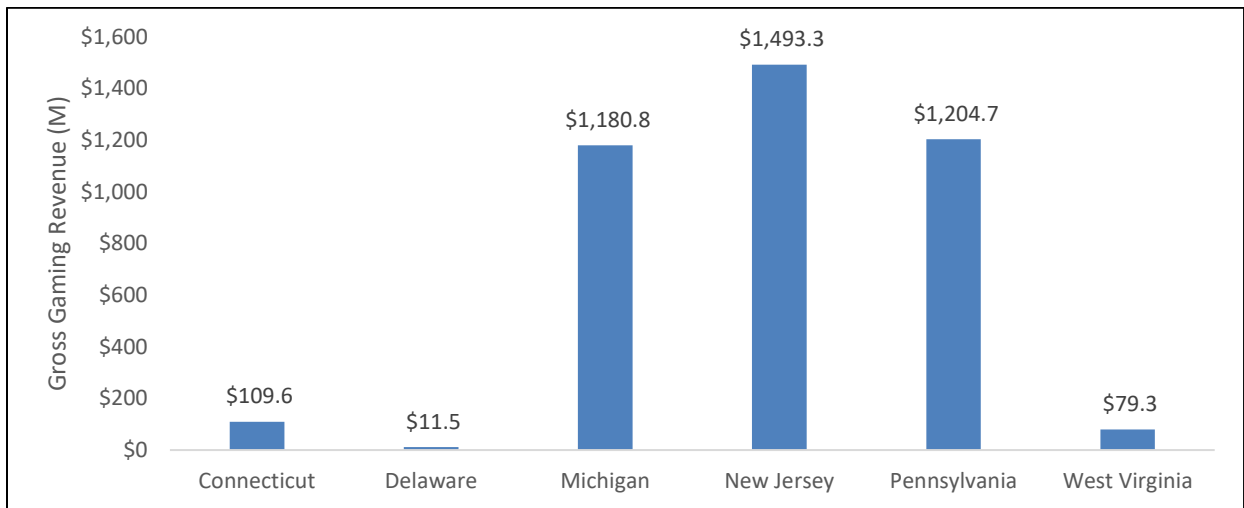
- **Digital:** Any type of gaming (casino, poker, sports betting) that takes place via internet or mobile channels, as opposed to retail (in-person) gaming. Digital sports betting is often referred to as “OSB,” or online sports betting.
- **Distributed Gaming:** The operation of a limited number (typically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

- **Gross Gaming Revenue (“GGR”) or Win:** The amount of money players wager minus the amount players win, before any expenses or taxes have been deducted.
 - The State of Indiana uses the term “adjusted gross receipts” (or “AGR”), which excludes win generated from free play (i.e., promotional gaming credits).
- **Igaming:** Casino-style games played via the internet, whether on a mobile device, personal computer, or other online device. For the purposes of this report, igaming excludes digital sports betting. Also called “icasino” or “online casino.”
- **Ipoker:** Poker played via the internet, whether on a mobile device, personal computer, or other online device.
- **Live Dealer:** Table games played online using human dealers streamed live over the internet from a studio in a casino or other authorized location in the host jurisdiction.
- **Retail:** Gaming that takes place in person at a facility open to the public, most notably at a physical casino; as opposed to digital gaming.
- **Skin:** An individually branded/individually operated digital gaming brand, typically offered via another operator’s license.

I. Overview of Igaming

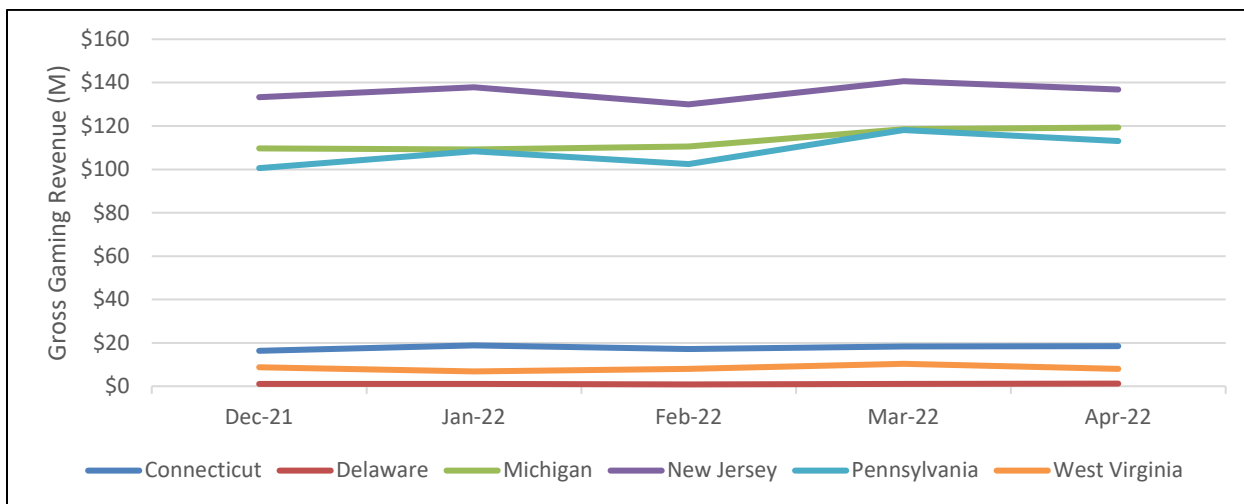
Internet casino gaming – commonly called “igaming” – is the operation of digital versions of slot machines, table games (including live-dealer where available) and other typical casino games via internet channels such as apps available on mobile devices and websites accessed via personal computers. Igaming is now active in seven states.¹ For the 12-month period ending April 2022, the six full igaming states generated igaming gross gaming revenue (“GGR”) of \$4.1 billion, with New Jersey accounting for 37% of the total. Connecticut launched its igaming in the fourth quarter of 2021.

Figure 1: Igaming GGR by state, 12 months ending April 2022



Source: Spectrumatrix, from data reported by state regulators

Figure 2: Igaming GGR by month and state, six months ending April 2022

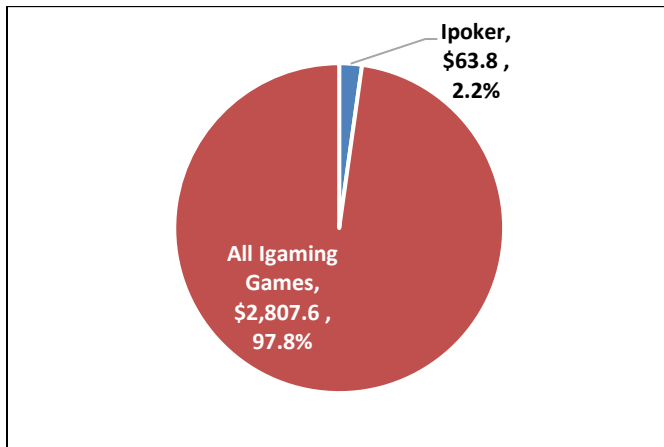


Source: Spectrumatrix, from data reported by state regulators

¹ Igaming in Nevada is restricted to poker. Nevada results are not published due to too few operators and thus are excluded from the analyses in this report.

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

Figure 3: Internet poker GGR vs. total igaming GGR, three-state total, 12 months ending April 2022



Source: Spectrumetrix, from data reported by state regulators

Among Indiana’s eight casino² operators (covering the state’s 12 casinos³), five also have both casinos and igaming operations in other states, as shown in Figure 4. In fact, Indiana’s casino operators have opted into igaming in every state where they also have a casino.

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

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

Source: Company websites, Spectrum Gaming Group research. *Igaming in Nevada is restricted to poker, with only one site operational at this time. Connecticut has two casinos, both operated by Indian tribes.

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

Traditional North American casino companies have entered the digital space by acquiring, or partnering with, digital gaming and media companies. This has enabled them to instantly acquire the technology, expertise and customer reach needed to quickly enter new markets and appeal to new demographic segments. Acquisitions by traditional casino companies since January 2020 include:⁴

² Where “casino” is mentioned in this report it refers to a physical, land-based property.

³ Includes the dual Hard Rock Northern Indiana license as one casino.

⁴ Source: Macquarie Research, May 2022.

- Boyd Gaming: Pala Interactive
- Bally's Corp.: Bet.Works and Gamesys
- Caesars: William Hill
- MGM Resorts: LeoVegas
- Penn National Gaming: Score Media and Gaming and Barstool Sports

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

- BetMGM brands include BetMGM, Borgata and partypoker
- Flutter Entertainment brands include FanDuel, PokerStars, Betfair and FoxBet
- Penn National Gaming Brands include Barstool and theScore

By offering multiple brands – and without the constraints or cost of a physical space – igaming operators can provide a far greater variety of games than a retail casino could offer. For example, BetMGM said in 2021 that it offered 674 unique slot, table and instant-win games.⁵ Such diversity of games is important to attracting and retaining players because there are no amenities that could otherwise attract the customer, such as restaurants, bars and lounges or entertainment spaces.

A. Types of Igaming Models

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

- **Open Model**, available to all gaming companies – whether they are the state's casinos or are pure-play digital gaming operators with no other gaming interest in the state.
 - Advantages:
 - More competitors would spend more marketing dollars to create a more robust market, targeting a broader array of adults.
 - With more competition, providers would have greater incentive to compete on the value of their offerings, with more benefits that range from free play to enhanced odds, payouts.
 - Disadvantages:
 - Providers with no ties to retail casinos in Indiana would capture adults in their databases and will have no incentive to share those customers with Indiana casinos.
 - Providers that have no casinos in Indiana but have ties to retail casinos in other states – including neighboring states – would have an incentive to market those out-of-state casinos to this expanded database, thus depriving Indiana of the benefits of that additional spending.

⁵ BetMGM, "Investor Day" presentation, April 21, 2021, p. 18.

[https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-\(Posting\).pdf](https://s22.q4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-(Posting).pdf)

- Would pit developers who have invested tens or hundreds of millions of dollars in retail casinos in Indiana against igaming companies that have not made such investments in the state.
 - Creates lower barrier to market entry, which means that an unknown number of outside gaming operators could seek licensure in Indiana, with each requiring investigations as to their suitability and other licensing requirements, thus increasing the regulatory burden on the Indiana Gaming Commission, which would have to review such applications, issue licenses and monitor all gaming-related activities.
- **Closed Model**, in which licensure is limited solely to the state’s casinos.
 - Advantages:
 - With licenses limited to Indiana’s 12 casinos, those operators would have full access to the entire database of players – existing and new – and can leverage that database to encourage visits to retail casinos.
 - This model would increase the value of retail licenses, as it provides licensees with a level of exclusivity that enhances the revenue potential of those licenses.
 - Operators could leverage their expanded databases, as well as the enhanced value of those licenses, to invest more capital in their facilities in anticipation of an increased demand for visitation.
 - Indiana could benefit from enhanced tax revenue from multiple gaming and non-gaming fiscal streams.
 - Disadvantages:
 - Viewed as a form of protectionism, limiting free-market forces.
 - Digital providers that do not operate casinos would be frozen out of Indiana, thus limiting competition.
 - Some of those digital providers would offer advanced technologies and robust marketing strategies that could otherwise grow the pool of digital players; eliminating them could limit the direct fiscal benefits of igaming.
- **Hybrid Model**, in which casinos are provided some level of exclusivity or primacy, but allows third-parties to offer digital gaming through licensing agreements – also called “skins” – with casinos.
 - Advantages:
 - With licenses limited to Indiana’s 12 casinos, those operators would have full access to the entire database of players – existing and new – and can leverage that database to encourage visits to retail casinos.
 - This model would increase the value of retail licenses, as it provides licensees with a level of exclusivity that enhances the revenue potential of those licenses.
 - Operators could leverage their expanded databases, as well as the enhanced value of those licenses, to invest more capital in their facilities in anticipation of an increased demand for visitation.

- Indiana would benefit from enhanced tax revenue from multiple gaming and non-gaming fiscal streams.
- Disadvantages:
 - The casino licensees likely would not have access to the databases of players enrolled in the loyalty programs of third-party skins, thus depriving them – and the state – of the advantages of marketing their retail operations to such players.
 - The experience in other states, such as New Jersey, has shown that when third-party operators have retail operations in other states, they can market those facilities to the players identified through their Indiana operations, thus further depriving Indiana of the benefits of such enhanced spending.
 - Third-party operators could pursue marketing strategies that position their sites as alternatives to land-based sites, thus potentially limiting on-site visitation and its attendant fiscal benefits.
 - Depending on the number of outside igaming operators that apply for licensure, this would also create licensing and regulatory requirements to be addressed by the Indiana Gaming Commission, although – unlike in the Open Model – the Indiana Gaming Commission would know in advance the maximum number of applications and licenses to be addressed, based on the number of skins that could be issued.

B. Brief History of Igaming

The concept of gambling via the internet arose with the growth of the popular usage of the internet in the 1990s. There had been proposals in Congress to outright ban internet gambling until 2006. That year, internet gambling became effectively illegal with the passage of the Unlawful Internet Gaming Enforcement Act, which prohibited “gambling businesses from knowingly accepting payments in connection with the participation of another person in a bet or wager that involves the use of the Internet and that is unlawful under any federal or state law.”⁶ Although players continued to wager via gambling sites located in other countries, the activity was largely absent in the United States, except for domestic poker sites that were eventually shut down after it was discovered they were coding deposits as non-gambling transactions.

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

⁶ Federal Deposit Insurance Corporation, “Unlawful Internet Gambling Enforcement Act of 2006 Overview,” 2010. <https://www.fdic.gov/news/financial-institution-letters/2010/fil10035a.pdf>

1. Limited Expansion of Igaming Linked to Cannibalization Concerns

The limited rollout of igaming nationwide stands in stark contrast to the rollout of sports betting. Whereas 29 states (plus Washington, DC) outside of Nevada launched sports betting within 3½ years of the Supreme Court overturning the Professional and Amateur Sports Protection Act in 2018 – including 20 (plus DC) that offer digital betting – only seven states have launched igaming in the 8½ years since it began in 2013. One reason for the states’ caution toward igaming is their concern for their casinos, which in many states have capital investments measuring more than \$1 billion and which employ thousands of people. Policymakers are concerned that the convenience of playing on a mobile device will result in fewer trips to, and fewer on-site expenditures at, casinos. (Results and discussion in Chapter IV of this report.)

The relatively slow embrace of igaming can also be attributed in large measure to the initial reluctance by casino operators themselves to participate in digital offerings. Spectrum identified and addressed this reluctance in 2002 when we first published the Spectrum Internet Gaming Heuristic Theorem (“SIGHT”), which accurately predicted that the retail casino industry would move from rejection to acceptance to embrace of igaming. The industry has now effectively moved along that continuum, and it now is clearly embracing a concept that it once rejected as cannibalistic. Sheldon Adelson, the late CEO of Las Vegas Sands Corp., was the most prominent – and last – gaming executive who had fully rejected igaming, referring to it as “fool’s gold,” writing in 2013 that ““Click your mouse and lose your house’ isn’t a marketing slogan for advocates of legalized online gambling. But it should be.”⁷ After Adelson’s death last year, the company he founded ended its rejection of igaming and joined the industry in its embrace.

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

SIGHT is grounded in history, noting that the tension between land-based gaming and Internet gaming is not the first time that private industries in the entertainment field have wrestled with the challenges created by new technologies. In the late 1920s and early 1930s, professional baseball — then in its heyday as the national pastime — was faced with the new technology of radio, which was viewed as a threat to the game’s primary source of revenue: ticket sales.

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

When radio came along and began to broadcast some baseball games, some of the entrenched conservative owners said, “Wait a minute. Why give away something that you’re trying to sell for your living, to try and keep your enterprise afloat?” And especially on days of threatening weather when people would say, “Well, it looks like it may rain. I’ll just listen to the radio. I won’t go.” They did not realize at the time the beneficial effect of radio, that it would be making families of fans.⁸

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

⁷ “Sheldon Adelson: Online Gambling Is Fool’s Gold,” *Forbes*, June 19, 2013.

<https://www.forbes.com/sites/stevenbertoni/2013/06/19/sheldon-adelson-online-gambling-is-fools-gold/?sh=5f9330f22c90>

⁸ Geoffrey C. Ward and Ken Burns, “Baseball,” Alfred A. Knopf Publishers, 1994, p. 236.

marketing vehicle to develop awareness of new films. The same pattern emerged with tapes and DVDs: They became a new market, and a new marketing opportunity.

It is no coincidence that baseball's greatest years of attendance — when top teams could draw 3 million or more fans a season — happened long after the advent of radio and television. Those potential threats ultimately generated new interest, which laid the groundwork that encouraged that live attendance. The same phenomenon happened in Hollywood, in which the highest-grossing films emerged long after those perceived threats had turned into marketing opportunities.⁹

2. Experience has Allayed Cannibalization Concerns

The evolution of igaming from rejection to acceptance to embraced has been enhanced as more operators in more states gain experience. Thomas Winter, who is now General Manager, North America iGaming, for DraftKings, noted in a June 2020 webinar sponsored by the National Council of Legislators from Gaming States¹⁰ that the fear of cannibalization was significant when New Jersey launched igaming in 2013. He said in 2020: "A couple of misconceptions are interesting to address. The first misconception is that online gaming is going to cannibalize land-based gaming revenues and of course we don't want that. ... When I started (in 2013), this was a fear. What we demonstrated ... was that, not only was it not true, but it was the opposite."¹¹

Winter's conclusion that igaming would enhance land-based gaming is supported by other gaming operators. For example, in 2017, Caesars Entertainment provided public testimony in Pennsylvania as to its experience in New Jersey, noting that:

- "(The) poker market in land-based casinos has grown since the onset of online poker."
- "Offline poker revenues have grown since the inception of online poker."¹²
- Caesars, which operates the Total Rewards player-loyalty program – also noted that:
- 80% of its online players are new customers.
- Of the players in its Total Rewards database, 42% of those who played online were inactive prior to the offering of online play and then reactivated after signing up online.¹³

The standard business model for land-based operators in an omni-channel market is to leverage digital challenges to enhance land-based revenue. Keith Smith, President and Chief Executive Officer of

⁹ "Online Gaming From a Land-Based Perspective: Observing 15th Anniversary of SIGHT," Spectrum Gaming Group, June 2017. <https://www.spectrumgaming.com/wp-content/uploads/2017/12/spectrum-internet-gaming-heuristic-theorem-white-paper-june-2017.pdf>

¹⁰ At the time, Winter was President of Golden Nugget Online Gaming, which has since been acquired by DraftKings.

¹¹ "Webinar: Leveraging Online Channels as a Policy Goal and Potential Revenue Stream," June 29, 2020. <https://www.youtube.com/watch?v=mdO6eUeQToc>

¹² PowerPoint presentation by Caesars Entertainment Senior Vice President David J. Satz, March 7, 2017, before Pennsylvania House Gaming Oversight Committee.

¹³ Ibid.

Boyd Gaming, described this model at a time when igaming was still emerging. At a time when Boyd was half-owner of Borgata Hotel Casino & Spa in Atlantic City, Smith issued the following statement:

Our market-leading performance is testament to the quality of our online product and the power of the Borgata brand. These results also once again demonstrate online gaming's potential to expand our business. About 85 percent of our online players have not had rated play at Borgata in at least two years, showing there is little overlap with our land-based business. Online gaming is growing our database, creating a long-term opportunity to market Borgata to an entirely new group of customers.¹⁴

The passage of time since the advent of igaming has not affected the efficacy of an omni-channel strategy that can leverage one channel, such as igaming, to enhance another channel, such as retail casinos. Speaking at a gaming conference last year, MGM Resorts President and CEO William Hornbuckle noted that the concern about igaming cannibalizing retail gaming has never fully dissipated, but that it remains both unfounded and wrong. Hornbuckle noted: "It doesn't mean it won't ever happen, but over time we resolutely believe the opportunity to create omnichannel, the opportunity to speak to customers 365 — whether they choose to come in [to casinos] or not — is to the net benefit of organizations doing it at scale."¹⁵

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

Although there are no supporting data, experts in digital gaming believe that igaming competes for time and dollars with other leisure forms of digital entertainment, such as streaming movies and social games such as Candy Crush. "The competition for online gaming isn't land-based gaming. It is anything else you can do to get entertainment time on screen basically," Winter said.

¹⁴ "Borgata Online Gaming Revenue Grows 15% in January," PRNewswire, February 12, 2014. <https://www.prnewswire.com/news-releases/borgata-online-gaming-revenue-grows-15-in-january-245243841.html>

¹⁵ Gary Rotsein, "The Most Valuable iGaming Customers Are the Ones Doing All Forms of Gambling," *USBets*, June 14, 2021. <https://www.usbets.com/valuable-igaming-customers-all-forms-gambling/>

II. Demographic Analysis of Igaming Players

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

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

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

Although igaming operators closely guard their player demographic data, insights can be gleaned through company securities filings, annual reports, investor presentations, conference presentations and Spectrum channel checks. The demographic data in Figure 5 below were provided to Spectrum by a prominent national igaming operator from its US markets that cover well in excess of 100,000 customers; the operator provided this information on the condition that it not be identified in this report for competitive purposes.

Figure 5: National igaming operator’s demographic analysis of its players

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

Source: National igaming operator’s player database analysis

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

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

While the data above are helpful, it is important to recognize that they are from the database of one company. Just as there is a variance in customer profiles among different casinos in the same market based on their facilities, game offerings and marketing strategy, there may be player demographic differences among igaming sites in the same jurisdiction. Rush Street Interactive (“RSI”) – a spinoff from traditional casino operator Rush Street Gaming – noted the following about its igaming players (i.e., “casino customers” in this Prospectus):

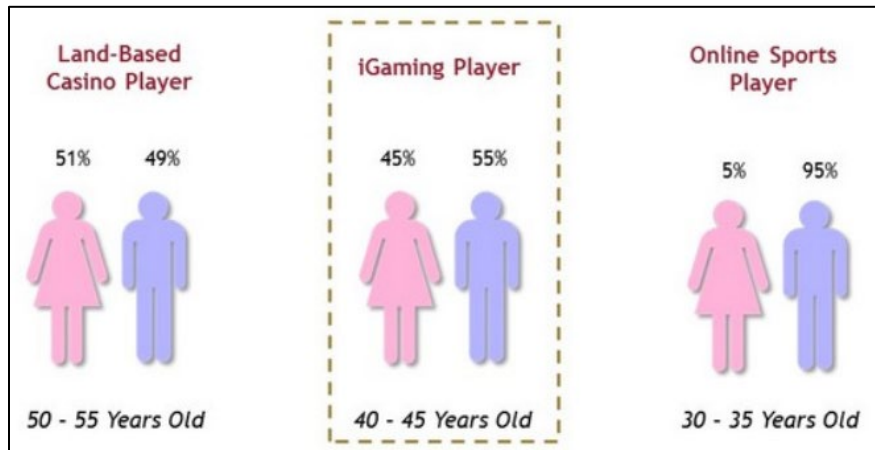
Unlike sports wagering, which predominately appeals to males, casino wagering appeals roughly equally to both males and females. In Q3 2020, approximately 90% of our monthly unique online sports wagering-only players were male. For Q3 2020, approximately 55% of our monthly unique online casino wagering-only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

It has been our experience that among casino customers, female customers are more likely to play slot machines, while male customers are more likely to play table games. We believe that we are able to achieve a strong market share in casino revenue, in general, and an even stronger market share in slot machine revenue, in particular, given that our brands, products and marketing strategies appeal to both male and female casino customers. Further, we believe that we are well positioned to continue to appeal to female slot machine customers over the long run.¹⁶

Although igaming and digital sports betting coexist on the same apps in jurisdictions where both gambling options are authorized, igaming players and digital sports bettors are quite different. The following graphic from Golden Nugget Online Gaming – a spinoff from traditional casino operator Golden Nugget Casinos – shows the gender split and the average age groups for casino players, igaming players, and digital sports bettors. Golden Nugget gleaned these data from its customer databases in the jurisdictions where it operates.

¹⁶ Rush Street Interactive, Inc., “Prospectus,” p. 3, February 11, 2021.
<https://www.sec.gov/Archives/edgar/data/1793659/000119312521038477/d124075d424b3.htm>

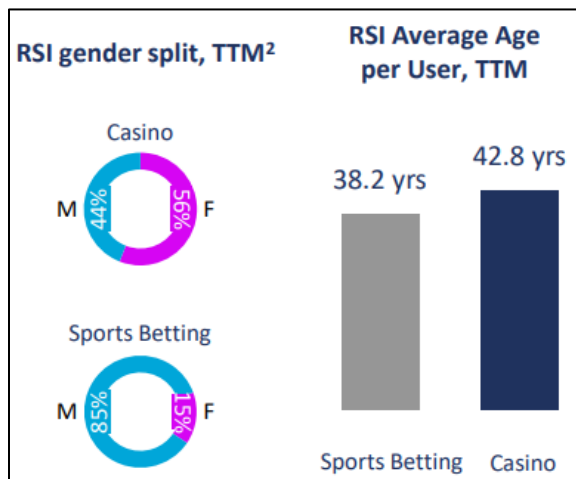
Figure 6: Comparison of casino, igaming and digital sports betting players



Source: Golden Nugget Online Gaming

RSI found somewhat similar results, as shown in Figure 7 below,¹⁷ although these data points are limited to igaming players and digital sports bettors, again from customer data in the jurisdictions in which the company operates.

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

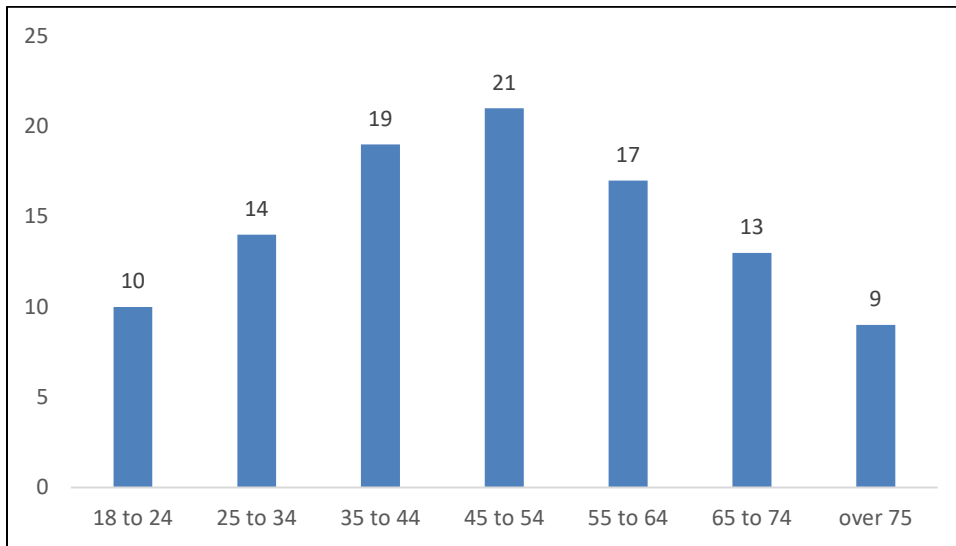


Source: Rush Street Interactive investor presentation, May 2022. TTM = trailing 12 months period.

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

¹⁷ Rush Street Interactive, Inc., “Investor Presentation,” p. 11, May 2022.
[file:///C:/Users/weinert/Dropbox/Digital%20Gaming/Investor-Company%20Presentations/RSI-Investor-Presentation-1Q22-FINAL-\(5.04.22\).pdf](file:///C:/Users/weinert/Dropbox/Digital%20Gaming/Investor-Company%20Presentations/RSI-Investor-Presentation-1Q22-FINAL-(5.04.22).pdf)

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



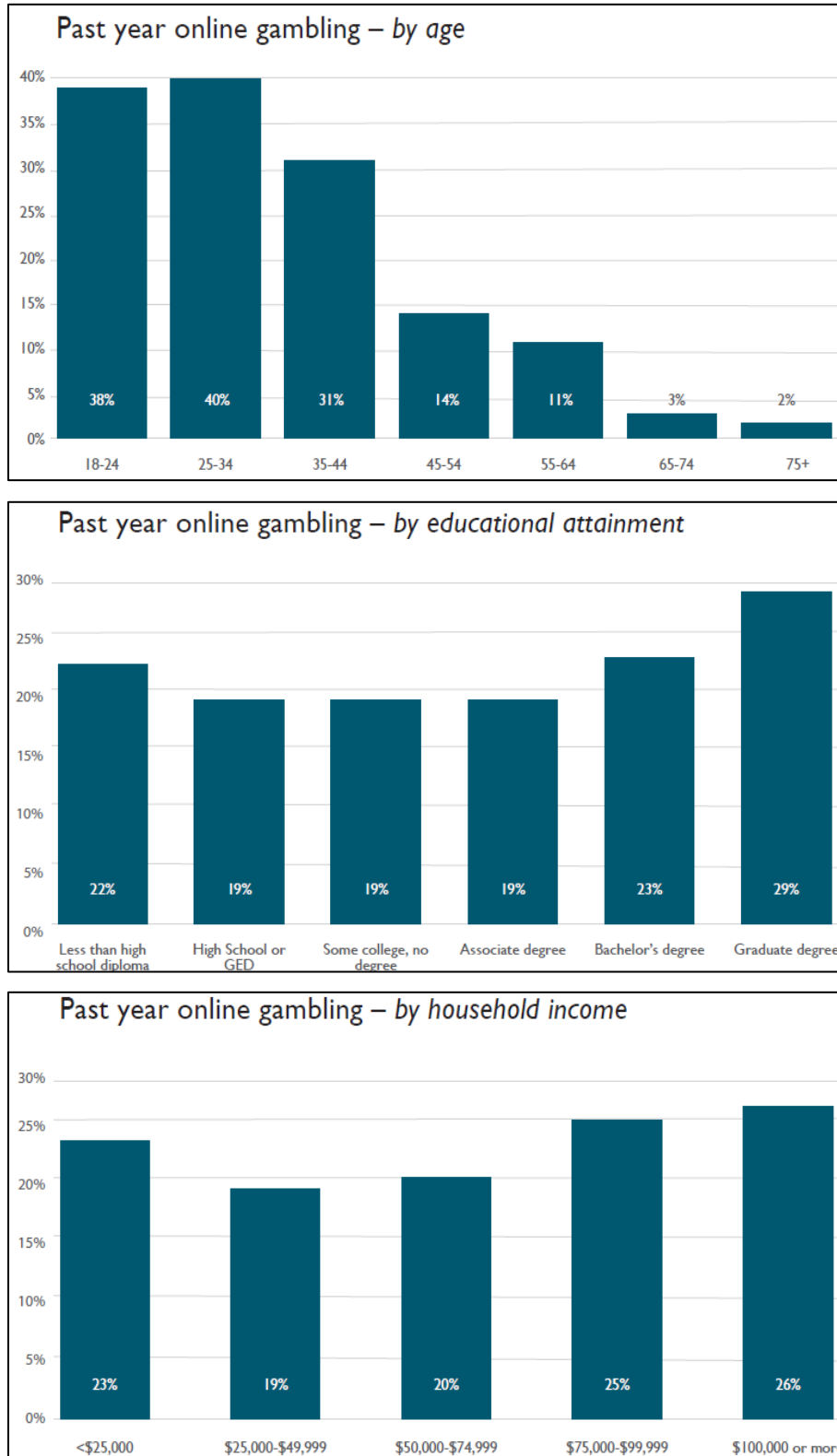
Source: Statista

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

From a different perspective, the National Council on Problem Gambling (“NCPG”) in 2021 conducted a nationwide survey on gambling demographics and habits that included *all* online gambling – both legal and illegal.¹⁸ Relevant findings for the purposes of this report are as follows, although we caution that the NCPG results cover all forms of online gambling, including sports betting, fantasy sports, poker, bingo, horse racing, and other. Note that online gambling tends to skew younger but it somewhat evenly distributed by age group and income bracket.

¹⁸ National Council on Problem Gambling, “National Detail Report: National Survey on Gambling Attitudes and Gambling Experiences 1.0,” 2021. <https://www.ncpgsurvey.org/ngage-national-detailed-report/>

Figure 9: Behaviors and demographics of US online gamblers, 2021



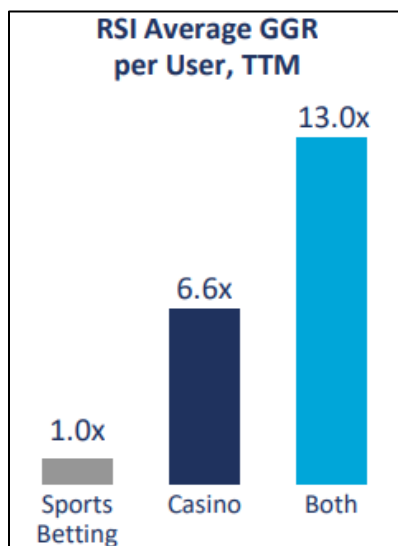
Source: Selected results from the National Council on Problem Gambling’s “National Detail Report: National Survey on Gambling Attitudes and Gambling Experiences 1.0.” Percentages are for total respondents (among 3,000 interviewed).

A. Igaming and Digital Sports Betting Crossover Play

In jurisdictions where operators can offer both digital sports betting and igaming, player spending for those who participate in both activities is significantly higher than those who participate in just one type of digital play. In commenting about the performance of its Barstool-brand sportsbooks, Penn National Gaming (which operates two casinos in Indiana), reported that it achieves a 2.2 times one-year return on investment (“ROI”) on sports betting only and that its sports betting ROI “is even higher in states with iCasino.”¹⁹

RSI reported earlier this year that, on average, a player who participates in both igaming and sports betting spends 13 times more than one who participates in only sports betting and 6.6 times more than one who participates in only igaming, as shown in Figure 10.²⁰

Figure 10: Illustration of customer digital spending: sports betting, igaming and both



Source: Rush Street Interactive investor presentation, May 2022. TTM = trailing 12 months period.

The data make clear that a multi-channel approach is the most desirable from the standpoint of an operator. Still, it should be noted that igaming operates at materially higher profit margins than digital sports betting, is less volatile, and is less subject to seasonality, cancellations of events and other external factors.

Speaking at a gaming conference last year, GAN CEO Dermot Smurfit put it succinctly: “The real kind of ugly truth in the industry is iGaming will continue to sit at the core of the profitability model. ... It’s very difficult to make a profit when making 15 to 20 bucks a day from an online sports gambler vs. 70 to

¹⁹ Penn National Gaming, Inc., “Fourth Quarter 2021 Earnings Presentation,” p. 18, February 3, 2022. <https://pennnationalgaming.gcs-web.com/static-files/295d1834-4b42-41d8-8126-33d7413f5af0>

²⁰ Rush Street Interactive, Inc., “Investor Presentation,” p. 11, May 2022. [file:///C:/Users/weinert/Dropbox/Digital%20Gaming/Investor-Company%20Presentations/RSI-Investor-Presentation-1Q22-FINAL-\(5.04.22\).pdf](file:///C:/Users/weinert/Dropbox/Digital%20Gaming/Investor-Company%20Presentations/RSI-Investor-Presentation-1Q22-FINAL-(5.04.22).pdf)

90 bucks from sports gamblers who cross over into online casino, or from individual players who only want to play or engage in iGaming and ignore sports betting.”²¹

²¹ Gary Rotsein, “The Most Valuable iGaming Customers Are the Ones Doing All Forms of Gambling,” *USBets*, June 14, 2021. <https://www.usbets.com/valuable-igaming-customers-all-forms-gambling/>

III. Case Studies from Other Igaming States

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

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

States implementing igaming have set differing operating parameters, such as which entities are eligible for licensure, which games to allow, and whether license holders may operate multiple brands, or skins. Figure 11 provides a summary of the rules and tax rates for igaming in the United States.

Figure 11: Overview of igaming states

State	Start Date	Adult Pop (M)	Median HH Income	Gaming Tax Rate	Igaming Games Allowed	Igaming Model	No. Sites/Skins	Revenue Share by Game Type ³ (Slots/Tables/Poker)
Nevada	April 2013	2.4	\$62,043	6.75%	Poker only	Open	2	100% P
Delaware	Nov. 2013	0.8	\$68,287	43.5%/34% ¹	Slots, tables, poker	Closed	3	81.0% S / 15.3% T / 3.7% P
New Jersey	Nov. 2013	7.0	\$82,545	17.5%	Slots, tables, poker	Hybrid	30	98.1% S+T / 1.9% P
Pennsylvania	July 2019	10.0	\$61,744	16%/54%	Slots, tables, poker	Closed	14	68.4% S / 28.8% T / 2.9% P
Michigan	Jan. 2021	7.8	\$57,144	20%-28% ²	Slots, tables, poker	Closed	15	n/a
West Virginia	July 2020	1.4	\$46,711	15.0%	Slots, tables, poker	Hybrid	7	n/a
Connecticut	Oct. 2021	2.9	\$78,444	18.0%	Slots, tables, poker	Closed	2	n/a

Source: State regulatory agencies. ¹ The State of Delaware collects the first \$3.75 million in GGR, then taxes GGR above that amount. ² Tiered tax of 20% up to \$4 million of GGR, increasing to 28% for over \$12 million in GGR. ³ For 12 months ending March 2022.

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

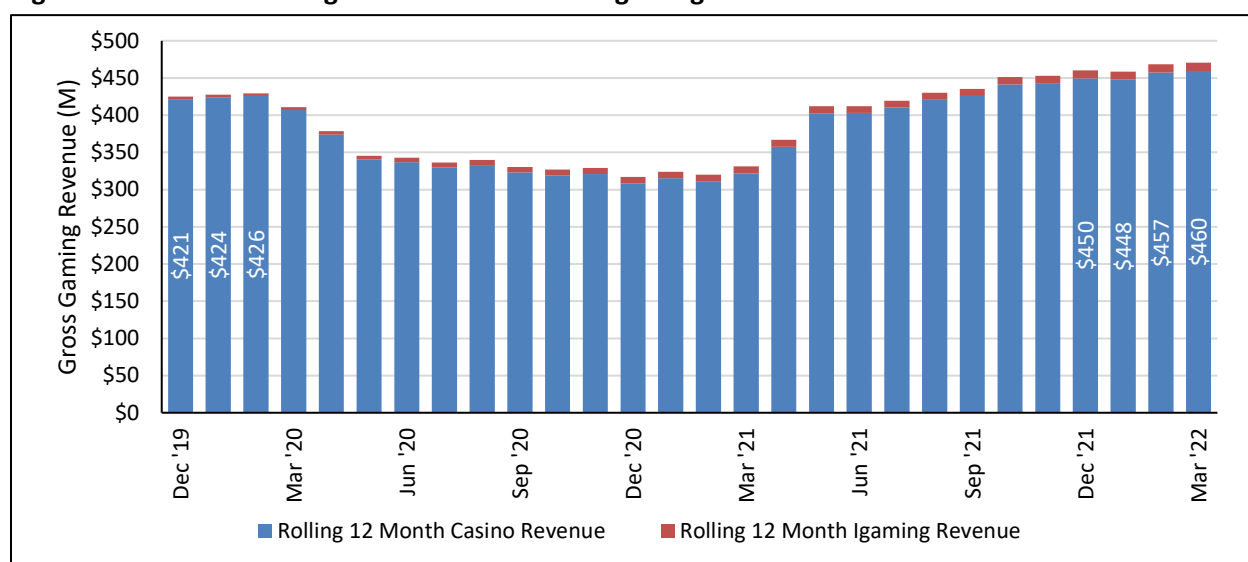
A. Nevada

Digital poker was legalized in February 2013 and launched in April 2013, and the player pool was restricted to adults located within Nevada. In 2015, the state signed a liquidity agreement with Delaware, allowing poker players from both states to play against each other. Despite many companies applying for poker licenses, only three providers have ever offered licensed real-money digital poker in Nevada. Due to the limited number of players, the market struggled to gain traction. Ultimate Poker, owned by an affiliate of Red Rock Resorts, opened to players in early 2013 and shut down in November 2014. The other two – WSOP.com and Real Gaming Online Poker – opened in late 2013 and early 2014, respectively, and while both still exist, the Nevada Gambling Control Board stopped publishing revenue reports due to too few participants. Digital poker GGR is subject to the same 6.75% state tax imposed on retail GGR.

B. Delaware

Delaware started in November 2013, the first to enact igaming legislation and the first to launch the activity. The igaming is available on three sites, each tied to one of the racetrack lottery vendors (i.e., racetrack casinos). Delaware igaming revenues are depressed by its limited availability (only three providers) and an onerous tax rate that discourages effective marketing (100% tax on the first \$3.75 million of GGR; revenues after that are taxed at 43.5% on slots revenue and 34% on table games). For the 12 months ended March 2022, Delaware igaming netted \$11 million in revenue, or 2.4% as much win as generated by the three racetrack casinos.

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



Source: Delaware Lottery

Delaware publishes the number of new registrations by month in addition to the igaming win. While registrations have continued to grow, after nine years of legal igaming, less than 7% of the adult population has registered to play.

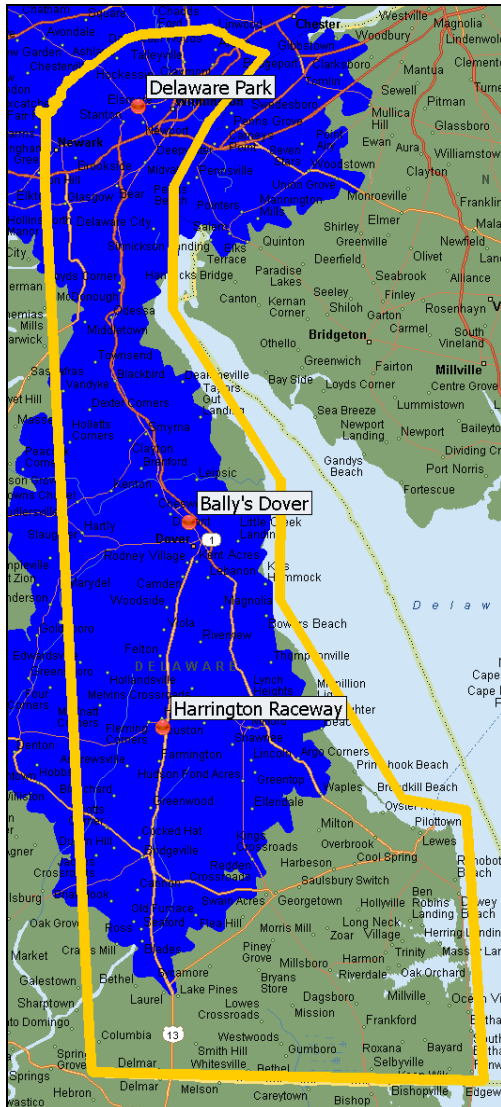
Figure 13: Annual data on Delaware igaming

Year	Nov. '13-Dec. '14	2015	2016	2017	2018	2019	2020	2021
New Registrations	9,537	3,952	3,631	2,918	6,283	5,026	8,362	9,803
Sum of Registrations	9,537	13,489	17,120	20,038	26,321	31,347	39,709	49,512
Est. Adult Population	692,632	701,780	710,724	720,621	729,755	739,261	743,597	750,239
Reg % of Population	1.4%	1.9%	2.4%	2.8%	3.6%	4.2%	5.3%	6.6%

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

Delaware is a small state with three racetrack casinos. Much of the state is within a 30-minute drive of a casino, as shown by the blue shading in the map in Figure 14. The proximity of casinos to much of the population may contribute to the low interest in igaming.

Figure 14: Map of Delaware casinos and portion of state within 30-minute drive



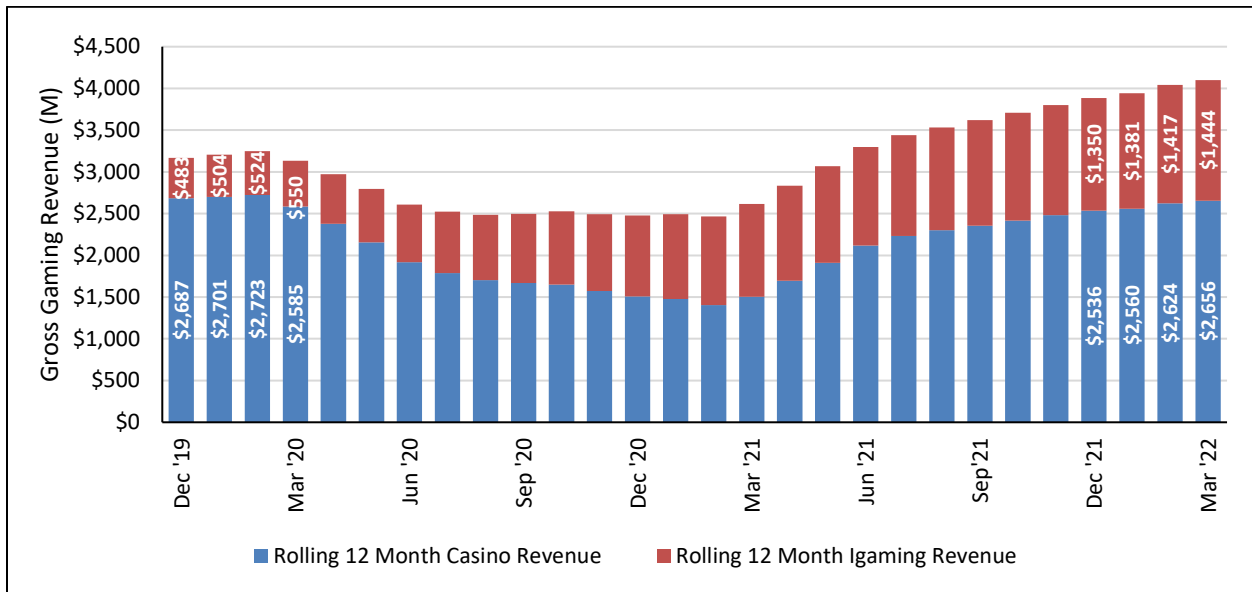
Source: Microsoft MapPoint, Spectrum Gaming Group. Blue shading indicates 30-minute drive time from a Delaware casino.

C. New Jersey

New Jersey opened for igaming in November 2013. Each license holder is allowed five skins. Currently there are 38 websites in New Jersey offering some form of igaming including digital slots, table games and poker. Players can create and fund an account from anywhere; however, they must physically be inside New Jersey to play. Igaming GGR is subject to a 15% state tax, and an additional 2.5% of GGR goes to the Casino Reinvestment Development Authority. By comparison, retail GGR is subject to an 8% state tax and an additional 1.25% community investment alternative tax.

For many years, the igaming revenue was stable. After the introduction of digital sports betting, and then the pandemic, igaming in New Jersey grew more quickly. The data in Figure 15 show the rolling 12-month total revenue from the Atlantic City casinos and igaming. For the 12 months ended March 2022, igaming generated 54% as much win as the Atlantic City retail casinos.

Figure 15: New Jersey rolling 12-month casino and igaming revenue



Source: New Jersey Division of Gaming Enforcement

As shown above, the Atlantic City casino market has maintained its revenues at about the same level as in pre-pandemic 2019. However, igaming has shown major growth since the pandemic started: The period ended March 2019 saw only \$500 million in igaming revenue; by 2022 that number was \$1.44 billion. One factor in this may be that all the casinos in New Jersey are located in Atlantic City. A player in Trenton wanting to play casino games can drive 90 minutes to Atlantic City, or can log on to an online casino via computer or mobile phone and begin play instantly.

The map below in Figure 16 presents the population of New Jersey by county. The deeper the green, the more populous the county. The blue line represents the portion of New Jersey with a 30-minute drive of Atlantic City. This area of the state is far less populated than the areas near Philadelphia and New York City. Atlantic County, with approximately 3% of the state’s population,²² is the only county in the state predominantly within 30 minutes of the casinos in Atlantic City.

²² Demographics.com, https://www.newjersey-demographics.com/counties_by_population

Figure 16: Map of New Jersey population and area within a 30-minute drive of casinos



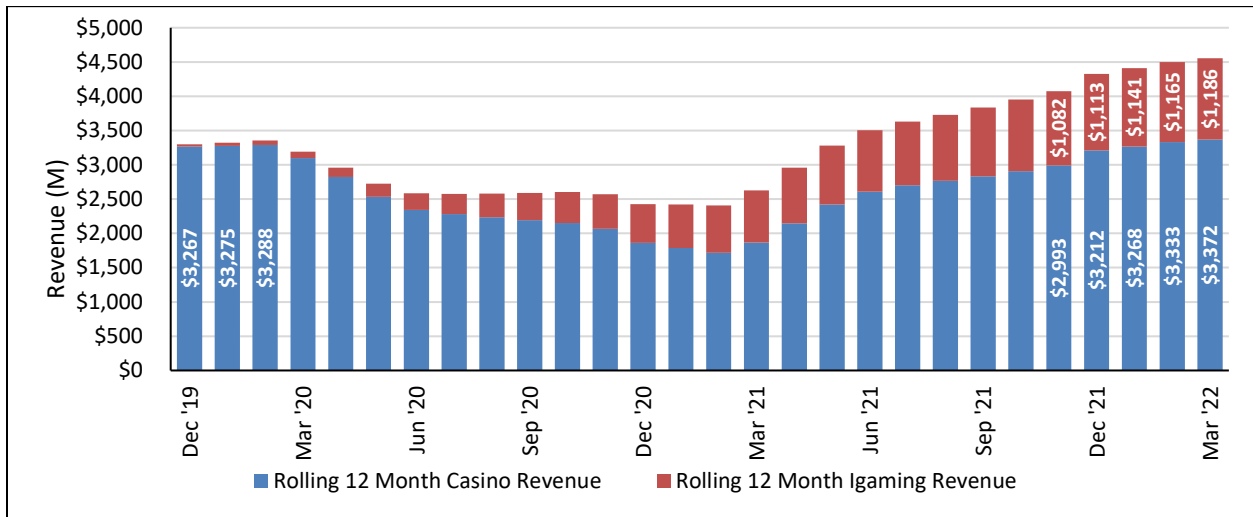
Source: Demographics.com, Microsoft MapPoint, Spectrum Gaming Group. The deeper the green, the more populous the county; blue line represents the portion of New Jersey with a 30-minute drive of Atlantic City.

D. Pennsylvania

In October 2017, Pennsylvania legalized digital versions of poker, casino games, daily fantasy sports, and sports wagering. Players must be within Pennsylvania to make deposits and wagers. Tax rates for igaming vary based on the revenue source: table games and poker are taxed at 16%, and slot GGR is taxed at 54%. These are the same rates that apply to retail slot and table GGR. Pennsylvania opened for igaming in July 2019. As with New Jersey, it took time for igaming to gain popularity in Pennsylvania. For the 12 months ending March 2022, igaming revenue amounted to \$1.18 billion, or 38% as much as

generated by traditional casinos. In neighboring New Jersey, igaming revenue equaled 54% of casino revenue. In Delaware – another neighboring state – igaming was less than 3% of racetrack casino revenue.

Figure 17: Pennsylvania rolling 12-month casino and igaming revenue

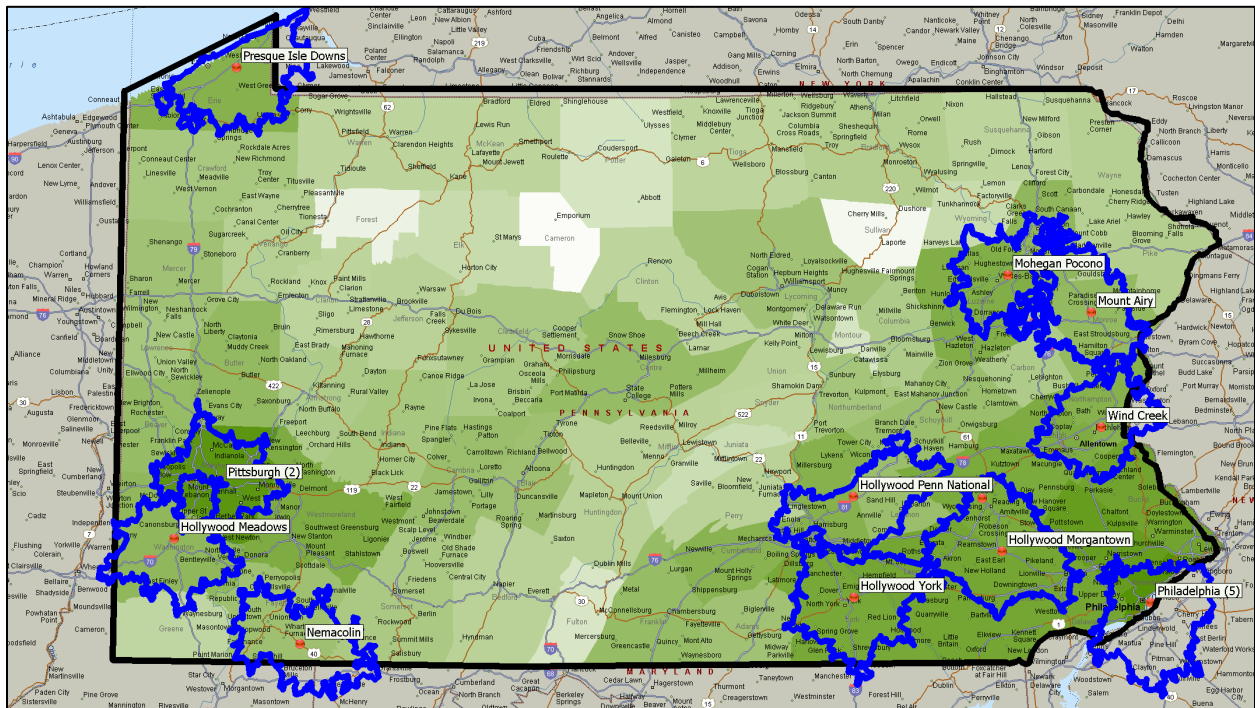


Source: Pennsylvania Gaming Control Board. Truckstop video gaming terminals excluded from this analysis.²³

Of Pennsylvania’s 13 casinos, five are located in the Philadelphia market and two in the Pittsburgh market. This spread of casinos across the state makes its retail casinos easily accessible to a large portion of the population.

²³ Qualifying Pennsylvania truckstops are authorized for up to five video gaming terminals (“VGTs”). As of March 2022 there were 64 VGT locations across the state, making for a possible total of 320 units. For the 12-month period ended March 2022, these machines earned \$41.4 million.

Figure 18: Map of Pennsylvania population, casinos and 30-minute drive times



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

IGaming has grown in Pennsylvania, but to a lesser extent than New Jersey, which has nine casinos concentrated in one location. The map in Figure 18 shows each Pennsylvania county color coded by population. The deeper the green, the more populous the county. The blue lines indicate the 30-minute drive times from each casino. There are 15 counties within a 30-minute drive of the casinos, with these counties accounting for nearly 50% of the state population.

Figure 19: Pennsylvania casino county population, 2020

	Population
All Pennsylvania	12,794,885
15 Counties Within 30 Minutes of a Casino	6,327,621
Casino Counties as % of State Population	49.5%

Source: Demographics.com²⁴

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

E. West Virginia

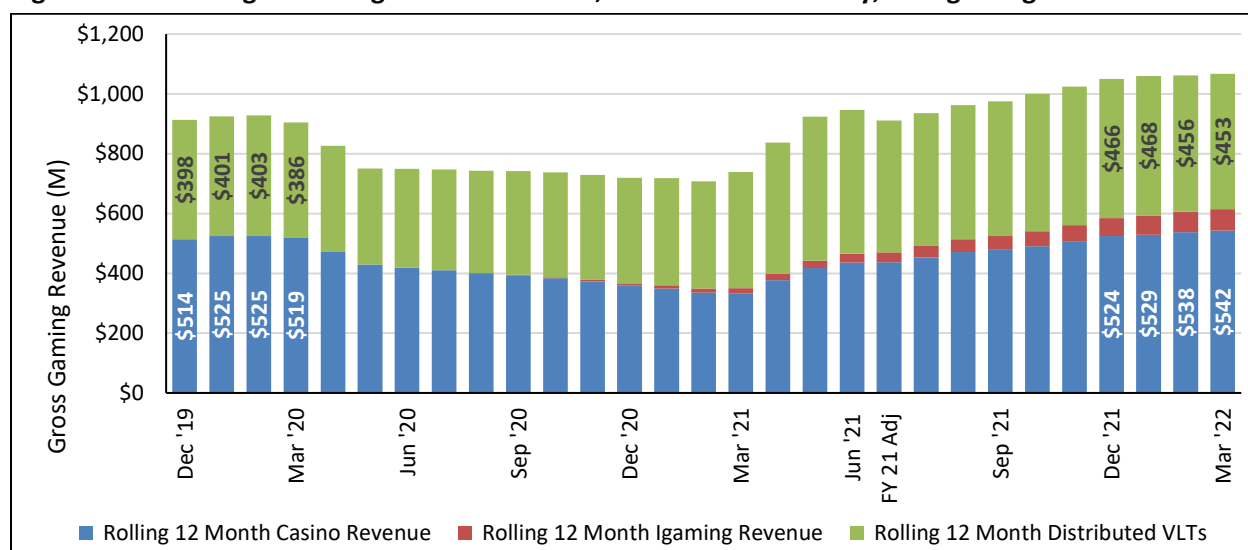
West Virginia legalized gaming in March 2019 with passage of the West Virginia Lottery Interactive Wagering Act. The law allows each of the state's five retail casinos to apply for a permit to

²⁴Demographics.com, "Counties by Population." https://www.pennsylvania-demographics.com/counties_by_population

offer digital poker and casino games. The tax rate for igaming GGR is 15%. By comparison, GGR from video lottery terminals (the state’s format for slot machines) in the state are taxed at 49%, and table GGR is taxed at 35%.

West Virginia opened for igaming in July 2020. In addition to four racetrack casinos and one resort casino that offer video lottery terminals (“VLTs”) and table games overseen by the West Virginia Lottery, the lottery operates a Limited Video Lottery (“LVL”) program with 8,253 (as of March 2022) VLTs at more than 1,000 retail locations (1,237 as of June 30, 2021²⁵) throughout the state. The resort casino at The Greenbrier is available only to resort guests, so we have excluded it from the chart to align with the other states. West Virginia releases weekly data on casino gaming and igaming, but monthly numbers on distributed gaming. We have made an effort to align the weekly data to the monthly data for comparison to other states.

Figure 20: West Virginia rolling 12-month casino, Limited Video Lottery, and igaming revenue



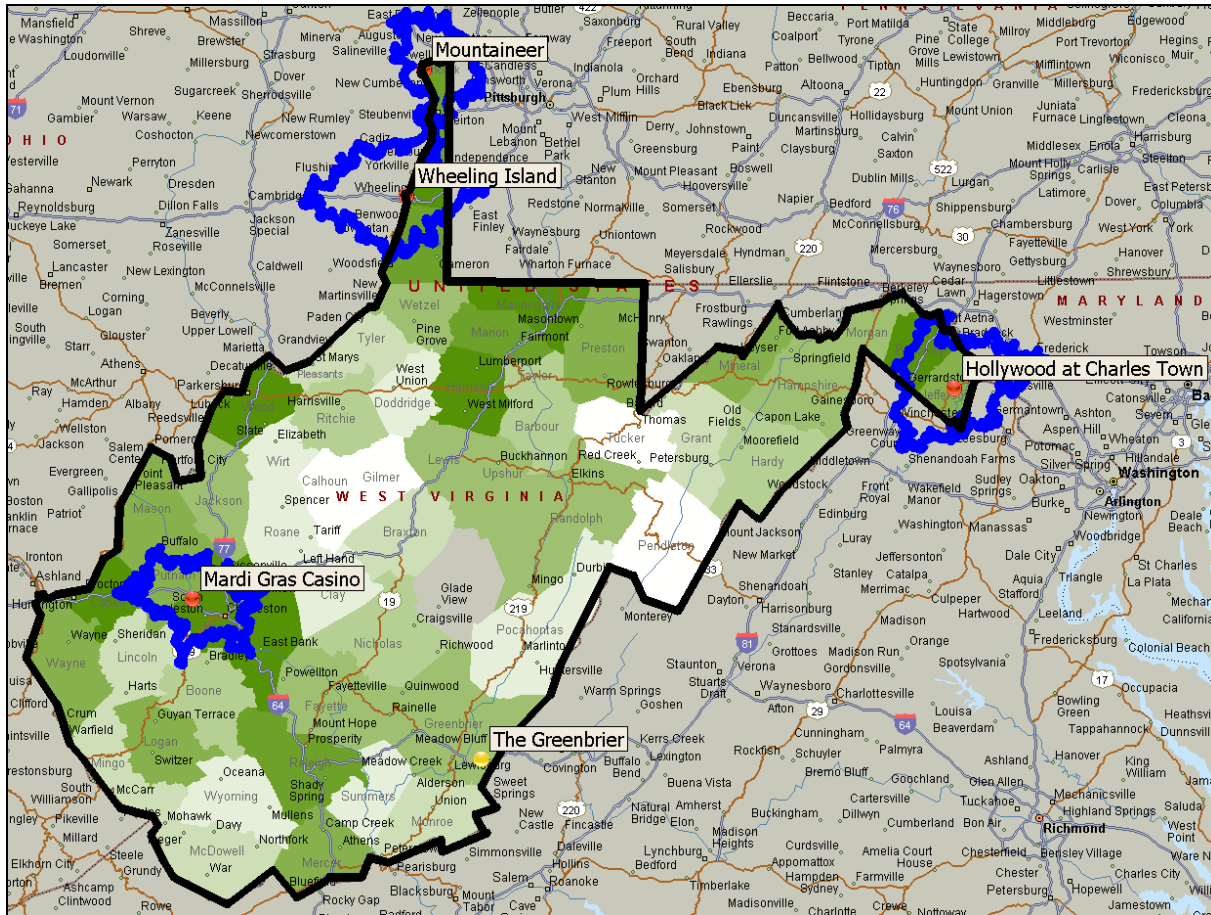
Source: West Virginia Lottery

After less than two years operation, for the 12 months ending March 2022 igaming revenue totaled \$72 million, casino revenue at the five racetrack casinos totaled \$542 million, and LVL revenue totaled \$453 million, which means that the igaming offerings account for 6.8% of the total gaming revenue in the state, a far lower percentage than in neighboring Pennsylvania.

Figure 21 presents a map of West Virginia with 30-minute drive times from each casino shown in blue. The map also shows the density of VLTs operating in each county, with deeper green indicating more VLTs in place. One county, Webster, has no VLTs; it is shown as gray.

²⁵ Latest published figure, per West Virginia Lottery, “Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2021, and 2020.” <https://wvlottery.com/wp-content/uploads/2021/12/WV-Lottery-ACFR-FY21.pdf?cea4dbca14>

Figure 21: Map of West Virginia casinos with 30-minute drive time and VLTs by county



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

F. Michigan

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

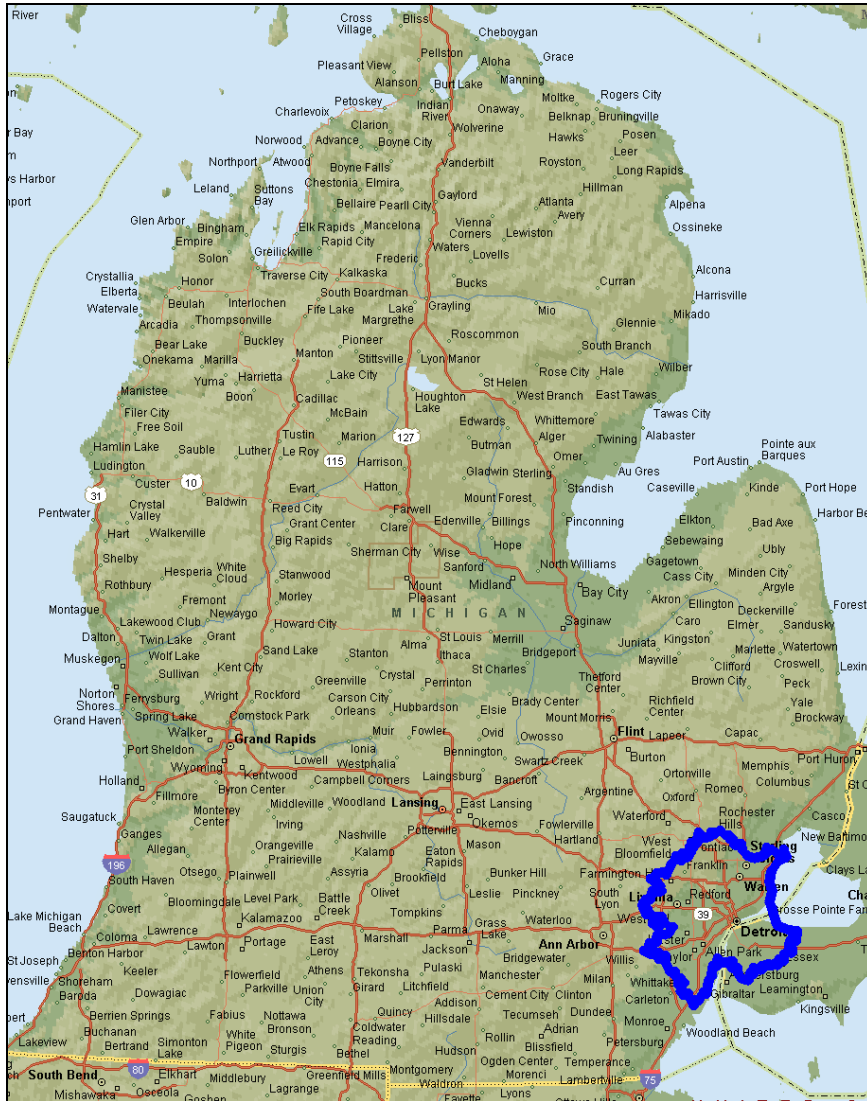
Michigan has three commercial casinos in Detroit and 23 tribal casinos operated under compact with the state by 12 sovereign Indian nations. When igaming was introduced to Michigan, the three Detroit commercial casinos were permitted to offer igaming; the state and the nations renegotiated the gaming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

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

casinos do. The tribal operations pay a revenue share to local governments on a fiscal year basis. As a consequence of this mismatch – and the fact that the advent of igaming came in the middle of a fiscal year – Spectrum cannot yet measure the impact on tribal gaming.

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

Figure 22: Map of Michigan’s lower peninsula and a 30-minute drive from Detroit

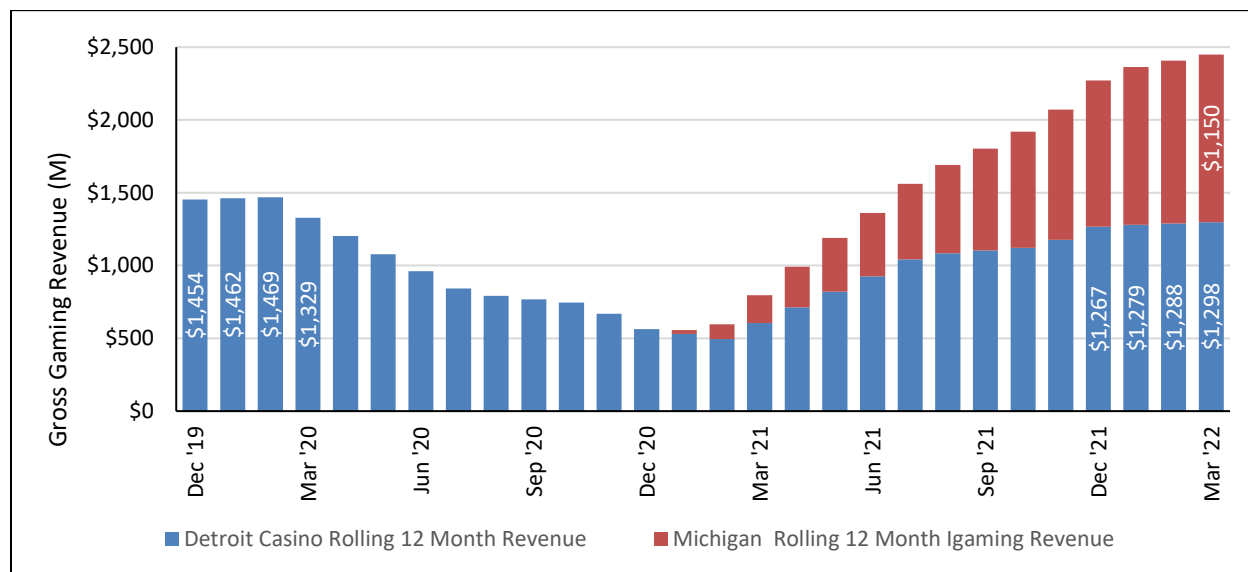


Source: Microsoft MapPoint. Blue line shows 30-minute drive from the Detroit casinos.

As a proxy for the statewide impact, we analyzed the performance of the Detroit commercial casinos for the period before the pandemic through the advent of igaming up to March 2022. Rolling 12-month revenue at the Detroit commercial casinos is trailing the performance in the same months pre-

pandemic. The three Detroit casinos were operating under Covid-19 restrictions until June 22, 2021.²⁶ The restrictions likely had a negative impact on play at the three Detroit casinos.

Figure 23: Detroit casino rolling 12-month and Michigan igaming revenue



Source: Michigan Gaming Control Board

For the 12-month period ending February 2022, Detroit commercial casinos saw a decline in revenue relative to the period ended February 2019, the final period prior to the pandemic closures and restrictions. How much of this is due to the Covid-19 policy versus the advent of igaming, or the combination, cannot be determined.

It is important to note the overall impact to Detroit commercial casino revenue. While recent monthly revenue at traditional casinos has declined from pre-pandemic levels, overall revenue has increased significantly. The revenue growth driver for the Detroit casinos appears to be igaming.

²⁶ Jordyn Grzelewski, “Detroit casinos generated \$108.1 million in revenue in June as capacity restrictions eased,” *The Detroit News*, July 13, 2021. <https://www.detroitnews.com/story/business/2021/07/13/detroit-casinos-generated-108-1-million-revenue-june/7950821002/>

Figure 24: Detroit commercial casino revenues

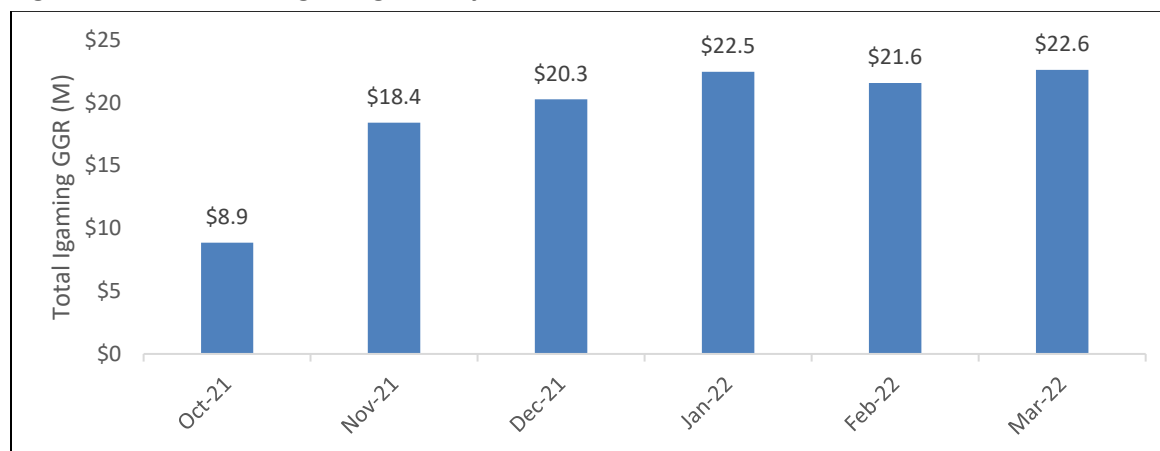
Detroit Retail Casino GGR	2019-2020 (M)	2021-2022 (M)	% Change in Retail
December	\$128	\$111	-12.9%
January	\$120	\$99	-17.5%
February	\$122	\$96	-21.5%
3 Months Total	\$370	\$306	-17.2%
Detroit Casino Igaming GGR	2019-2020 (M)	2021-2022 (M)	% Change
December	\$0	\$61	N/A
January	\$0	\$60	N/A
February	\$0	\$63	N/A
3 Months	\$0	\$184	N/A
Detroit Total	\$370	\$490	32.6%

Source Michigan Gaming Control Board, Spectrum Gaming Group

G. Connecticut

In March 2021, Connecticut reached an agreement that allows the state’s two tribal casinos (Foxwoods and Mohegan Sun) to offer igaming and sports wagering in the state. The license agreement will run for an initial five-year term and a set tax rate of 18%, and 20% thereafter. Igaming commenced in October 2021. For the first six months, igaming generated an average of \$19 million in GGR per month.

Figure 25: Connecticut igaming GGR by month



Source: Connecticut Department of Consumer Protection

H. Pooled Liquidity for Online Poker

Several states adopted and joined the Multi-State Internet Gaming Agreement to improve the overall liquidity and grow the digital poker market. Participating states as of May 2022 include Delaware, Michigan, Nevada and New Jersey. This compact means that digital poker operators can offer poker games and tournaments to the combined adult population of 18 million among these four states. Without this compact, a state’s poker operators are limited to operating intrastate only, which is the case in Pennsylvania.

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

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

A. Indiana Igaming Revenue Forecast

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

1. Spend per Adult Method

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

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

Delaware and New Jersey both launched igaming in late 2013, but they quickly took divergent paths. The high igaming tax rate in Delaware and restricted marketplace (only three sites, each tethered to a casino overseen by the Delaware Lottery) limited the revenue generated. Although New Jersey enjoyed more success early on, its igaming growth spurt coincided with the approval of digital sports wagering and the pandemic, as can be seen in Figure 26. Delaware does not offer digital sports wagering.

Figure 26: Casino gaming and igaming results in New Jersey and Delaware, 2019-2021

	CY 2019	CY 2020	CY 2021		CY 2019	CY 2020	CY 2021	
New Jersey	Retail Casino GGR (M)	\$2,687	\$1,509	\$2,536	Delaware	\$421	\$308	\$450
	Igaming GGR (M)	\$483	\$970	\$1,350		\$4	\$8	\$11
	Total Gaming (M)	\$3,169	\$2,480	\$3,886		\$425	\$317	\$460
	Retail Casino Win per Adult	\$592	\$332	\$559		\$570	\$415	\$599
	Est. Ann. Igaming Win per Adult	\$106	\$214	\$297		\$5	\$11	\$14

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

Pennsylvania launched igaming in July 2019. The data below reflect the annualized win per adult for the six-month period igaming was available in 2019. As shown in Figure 27, the growth rate of igaming in Pennsylvania from 2019 to 2020 was extraordinary. While in New Jersey the estimated igaming win per adult doubled from \$106 to \$213, in Pennsylvania, the estimated win per adult increased more than eight-fold, from \$7 to \$59.

Figure 27: Casino gaming and igaming results in Pennsylvania, 2019-2021

Pennsylvania	CY 2019	CY 2020	CY 2021
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212
Igaming GGR (M)	\$34	\$566	\$1,113
Total Gaming GGR (M)	\$3,300	\$2,426	\$4,325
Retail Casino Win per Adult	\$338	\$193	\$333
Est. Ann. Igaming win per Adult	\$7	\$59	\$115

Source: Pennsylvania Gaming Control Board, Spectrum Gaming Group

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

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

Figure 28: Casino, VLT gaming and igaming in West Virginia, 2019-2021

West Virginia	CY 2019	CY 2020	CY 2021
Retail Casino GGR (M)	\$521	\$378	\$527
Distributed VLT GGR (M)	\$398	\$352	\$466
Igaming GGR (M)	\$0	\$8	\$62
Total Gaming GGR (M)	\$919	\$739	\$1,055
Casino & VLT Win per Adult	\$673	\$535	\$727
Est. Ann. Igaming Win per Adult	\$0	\$14	\$45

Source: West Virginia Lottery, Spectrum Gaming Group

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

Figure 29: Detroit casino gaming and Michigan igaming, 2019-2021

Detroit	CY 2019	CY 2020	CY 2021
Detroit Casinos GGR (M)	\$1,454	\$563	\$1,267
Michigan Igaming GGR (M)	\$0.0	\$0.0	\$1,003
Detroit Casino Win per Adult	\$558	\$216	\$486
Est. Ann. Igaming Win per Adult	\$0	\$0	\$135

Source: Michigan Gaming Control Board, Spectrum Gaming Group

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

Figure 30: Summary of igaming per adult in five states, 2019-2022

Five-State Igaming Totals	CY 2019	CY 2020	CY 2021
Five-State Igaming GGR (M)	\$520	\$1,552	\$3,538
Igaming State Win per Adult	\$37	\$95	\$149

Source: State regulators, Spectrum Gaming Group

In Indiana, the presence of digital sports wagering and the increased acceptance and use of ecommerce during the pandemic leads Spectrum to believe that the ramp up for Indiana igaming would be faster than it was in the other igaming states. Using the history of existing states as a guide, and the win per adult in those states, we estimate that based on win per adult, Indiana igaming could achieve \$836 million in the third year of operation.

Figure 31: Spectrum projected Indiana igaming win in first three years based on win per adult

Indiana	Year 1	Year 2	Year 3
Est. Population 21 +	5,046,397	5,071,629	5,098,268
Igaming State Average	\$37	\$95	\$149
Est. Indiana Win per Adult	\$55	\$119	\$164
Est. Indiana Igaming Win (M)	\$277	\$604	\$836

Source: Stats Indiana,²⁷ Spectrum Gaming Group

2. Gross State Product Method

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

Early adopters New Jersey and Delaware show the impacts of the pandemic restrictions on casino revenue. As a percent of GSP, New Jersey casino revenue fell from 0.42% in 2019 to 0.24% in 2020. Casino gaming and igaming as a percentage of GSP is estimated to be 0.55% in 2019. In 2021, the combined igaming and casino gaming revenue in New Jersey was an estimated 0.56% of GSP.

²⁷ Stats Indiana, “Indiana Population Projections.” http://www.stats.indiana.edu/pop_proj/

Delaware experienced similar results. Delaware gaming as a percentage of GSP was estimated to be 0.55% in 2019; by 2021, the revenue number had returned to this estimated percentage of GSP.

Figure 32: New Jersey and Delaware gaming as percentage of GSP, 2019-2021

		CY 2019	CY 2020	CY 2021			CY 2019	CY 2020	CY 2021
New Jersey	Retail Casino GGR (M)	\$2,687	\$1,509	\$2,536	Delaware		\$366	\$276	\$398
	Igaming GGR (M)	\$483	\$970	\$1,350			\$4	\$8	\$11
	Total Gaming GGR (M)	\$3,569	\$2,704	\$3,922			\$370	\$284	\$409
	Est. GSP (M)	\$647,274	\$632,051	\$700,120			\$78,354	\$77,439	\$84,206
	Casino GGR as % GSP	0.42%	0.24%	0.36%			0.47%	0.36%	0.47%
	Igaming GGR as % GSP	0.07%	0.15%	0.19%			0.00%	0.01%	0.01%
	ALL Gaming as % GSP	0.55%	0.43%	0.56%			0.47%	0.37%	0.49%

Source: State regulators, US Bureau of Economic Analysis,²⁸ Spectrum Gaming Group

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

Figure 33: Pennsylvania gaming as a percentage of GSP, 2019-2021

Pennsylvania	CY 2019	CY 2020	CY 2021
PA Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212
PA Igaming GGR (M)	\$34	\$566	\$1,113
Total Gaming GGR (M)	\$3,266	\$2,405	\$4,301
Est. GSP (M)	\$810,382	\$793,237	\$874,881
Casino GGR as % GSP	0.40%	0.23%	0.37%
Annualized Igaming GGR as % GSP	0.01%	0.07%	0.13%
All Gaming GGR as % GSP	0.41%	0.30%	0.49%

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

In West Virginia, the pattern repeats. It is notable that while casino revenue grew in absolute terms from 2019 to 2021, it fell as a percentage of GSP. Distributed VLT revenue remained about constant in GSP terms. This may be due to the local nature of the VLTs. As noted earlier, the locations of most West Virginia casinos near state borders, pandemic restrictions, and player concerns about travel may have had more of an impact on this sector than on the VLTs, which are located across the state.

Igaming has grown in West Virginia to be equal to an estimated 0.07% of GSP. When summed, the total of casino, VGT, and igaming as a share of GSP amounted to an estimated at 1.15% in 2019 and 2021.

²⁸ US Bureau of Economic Analysis, Regional GSP and Personal Income Data.

<https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1&acrdn=1>

Figure 34: West Virginia casino, distributed VT and igaming as a percentage of GSP, 2019-2021

West Virginia	CY 2019	CY 2020	CY 2021
Retail Casino GGR (M)	\$521	\$378	\$527
Distributed VLTs GGR (M)	\$398	\$352	\$466
Igaming GGR (M)	\$0	\$8	\$62
Total Gaming GGR (M)	\$919	\$739	\$1,055
Est. State GDP (M)	\$79,674	\$79,699	\$91,953
Casino GGR as % GDP	0.65%	0.47%	0.57%
Distributed VLT GGR as % GDP	0.50%	0.44%	0.51%
Annualized Igaming GGR as % GDP	0.00%	0.02%	0.07%
All Gaming GGR as % GDP	1.15%	0.93%	1.15%

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

Michigan did not offer igaming until 2021, and therefore we can't analyze the history of igaming as related to GSP. However, there is insight from the one year of igaming Michigan has completed. In the first full year of igaming in Michigan, revenue from this sector totaled an estimated 0.17% of GSP. That is above the estimated level of GSP in New Jersey, at 0.15%, and Pennsylvania at 0.13%. Both states have had a longer history with igaming than Michigan.

Figure 35: Michigan igaming as percentage of GSP

Michigan	CY 2021
Igaming GGR (M)	\$1,003
Est. GSP (M)	\$592,349
Igaming GGR as % GSP	0.17%

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

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

Figure 36: Gaming as percentage of GSP in five states, 2019-2021

Five-State Igaming Totals	CY 2019	CY 2020	CY 2021
All Casino & WV VLT GGR (M)	\$7,238.6	\$4,375.8	\$8,143.6
ALL Igaming GGR (M)	\$519.9	\$1,552.5	\$3,538.1
Total Gaming GGR (M)	\$7,758.4	\$5,928.3	\$11,681.8
Est. State GDP (M)	\$1,615,684	\$1,582,426	\$2,343,508
Casino & VLT GGR as % GDP	0.45%	0.28%	0.35%
Igaming GGR as % GDP	0.03%	0.10%	0.15%
All Gaming GGR as % GDP	0.48%	0.37%	0.50%

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

In developing an estimate of Indiana igaming based on a percentage of GSP, Spectrum relied on the recent experience in Michigan more than the other states. The recency of the approval of igaming in Michigan means that some of the post-casino-closure/restrictions impacts are built into the Michigan performance, including the greater acceptance of ecommerce. Additionally, while Michigan has three commercial casinos in Detroit, as noted earlier, there are 24 tribal casinos spread across the state, unlike in New Jersey, where all nine casinos are in one location (Atlantic City). West Virginia has distributed

games spread across the state. Indiana has casinos spread across the state and does not offer distributed gaming.

Figure 37: Estimated Indiana igaming revenue based on GSP method

Indiana	Year 1	Year 2	Year 3
Estimated Indiana GSP	\$451,152	\$460,175	\$469,379
Estimated Igaming GGR as % of GSP	0.13%	0.15%	0.18%
Indiana Igaming GGR Based on GSP	\$563.9	\$690.3	\$821.4

Source: US Bureau of Economic Analysis, Spectrum Gaming Group

3. Disposable Personal Income Method

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

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

Figure 38: New Jersey and Delaware casino and igaming as a percentage of DPI, 2019-2021

		CY 2019	CY 2020	CY 2021				
New Jersey	Retail Casinos GGR (M)	\$2,687	\$1,509	\$2,536	Delaware	\$421	\$308	\$450
	Igaming GGR (M)	\$483	\$970	\$1,350		\$4	\$8	\$11
	Total Gaming GGR (M)	\$3,169	\$2,480	\$3,886		\$425	\$317	\$460
	Est. Disp. Personal Income (M)	\$534,772	\$568,751	\$595,490		\$46,327	\$49,147	\$52,091
	Casino GGR % DPI	0.50%	0.27%	0.43%		0.91%	0.63%	0.86%
	Igaming GGR % DPI	0.09%	0.17%	0.23%		0.01%	0.02%	0.02%
	Total GGR % DPI	0.59%	0.44%	0.65%		0.92%	0.64%	0.88%

Source: State regulators, US Bureau of Economic Analysis,²⁹ Spectrum Gaming Group

Whereas New Jersey and Pennsylvania estimates of casino spend as a percentage of DPI are nearly identical, New Jersey residents appear to be spending more of their DPI on igaming. Both states show increases in the overall gaming spend as a percentage of DPI.

²⁹ US Bureau of Economic Analysis, GSP and Personal Income Data.

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

Figure 39: Pennsylvania casino and igaming as a percentage of DPI, 2019-2021

Pennsylvania	CY 2019	CY 2020	CY 2021
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212
PA Igaming GGR (M)	\$34	\$566	\$1,113
Total Gaming GGR (M)	\$3,300	\$2,426	\$4,325
Est. Disp. Personal Income (M)	\$653,674	\$706,541	\$735,255
Casino GGR % DPI	0.50%	0.26%	0.44%
Igaming GGR % DPI	0.01%	0.08%	0.15%
Total GGR % DPI	0.50%	0.34%	0.59%

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

West Virginia appears to have the highest ratio of gaming spend to DPI, but the win from out-of-state casino players has a great deal to do with that. The distributed VLT win as an estimated percentage of DPI grew from 0.57% to 0.6% of DPI. The combined igaming and casino spend as a percentage of DPI remained about flat.

Figure 40: West Virginia casino, VGT, and igaming as a percentage of DPI, 2019-2021

West Virginia	CY 2019	CY 2020	CY 2021
Retail Casinos GGR (M)	\$521	\$378	\$527
Distributed VLTs GGR (M)	\$398	\$352	\$466
WVA Igaming GGR (M)	\$0	\$8	\$62
Total Gaming GGR (M)	\$919	\$739	\$1,055
Est. Disp. Personal Income (M)	\$69,429	\$73,624	\$77,625
Casino GGR % DPI	0.75%	0.51%	0.68%
Distributed GGR VLTs % DPI	0.57%	0.48%	0.60%
Igaming GGR % DPI	0.00%	0.03%	0.08%
Total GGR % DPI	1.32%	1.00%	1.36%

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

Michigan, an adjacent state to Indiana, and one also with a vibrant casino industry, took to igaming quickly. Reporting constraints make it impossible to know if the growth in igaming came from new players or cannibalization of commercial and tribal casinos. However, the Detroit commercial casinos saw a large decline in revenue from 2019 to 2021.

Figure 41: Michigan igaming as a percentage of DPI, 2019-2021

Michigan	CY 2019	CY 2020	CY 2021
Michigan Igaming GGR (M)	\$0	\$0	\$1,003
Est. Disp. Personal Income (M)	\$437,295	\$478,214	\$496,786
Igaming GGR % DPI	0.00%	0.00%	0.20%

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

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

Figure 42: Gaming revenue in igaming states as a percentage of DPI, 2019-2021

Five-State Igaming Totals	CY 2019	CY 2020	CY 2021
Casino & WV VLTs GGR (M)	\$6,375	\$4,409	\$7,192
All Igaming GGR (M)	\$520	\$1,552	\$2,578
Total Gaming GGR (M)	\$6,894	\$5,961	\$11,490
Est. Disp. Personal Income (M)	\$1,234,772	\$1,398,063	\$1,957,247
Casino GGR % DPI	0.52%	0.32%	0.37%
Igaming GGR % DPI	0.04%	0.11%	0.13%
Total GGR % DPI	0.56%	0.43%	0.59%

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

Spectrum believes that Indiana will ramp up igaming more quickly than the legacy states, as Indiana already offers digital sports wagering and has casinos spread across the state. It is estimated that currently 90.7%³⁰ of Indiana residents have access to high-speed internet connections. This is slightly lower than the estimated coverage in Michigan of 91.8%.

Figure 43: Estimated Indiana igaming revenue as a percentage of Disposable Personal Income

Indiana	Year 1	Year 2	Year 3
Est. Disp. Personal Income (M)	\$353,611	\$365,515	\$377,820
Igaming GGR % DPI	0.16%	0.19%	0.22%
Est. Igaming Revenue (M)	\$566	\$694	\$831

Source: US Bureau of Economic Analysis, Spectrum Gaming Group

4. Summary of Methods

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

Figure 44: Summary of estimated Indiana igaming revenue using three methods

Igaming Rev (M)	Year 1	Year 2	Year 3	3-Year Total
Spend per Adult	\$277	\$604	\$836	\$1,717
Spend as % GSP	\$564	\$690	\$821	\$2,076
Spend as % PDI	\$566	\$694	\$831	\$2,091
<i>Average of Methods</i>	<i>\$469</i>	<i>\$663</i>	<i>\$830</i>	<i>\$1,962</i>

Source: Spectrum Gaming Group

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

B. Estimated Impacts on Direct Employment

If casino revenues were to decline as a result of igaming, it is natural to assume that casino employment would also decline. However, as discussed in Chapter VI of this report, *Impacts of Igaming*

³⁰ Broadbandnow.com, "Indiana Internet Coverage & Availability in 2022." <https://broadbandnow.com/Indiana>

on Other Indiana Gaming Sectors, Spectrum does not expect igaming to negatively impact casino revenues.

Based on our conversations with casino operators regarding their experience in other states since the launch of igaming, as well as the results of interviews conducted for this study, Spectrum concludes that the introduction of igaming in Indiana without live-dealer would have no meaningful impact on direct casino employment – but would create additional jobs in igaming operations. We note the following commentary and information from Indiana casino operators who also have igaming operations in other states:³¹

- Operator 1: The launch of igaming in New Jersey created four jobs at the casino and about 80 jobs in igaming, the majority of which are in customer service, customer retention, marketing and operations.³²
- Operator 2: The operator used marketing incentives to drive igaming players to its casino, resulting in increased casino employment. The launch of the igaming operation itself created 13 direct hires with an annual payroll of \$552,000.
- Operator 3: The operator said igaming has increased visits to its casino, which “positively impacts” staffing levels at the casino. The prospective launch of igaming in Indiana would create a “limited” number of jobs, noting that its digital operations are primarily run from a central office in another state.
- Operator 4: Igaming has resulted in no change in casino employment in the multiple states in which it operates. Igaming operations have resulted in 183 jobs in New Jersey and 182 jobs in Pennsylvania.

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

It is when operators launch live-dealer gaming as part of their igaming scheme that states realize the most meaningful employment impacts, typically through a third-party provider. Sweden-based Evolution AB currently employs 2,000 people – overwhelmingly dealers – at live-dealer studios it has developed and operates in Michigan, New Jersey and Pennsylvania.³³ In New Jersey alone, the company employs “several hundred live dealers” for just the igaming operations for Golden Nugget and Hard Rock

³¹ For this report section, interviews with Indiana casino operators who have igaming operations in other states were conducted by the Indiana Gaming Commission. The responses provided to Spectrum were anonymized.

³² Per N.J.A.C. 13:690-1.2(v), “Employees of an Internet gaming operator who perform activities such as Internet casino accounting, patron identification and verification, problem gaming detection, anti-money laundering detection, fraud prevention, or other similar functions and that require access to confidential patron account information *shall be physically present in New Jersey.*” [emphasis added] See <https://www.nj.gov/lps/ge/docs/Regulations/CHAPTER690.pdf>, p. 19.

³³ Spectrum interview with company representative, August 22, 2022.

Atlantic City.³⁴ An Evolution representative told Spectrum that it could employ up to 800 in direct igaming jobs in Indiana. Another live-dealer provider, Isle of Man-based Playtech, said it employs about 100 at its live-dealer studio in Michigan and expects to employ about 500 in Michigan and New Jersey combined by the end of next year. Playtech said a similar operation in Indiana would employ at least 100 in its first year.³⁵

The significant economic impacts of live-dealer gaming can be realized if the studios are situated in the host state, as is required four of the five current live-dealer igaming states.³⁶ The current live-dealer studio for West Virginia igaming is located in Philadelphia, PA.³⁷ Although regulations can vary by state, a single live-dealer studio typically can serve multiple igaming licensees, as the studios do not have to be located within an existing gaming facility.

³⁴ New Jersey Division of Gaming Enforcement email to Spectrum, August 18, 2022.

³⁵ Playtech email to Spectrum, August 24, 2022.

³⁶ Live-dealer igaming is not authorized in Delaware.

³⁷ David Bradley, West Virginia Lottery Deputy Director for Security, said of West Virginia's out-of-state live-gaming studio, "All dealers and suppliers (felts, cards, dice, etc.) are licensed in WV and they follow the same rules and regulations for our land based casinos. Also, we have unfettered access to the surveillance system so that we may monitor all activity." (Bradley email to Spectrum, September 13, 2022.)

V. Projected Igaming Tax Receipts

Igaming tax rates vary greatly, as seen in Figure 45 below. Pennsylvania is unique in that it taxes igaming and retail casinos at the same rate. Delaware uses a blended rate that is higher than the retail casino slot rate but lower than the retail casino table games rate.

Figure 45: Casino gaming and igaming tax rates

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

Sources: American Gaming Association, Connecticut Department of Revenue

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

Figure 46: Michigan igaming revenue state tax rates

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

Source: Michigan Gaming Control Board³⁸

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

³⁸ Michigan Gaming Control Board, Lawful Internet Gaming Act 152 of 2019ss 432.314.
https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Internet-Gaming-and-Fantasy-Contests/ActsandRules/Lawful_Internet_Gaming_Act_PA_152_of_2019.pdf?rev=fd37d6e2d6764e5ea5b6658774d53626&hash=14B38DEFDA054E2FCCFCB7F82378EFCF

Figure 47: Indiana casino revenue tax rates

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

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

The rate structure of Indiana gaming taxes, which taxes different operators differently based on the type of operation, makes it difficult to apply a “Pennsylvania-style” tax regime on Indiana gaming revenue. In Fiscal Year 2021, the Indiana Gaming Commission collected \$518.2 million in gaming taxes and \$42 million in Supplemental Taxes on Adjusted Gross Receipts of \$2,134.5 million, an effective rate of 26.2%.³⁹

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

Figure 48: Assumed tax rates applied to estimated Indiana igaming revenues

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

Source: Spectrum Gaming Group

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

³⁹ Indiana Gaming Commission Annual Report 2021, <https://www.in.gov/igc/files/FY2021-Annual.pdf>

Figure 49: Estimated Indiana igaming revenue and igaming taxes at three tax rates

	Year 1	Year 2	Year 3	3-Year Total
Igaming Revenue (M)				
Spend per Adult Method	\$277	\$604	\$836	\$1,717
Spend As % GDP Method	\$564	\$690	\$821	\$2,076
Spend As % PDI Method	\$566	\$694	\$831	\$2,091
Average of Methods	\$469	\$663	\$830	\$1,962
Tax Scenario and Gaming-Tax Receipts (M)				
Taxes (M) at Average GGR and 20% Tax	\$94	\$133	\$166	\$392
Taxes (M) at Average GGR and 30% Tax	\$141	\$199	\$249	\$588
Taxes (M) at Average GGR and 45% Tax	\$211	\$298	\$373	\$883
Lowest Taxes (M) at 20% Tax	\$55	\$121	\$164	\$341
Highest Taxes (M) at 45% Tax	\$255	\$313	\$376	\$943

Source: Spectrum Gaming Group

VI. Impacts of Igaming on Other Indiana Gaming Sectors

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

A. Retail Casinos

Based on the evidence from the states where igaming has been introduced, there is little, if any, cannibalization of revenue from established casinos. This is particularly true in states where the in-person gaming options are easily accessible to most of the population, such as in Delaware and West Virginia. Based on the results in other igaming states, Spectrum believes implementing igaming in Indiana will have little impact on retail casino gaming revenues in the state.⁴⁰

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

The following table presents a summary of the casino and igaming performance in the five igaming states that have at least one full year of operations. The data show a slight decline in casino revenues during the 2019-2021 period, with the following notes:

- In New Jersey, all casinos are situated in one location – Atlantic City. In states where casinos are distributed throughout the state, casino revenues were more stable.
- The Michigan results are skewed because they include statewide igaming results but only Detroit commercial casino results.

⁴⁰ The sixth igaming state, Connecticut, was excluded from our analysis because igaming there has been operational for less than one year.

Figure 50: Summary of igaming and casino performance in igaming states, 2019-2021

	CY 2019	CY 2020	CY 2021	\$ Change from 2019	% Change from 2019
New Jersey					
Retail Casino GGR (M)	\$2,687	\$1,509	\$2,536	-\$150	-5.6%
Igaming GGR (M)	\$483	\$970	\$1,350	\$867	179.6%
Total Gaming GGR (M)	\$3,169	\$2,480	\$3,886	\$717	22.6%
Delaware					
Retail Casino GGR (M)	\$421	\$308	\$450	\$28	6.7%
Igaming GGR (M)	\$4	\$8	\$11	\$7	194.8%
Total Gaming GGR (M)	\$425	\$317	\$460	\$35	8.3%
Pennsylvania					
Retail Casino GGR (M)	\$3,267	\$1,860	\$3,212	-\$54	-1.7%
Igaming GGR (M)	\$34	\$566	\$1,113	\$1,079	3212.1%
Total Gaming GGR (M)	\$3,300	\$2,426	\$4,325	\$1,025	31.1%
West Virginia					
Retail Casino GGR (M)	\$521	\$378	\$527	\$6	1.1%
Distributed VLTs GGR (M)	\$398	\$352	\$466	\$68	17.2%
Igaming GGR (M)	\$0	\$8	\$62	\$62	N/A
Total Gaming GGR (M)	\$919	\$739	\$1,055	\$136	14.8%
Michigan/Detroit					
Detroit Casinos GGR (M)	\$1,454	\$563	\$1,267	-\$188	-12.9%
Michigan Igaming GGR (M)	\$0	\$0	\$1,003	\$1,003	N/A
Total Gaming GGR (M)	\$1,454	\$563	\$2,270	\$816	56.1%
All Igaming States					
All Casino & VLT GGR (M)	\$8,748	\$4,972	\$8,458	-\$290	-3.3%
ALL Igaming GGR (M)	\$520	\$1,552	\$3,538	\$3,018	580.6%
Total Gaming GGR (M)	\$9,268	\$6,524	\$11,997	\$2,728	29.4%

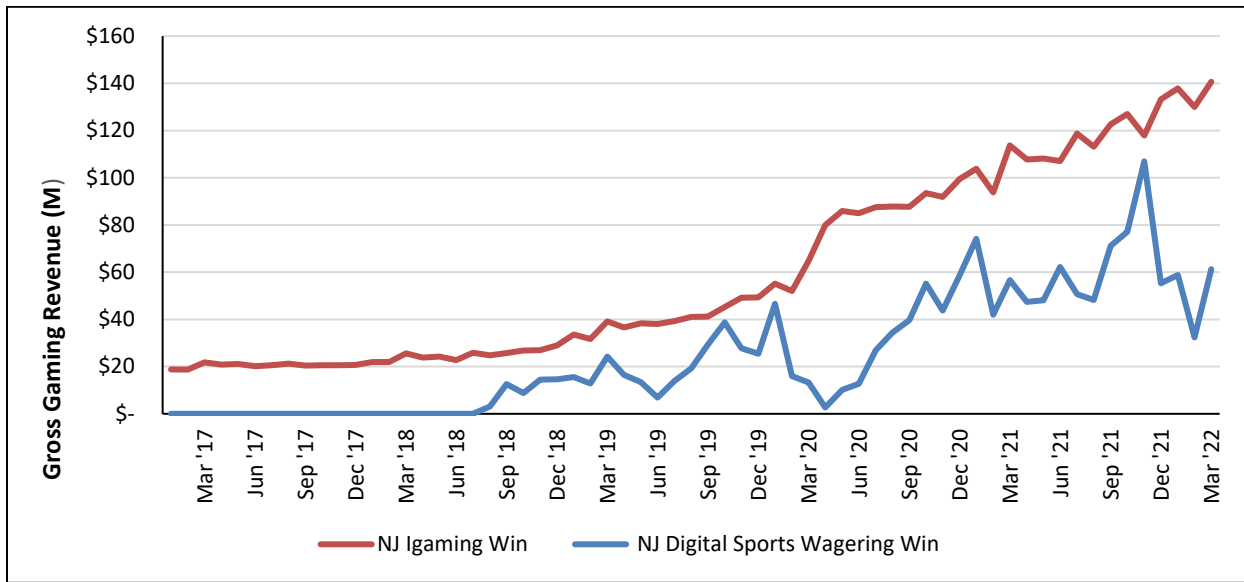
Sources: State regulators

B. Digital Sports Wagering

Indiana approved sports wagering in the fall of 2019. Retail (in-person) betting at casinos and other facilities began September 1. Online sports betting started in early October.

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

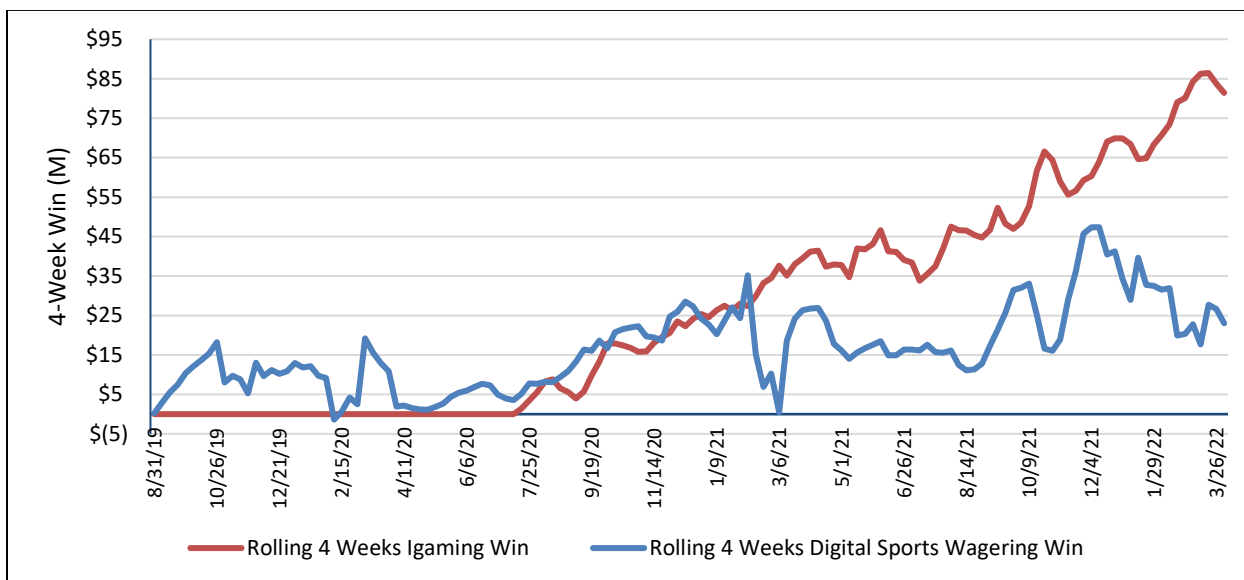
Figure 51: New Jersey igaming and digital sports wagering win, March 2017-March 2022



Source: H2 Gambling Capital

West Virginia releases igaming and sports wagering data on a weekly basis. To provide a more comparable data set, the data in Figure 52 depicts the data as a rolling four-week total. West Virginia opened for digital sports wagering nearly a year prior to the advent of igaming. As seen in Figure 52, the digital sports wagering handle accelerated significantly after igaming was permitted. This period coincides with the return of professional sports during the pandemic and the beginning of football season. The growth was not sustained, but digital sports betting win remains above the pre-igaming levels. This may be due to the increasing familiarity bettors have with sports wagering.

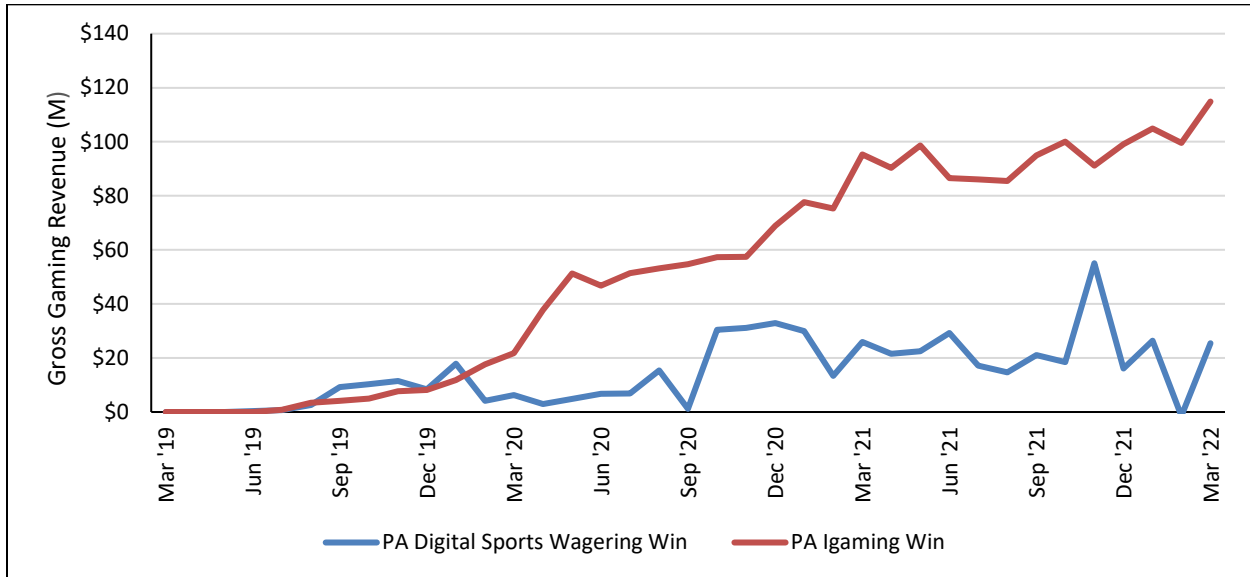
Figure 52: West Virginia igaming win and online sports betting win, August 2019-March 2022



Source: West Virginia Lottery

Pennsylvania began digital sports wagering and igaming at approximately the same time. The monthly win from each form of betting is presented in Figure 53. There does not seem to be any relationship between igaming win and sports-betting win.

Figure 53: Pennsylvania igaming and online sports betting win, March 2019-March 2022



Source: Pennsylvania Gaming Control Board

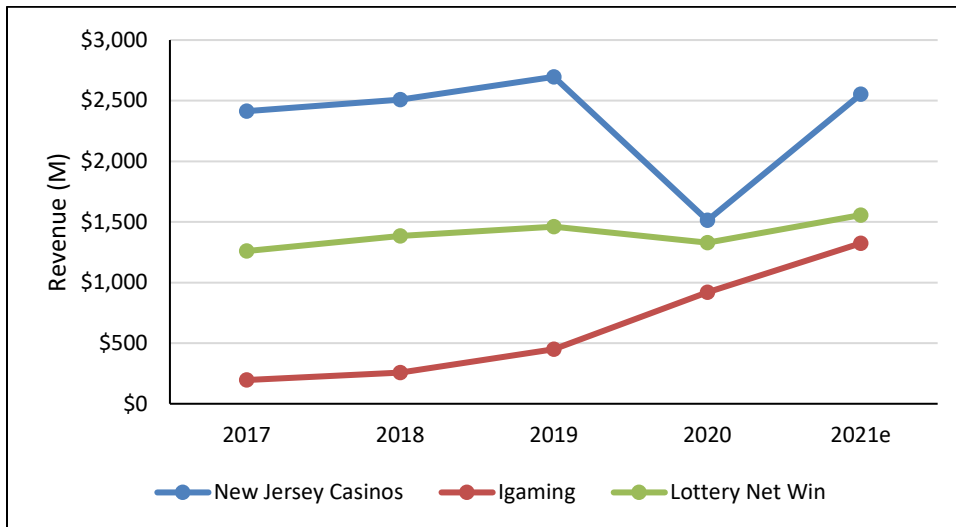
Based on the results in other states, Spectrum believes that the introduction of igaming would have no negative impact on sports betting. If anything, igaming would help to increase sports betting revenues, as both activities are typically offered on the same mobile app, thus promoting crossover play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

C. Lottery

Of the six states that have both igaming and lottery, three have enough history to allow for the analysis of the trends and potential impacts of igaming on lottery revenue. None of the states' lottery results appear to have been impacted by igaming.

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

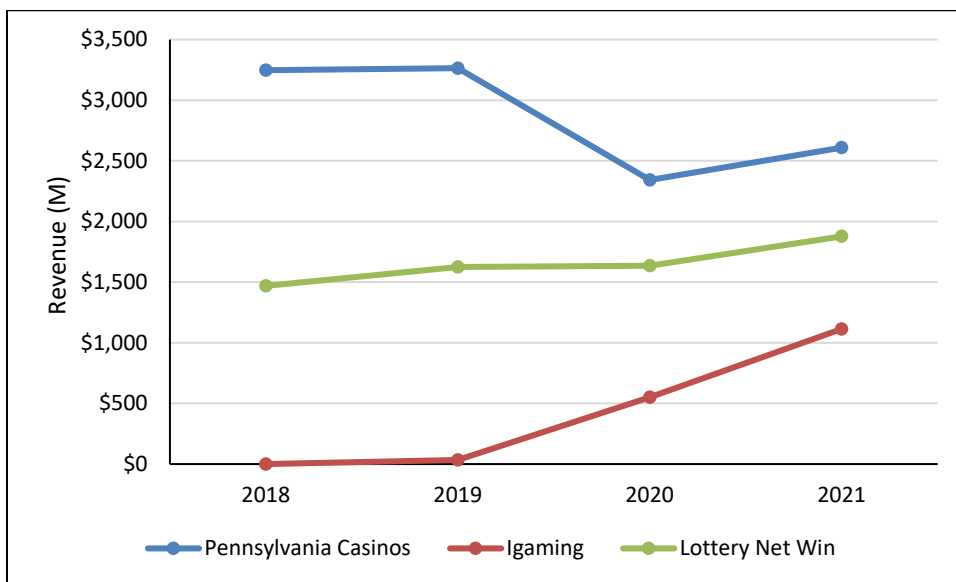
Figure 54: New Jersey casino, lottery and igaming revenue, 2017-2021



Source: H2 Gambling Capital, Spectrum Gaming Group

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

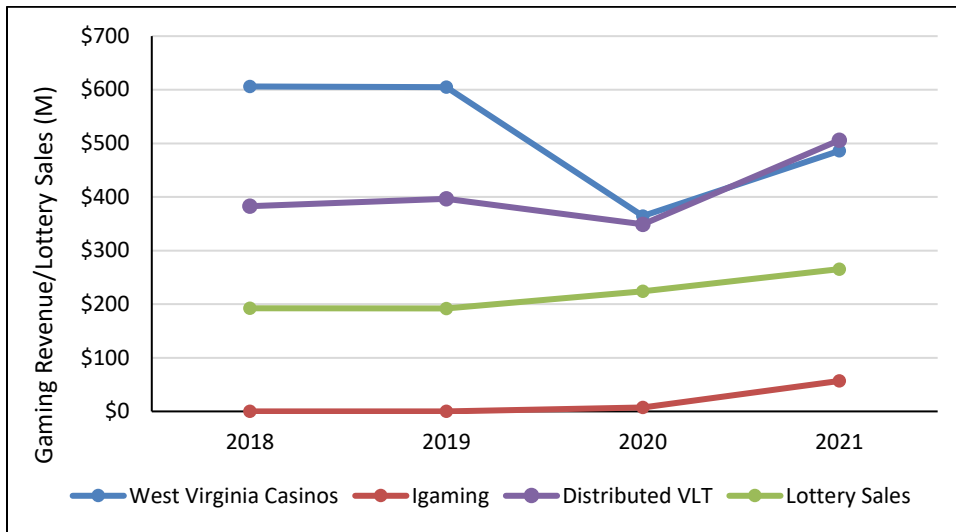
Figure 55: Pennsylvania casino, lottery, and igaming revenue, 2018-2021



Source: H2 Gambling Capital, Spectrum Gaming Group

For West Virginia, Spectrum was unable to find data on West Virginia lottery win. Instead, we have used lottery sales for West Virginia, which is also a volume indicator of the popularity of lottery games. As shown in the chart below, lottery sales increased with the rise in igaming gross gaming revenue.

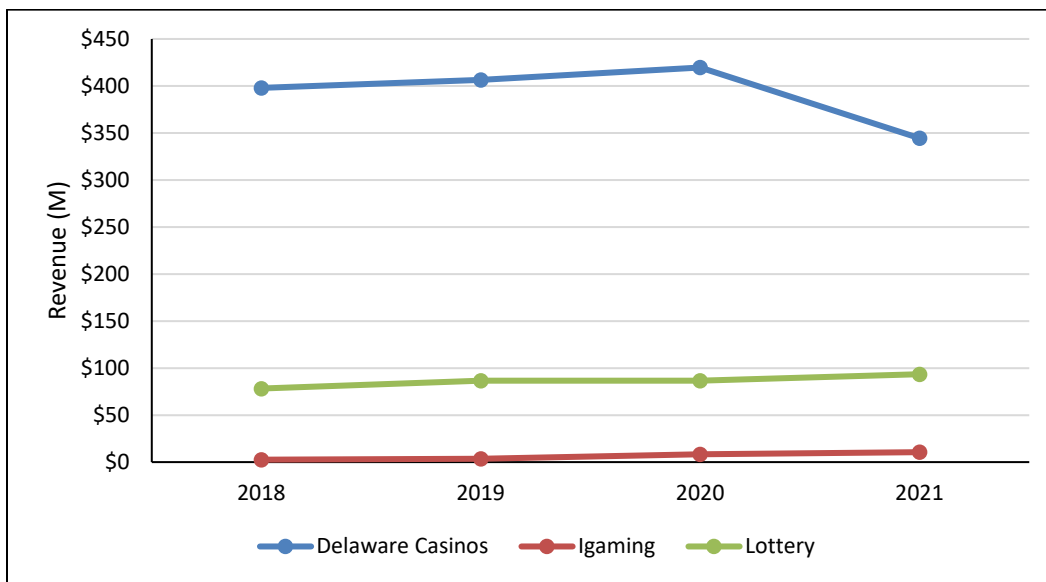
Figure 56: West Virginia casino, lottery, igaming and VLT data, 2018-2021



Source: H2 Gambling Capital, Spectrum Gaming Group

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

Figure 57: Delaware casino, lottery, and igaming revenue, 2018-2021



Source: H2 Gambling Capital, Spectrum Gaming Group

Based on the data and experience from the states where igaming, casinos and lottery compete for gaming dollars, it appears that there is a distinction made in the mind of the player between lottery and igaming. As such, Spectrum foresees little impact on the Hoosier Lottery from the potential introduction of igaming. In the five years from 2016 to 2021, the compound annual growth rate (“CAGR”) of Hoosier Lottery sales was 7.55%. While this is strong growth, Spectrum does not see a reason for the growth rate to be impacted by igaming.

Figure 58: Hoosier Lottery sales, 2016-2022, and three-year forecast post-igaming

	2016	2017	2018	2019	2020	2021	2022e	Year 1	Year 2	Year 3
Hoosier Lottery Sales (\$M)	\$1,208	\$1,213	\$1,270	\$1,348	\$1,384	\$1,738	\$1,869	\$2,010	\$2,162	\$2,325
\$ YoY Change (M)		\$5	\$57	\$78	\$36	\$354	\$131	\$141	\$152	\$163
% YoY Change		0%	5%	6%	3%	26%	8%	8%	8%	8%
CAGR 5 Years to 2021						7.55%				

Source: Hoosier Lottery Annual Reports,⁴¹ Spectrum Gaming Group

D. Horse Racing

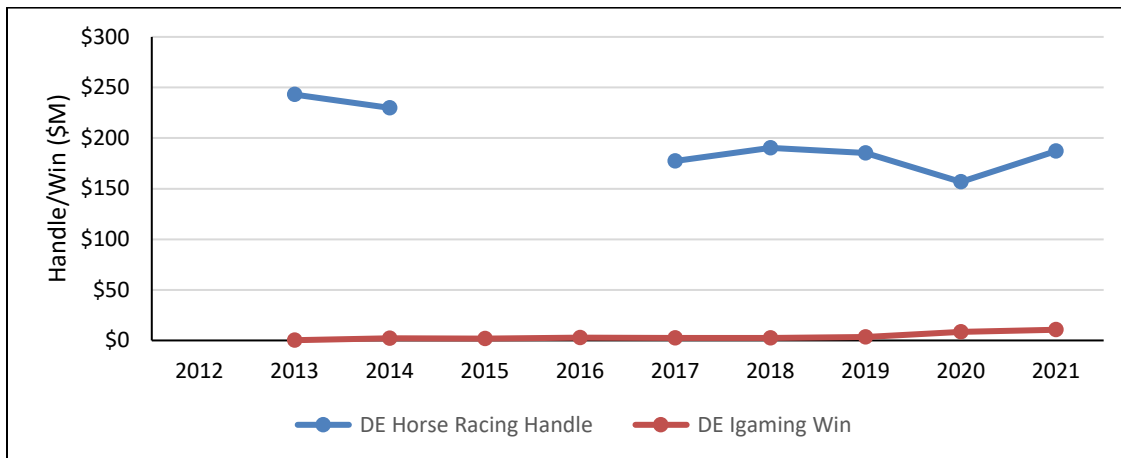
Among the six igaming states, five have live horse racing – Standardbred or Thoroughbred, or both; Connecticut is the exception. West Virginia also has live greyhound racing. It should be noted that igaming states Delaware, West Virginia, and Pennsylvania have casinos at their racetracks. The charts below show racing handle and igaming win from four of the states with igaming; Michigan does not have enough igaming history to analyze the impact, if any.

It is important to note that in the relevant states igaming benefited from the Covid-19 pandemic, as players discovered they could gamble from home while the casinos were closed or had certain restrictions after opening. Racing operations, however, ceased for a period, depressing handle.

Overall, based on our analysis of data available, Spectrum found no relationship between the launch of igaming and impact on racing handle.

Delaware was among the first state to offer igaming. To review any impact on racing handle, we examined the year prior to the introduction of igaming, 2012, up to the estimates for 2022. (Handle figures for 2015 and 2016 were unavailable when preparing this report.)

Figure 59: Delaware horse racing handle and igaming win, 2012-2022

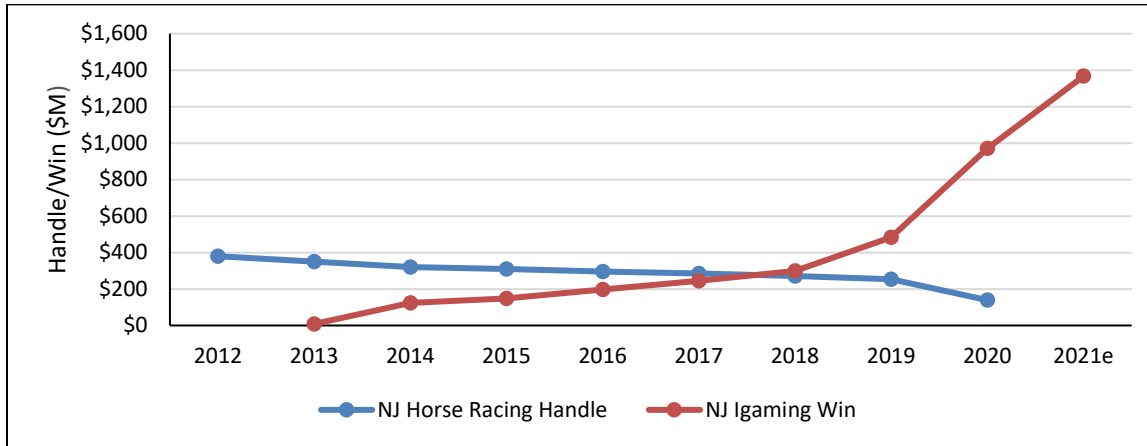


Source: Delaware Lottery, Delaware Thoroughbred Racing Commission, Delaware Harness Racing Commission. Note: Handle figures for 2015 and 2016 were unavailable.

⁴¹ Hoosier Lottery Annual Reports, 2017, 2019 and 2021. <https://hoosierlottery.com/giving-back/annual-reports/>

New Jersey also offers race wagering and igaming. The racing handle was declining gradually over time. The rebound of racing handle after the pandemic is notable, and occurred during a large increase in igaming win.

Figure 60: New Jersey horse racing handle and igaming win, 2012-2022

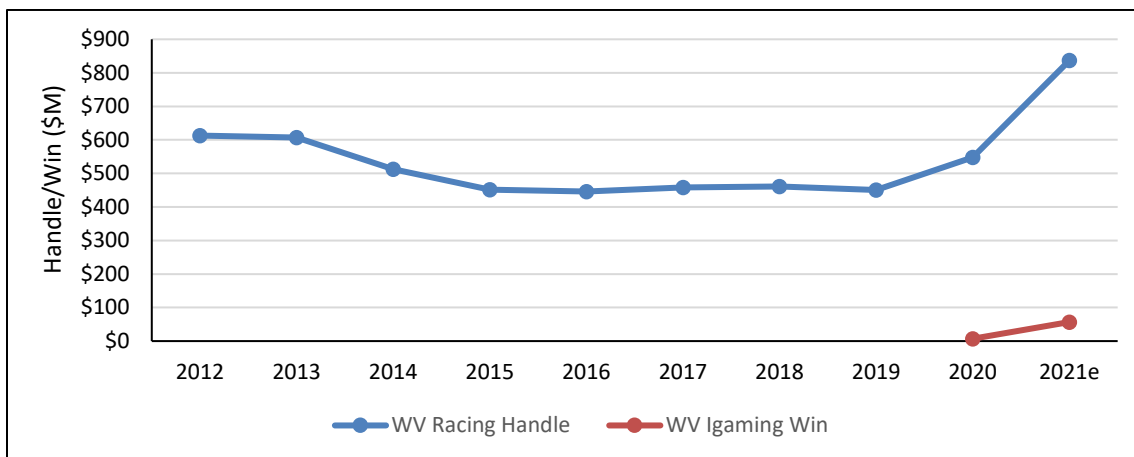


Source: New Jersey Division of Gaming Enforcement, New Jersey Racing Commission. Note: New Jersey 2021 handle figures were unavailable.

Pennsylvania, like Delaware and West Virginia, has casinos at racetracks. Pennsylvania handle for 2020 and 2021 was unavailable when preparing this report, thus we cannot show the correlation between handle and igaming win.

West Virginia has casinos at each of the four tracks in the state. As mentioned, West Virginia is the only state in the study group that offers greyhound racing, and its 2021 handle was helped by the closure of the remaining dog tracks in Florida. Figure 61 below shows that racing handle, as in other states, was in decline well before the approval of igaming. Here too, the data show a growth in handle after the pandemic.

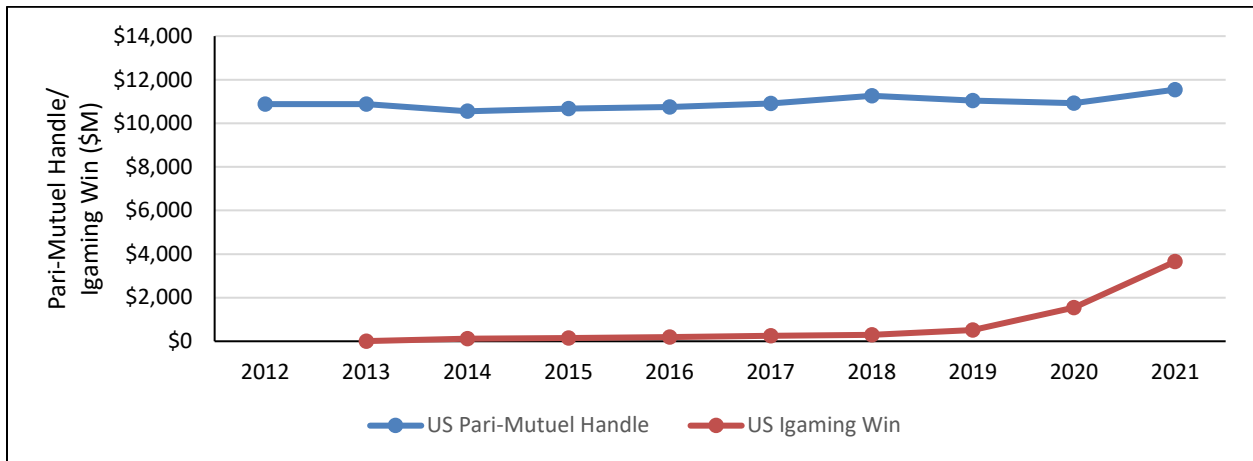
Figure 61: West Virginia racing handle and igaming win, 2012-2022



Source: West Virginia Lottery, West Virginia Racing Commission

To put the data from the igaming states into perspective, we also analyzed the data for the entire United States. The data available are handle for pari-mutuel wagering and igaming win for 2012-2022.

Figure 62: US pari-mutuel wagering net revenue and igaming win, 2012-2022



Source: State gaming regulators, The Jockey Club

As can be seen in Figure 62, pari-mutuel win was flat or declining before igaming was approved and operating. The advent of igaming does not seem to have had any bearing on the popularity of parimutuel wagering.

VII. Igaming Policy Considerations and Best Practices

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

A. Implementation

1. Tax Rate

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

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

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

2. Licensing Fees

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

Figure 63: Igaming licensing fees by state

	CT	DE	MI	NJ	PA	WV
Igaming Platform Provider Fee	\$250K/initial 1 year; \$100K/renewal annual	\$4K/initial; \$4K/renewal	\$5K/initial (1 year); \$2.5K/annual renewal		\$1M/5-year initial; \$100K/renewal (5 years)	\$100K/initial (1 year); \$100K/annual renewal
Sports Betting				\$100K/initial; \$100K/renewal – at least half to responsible gaming	\$10M/5-year initial; \$250K/5-year renewal	\$100K/5-year initial; \$100K/5-year renewal
Fee for Existing Casinos to Get Igaming License/ Permit			\$100K/initial (1 year); \$50K/annual renewal	\$400K for Year 1; \$250K annual renewal	\$4M-\$12M/initial (5 years); \$250K/5-year renewal	\$250K/5-year initial; \$100K/5-year renewal
Igaming Responsible Gaming Fee			\$500K annually from igaming tax; \$500K annually from digital sports tax	\$250K annually		\$2M annually
Igaming Service Industry Fee/ Supplier License		\$2K/initial \$2K/annual renewal		Cost of investigation/ processing @ \$113/hr; 5 years		

Source: American Gaming Association, state regulators

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

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

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

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

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

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

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

3. Participants

A critical policy question that arises in the authorization of igaming is: What entities can participate?

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

However, now that 14 additional states offer digital sports betting (including Indiana), the question arises as to whether digital sports betting operators in those states should be allowed to also offer igaming (if legalized) even if they do not operate a retail casino in the host state.

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

- Recognition and reward for the substantial capital investment such licensees have made, which in virtually all cases is measured in the hundreds of millions of dollars or billions of dollars – as well as the substantial employment generated by those facilities.
- A belief – proven in states such as New Jersey – that digital gaming can be an effective means of attracting a broader demographic, and that marketing to that demographic can encourage on-site visitation, which could lead to further capital investment, greater employment, and growth in multiple fiscal streams, beyond the taxes generated by digital gaming itself.

And yet, by allowing them to also offer multiple skins, as per the Hybrid Model, these states are also opening their markets to pure-play digital gaming providers and ensuring ample competition.

“It’s good for competition; each of those skins is paying money to be licensed and that’s more money to the state,” Rebeck said. “It suited us quite nicely having five casino skins because we did very

well out of our partners and then the market isn't so saturated that a smaller player like us can't start a very nice business."

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

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

However, the risk to Indiana is that the skins can compete directly against retail casinos. Early on in New Jersey, some igaming advertisements effectively told players to avoid playing in the Atlantic City casinos – even though it was an Atlantic City casino that provided each igaming operator with its igaming license, via a skin. The Betfair television commercial in Figure 64 below showed a customer saying, "It's amazing – I have a slot machine in my kitchen," and 14 seconds later the narrator notes the "long drive" to a casino with a graphic of heavy traffic against the silhouetted Atlantic City skyline.

Figure 64: Betfair New Jersey television commercial video and screen grab



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

Another consideration is that operators of skins will spend significant sums on player acquisition to build a database, which will be the foundation for their own future business operations. Such operators of skins will not willingly share those databases with retail operators, thus foreclosing some opportunities to encourage more on-site visitation. At the same time, the risk exists that operators of skins in Indiana could have interests in physical casinos in other states, including neighboring states. In such cases, the marketing efforts would encourage visitation to casinos outside of Indiana.

4. Occupational Licensing

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

5. Certifying New Games

The consensus among industry leaders whom we interviewed is that testing and approving the games that will be offered on igaming platforms should be a high priority. Ed Andrewes, CEO of Resorts Digital Gaming, said the biggest challenge that Indiana regulators will face is getting all the games approved for use. “That’s going to be the biggest challenge, getting each of the individual games from the individual suppliers, particularly as more and more are coming into the market,” Andrewes said. “That is probably the biggest additional thing because, to be honest, in terms of approving players and responsible gaming ... there are slight differences, but the basis is the same for sports book as well as casino. So it’s really going to be the additional content.”⁴²

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

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

B. Anti-Money-Laundering and Know Your Customer

There are two related overriding regulatory concerns involving digital gaming operations: money laundering and the requirement to confirm the identity of the customer, commonly referred to as “know your customer” (“KYC”). The latter includes making sure that the patron is of legal age, is not on the

⁴² Spectrum interview with Ed Andrewes, CEO of Resorts Digital Gaming, May 31, 2022.

exclusion list, has sufficient funds derived from legitimate sources to partake in digital gaming, and that persons with acknowledged gambling compulsions are precluded from digital gaming. Effective KYC necessarily involves ensuring that the patron is not engaged in money laundering activity. In digital gaming, the primary burden for anti-money-laundering (“AML”) and KYC rests with the digital casino operators who have the direct relationships with their end-user players.

1. Money Laundering

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

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

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

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

In the United States, the federal statute requiring AML/CTF (countering the financing of terrorism) policies, procedures, internal controls and suspicious transaction reporting is the Currency and Foreign Transactions Reporting Act of 1970, as amended by Title III of the USA PATRIOT ACT of 2001, commonly

referred to as the Bank Secrecy Act (“BSA”). The BSA’s AML/CTF laws⁴³ and regulations⁴⁴ are administered and enforced by the Financial Crimes Enforcement Network (“FinCEN”), a bureau of the US Treasury Department that functions as the US Financial Intelligence Unit (“FIU”). FinCEN has determined that such digital gaming operations are part of the overall casino operations and must therefore be included in the overall AML/CTF regime required of the licensed casino operator regardless of whether they are operated by the casino itself or by a third-party vendor.⁴⁵

The oversight and regulation relating to money laundering is the exclusive province of FinCEN. Therefore, United States’ gaming regulators have no statutory responsibility in this area and have no direct involvement in overseeing anti-money laundering constraints. Gaming regulators are expected to cooperate with FinCEN to the extent possible, upon request, in the federal government’s detection and prevention of money laundering with respect to digital gaming.

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

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

- Implementing procedures for using all available information to detect and report suspicious transactions, or suspicious patterns of transactions, that occur or are identifiable through their systems.
- Evaluating and addressing the money laundering risks posed by its business-to-business (“B2B”) or business-to-customer (“B2C”) clients, including any arrangements those clients have with other business associates and/or third parties, such as payment providers and processors.⁴⁶

There also must be effective procedures implemented by the digital gaming operators to detect and prevent money laundering by the end users, who are the gaming patrons, with careful attention given to administering KYC processes and policies to verify the true identity of the gaming patrons. In this regard, gaming regulators must be vigilant in enforcing regulatory requirements for patron identification.

⁴³ 31 U.S.C. §5311-5314.

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

⁴⁵ Prepared remarks of FinCEN Director Kenneth A. Blanco, delivered at the 12th Annual Las Vegas Anti-Money Laundering Conference, August 13, 2019.

⁴⁶ Gambling Commission (UK), “Guidance: The prevention of money laundering and combating the financing of terrorism,” December 18, 2020. <https://www.gamblingcommission.gov.uk/manual/the-prevention-of-money-laundering-and-combating-the-financing-of-terrorism/prevention-of-ml-and-combating-the-financing-of-terrorism-part-2-2-Identifying-and-assessing-the-risks>

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

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

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

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

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

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

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

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

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

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

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

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

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

- A username
- Password of sufficient length and complexity to ensure its effectiveness
- Upon account creation, the option for users to choose “strong authentication” log-in protection
- Electronic notification to the patron’s registered email address, cellular phone or other device each time an Internet or mobile gaming account is accessed, provided, however, that a patron may opt out of such notification

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

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

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

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

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

known to the company, whether it gives rise to knowledge or suspicion of money laundering, or whether it gives reasonable grounds to know or suspect a person is engaged in money laundering.

2. Know Your Customer

With respect to KYC, the digital gaming operator is required to verify identification of the patron. Accordingly, the operator must confirm that the patron is of the legal age of 21, not self-excluded, on the exclusion list, or otherwise prohibited from participation in gaming. This is part of the KYC component for conducting due diligence on the gaming patrons. It also requires knowledge of their normal level of play, how often they play, why has there been a change in their play or level of buy in, and what else is known about them.

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

Examples of satisfactory proof of identification include:

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

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

3. The Building Blocks of Effective Compliance

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

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

C. Responsible Gaming

Protecting the interests of vulnerable problem gamblers is not a new issue for Indiana or other jurisdictions, and protections have been evolving for decades. A strategic framework for Responsible Gaming known as the Reno Model – conceived of by Alex Blaszczynski, Robert Ladouceur and Howard J. Shaffer^{47,48} – has been around since 2004. The Reno Model was designed to guide “key stakeholders to develop socially responsible policies and promote public health and welfare through a range of prevention efforts.” The authors of that model identified primary stakeholders as “consumers, gaming industry operators, health service and other welfare providers, interested community groups, as well as governments and their related agencies that have the responsibility to protect the public.”⁴⁹ They noted that this disparate group of stakeholders had widely competing concerns, but yet they shared collective interests in preventing gaming harms.

The State of Indiana is already well versed in the problem-gambling considerations of both casino gambling (launched in 1995) and digital gaming (digital sports betting launched in October 2019). The critical question, then, is whether the introduction of internet casino games would warrant additional vigilance or action by the State from a problem-gambling perspective. Keith Whyte, executive director of the National Council on Problem Gambling (“NCPG”), told Spectrum⁵⁰ that the state’s existing responsible-gambling guidelines should be sufficient to accommodate igaming, especially because the state already has digital sports betting.

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

⁴⁷ Shaffer has worked with Spectrum on reports that addressed these issues.

⁴⁸ Blaszczynski, A., Ladouceur, R. & Shaffer, H. J. “A science-based framework for responsible gambling: the Reno model.” *J Gambl Stud* 20, 301–317 (2004).

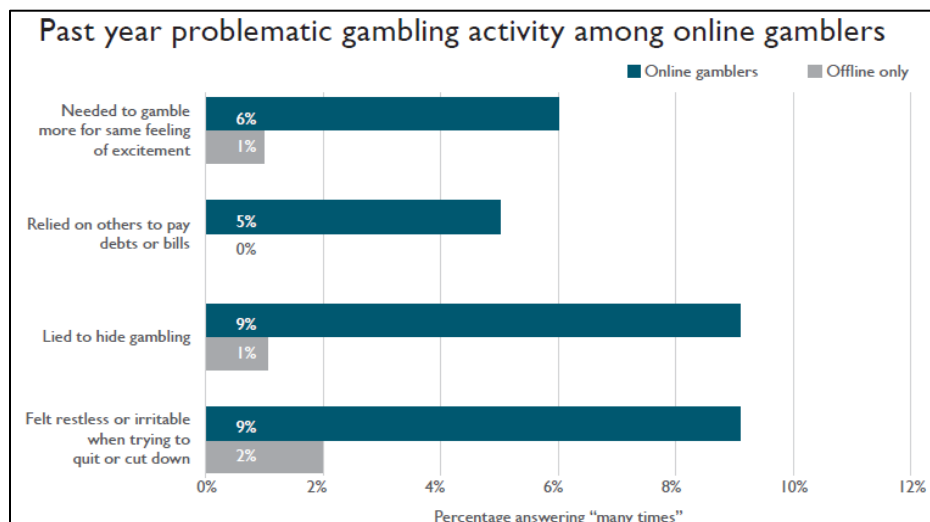
⁴⁹ *Ibid.*

⁵⁰ Spectrum interview with Keith Whyte, executive director of the National Council on Problem Gambling, May 19, 2022.

674 unique slot, table and instant win games.⁵¹ Whyte said the higher number of game choices vs. retail casino gaming should not be of concern from a problem-gambling standpoint.

However, as the NCPG found in its 2021 survey that all online gamblers (those who play any game online, not just casino games) report more problems than those playing offline games, as shown in Figure 65 below.

Figure 65: Past-year problematic gambling activity among online gamblers



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

1. Igaming and Incidence of Problem Gambling

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

Sally M. Gainsbury, in a 2015 paper that is available on the website of the National Institutes of Health,⁵² attempted to compile a “comprehensive review of the existing literature ... to provide an overview of significant trends and developments in research that relates to disordered Internet gambling.”

She concludes:

Taken together, the evidence reviewed here suggests that Internet gambling does not cause gambling problems in, and of, itself. However, use of Internet gambling is more common among highly involved gamblers, and for some Internet gamblers, this medium appears to significantly contribute to gambling problems. Internet gamblers are a heterogeneous group, and the impact of this mode of access on gambling

⁵¹ BetMGM, “Investor Day” presentation, April 21, 2021, p. 18. [https://s22.g4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-\(Posting\).pdf](https://s22.g4cdn.com/513010314/files/doc_presentations/2021/05/BetMGM-Investor-Day-Presentation-2021.04.21-(Posting).pdf)

⁵² Gainsbury SM. Online Gambling Addiction: the Relationship Between Internet Gambling and Disordered Gambling. *Curr Addict Rep*. 2015. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4610999/>

problems is moderated by a range of individual, social and environmental variables. As Internet gambling continues to evolve and participation increases, particularly among young people who are highly familiar with Internet technology and online commerce, it is likely that related problems will emerge. Research and regulation will have to evolve to further the understanding of the impact of this mode of access on the experience and incidence of gambling disorders. ... The findings presented here are important for policy makers due to evidence that Internet gambling in itself is not harmful.

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

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

half of Internet gamblers experiencing gambling problems attribute these to land-based forms of gambling, and over half report that they had existing problems before they ever gambled online.

- Conversely, for some Internet problem gamblers, this mode of gambling appears to be the proximal cause of problems, with problem gamblers reporting that their problems started after they first gambled online and around half specifically attributing problems to this mode. These results are consistent with other research findings, suggesting that for some problem gamblers, Internet gambling played an important causal role, while others had existing problems, which were likely exacerbated by Internet gambling.

A more specific study⁵³ was done for the New Jersey Division of Gaming Enforcement by Rutgers University researchers. It was published in 2017. The study found that while 70% of New Jersey residents reported gambling in the past year, only 5.3% said they exclusively gambled online. About 19% reported gambling at both online and land-based venues.

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

The study showed that problem gambling severity was highest in “the mixed group” – those who gambled at land-based facilities and online. That was followed by online-only gamblers and then land-based-only gamblers.

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

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

2. Igaming Play and Tools

The primary difference between digital sports betting and digital casino betting is speed of play. Whereas sports wagers are placed on an event-by-event basis or a play-by-play basis, igaming players can

⁵³ Nower, L., Volberg, R.A. & Caler, K.R. (2017). The Prevalence of Online and Land-Based Gambling in New Jersey. Report to the New Jersey Division of Gaming Enforcement. New Brunswick, NJ.
<https://socialwork.rutgers.edu/centers/center-gambling-studies/research-reports-and-questionnaires/prevalence-gambling-new-jersey>

take several “spins” of an igaming slot machine per minute, potentially depleting their budgets quickly and without ever handling or even seeing cash. As summarized in one research report, “Behavioural results were more inconsistent across studies, though the general trend supports the notion that games with faster speeds of play encourage more wagers, longer game play, and caused players, particularly problem gamblers, to experience difficulty in ceasing gambling.”⁵⁴

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

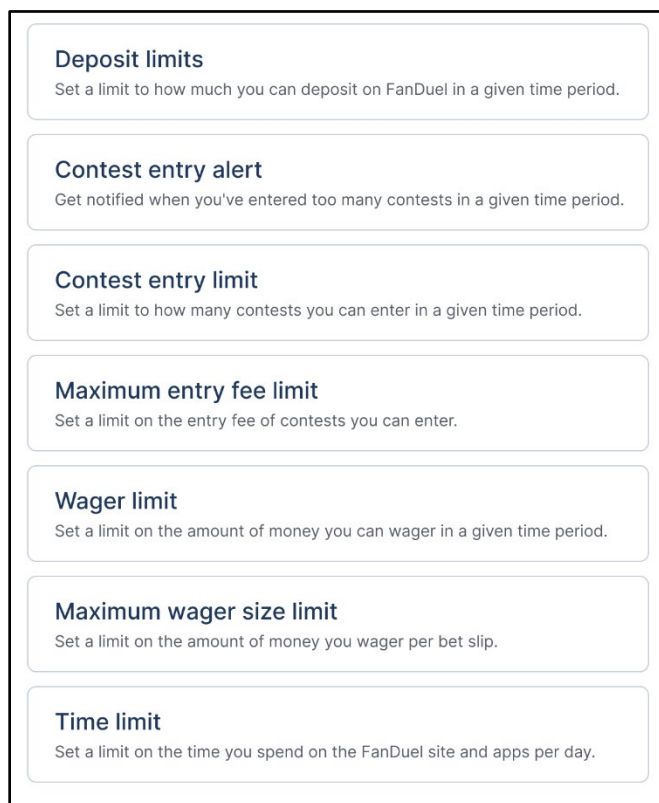
- It is not anonymous. Participants must provide their legal name, address, date of birth, phone number and last four digits of their Social Security Number as part of registration. With account-based gambling, digital casinos use know-your-customer tools (see section B above) to positively identify a player at registration.
- Built-in self-limiting technology tools. Players can set limits on their wagering activity. In the example shown in Figure 66 below from the Stardust digital casino in New Jersey, the operator notes that once players set their limits, decreases to the limits will be effective immediately. However, “Any increase to these limits will become effective only after the time period of the previous limit has expired. Any increase shall also not become effective until you reaffirm the request for the increase once this ‘cooling off’ period has ended.”⁵⁵

Whyte said that both regulators and igaming operators can go further than taking a passive approach in using technology to help with responsible gambling. With the myriad data points collected in the course of a player’s gambling, igaming operators could issue notices that either remind or warn them about their activity based on any number of informational points entered by the player, either upon registration or in voluntarily offering information for the purpose of receiving such notices should he or she reach certain thresholds. Whereas such tools are used (and required) now in the United Kingdom and Scandinavia, US states just allow or require igaming operators to them available to players; there is no requirement for players to enroll in such programs or use them. Examples of such self-limiting tools are shown in Figure 66 below.

⁵⁴ Andrew Harris and Mark D Griffiths, “The Impact of Speed of Play in Gambling on Psychological and Behavioural Factors: A Critical Review,” as published in the National Library of Medicine, June 2018. <https://pubmed.ncbi.nlm.nih.gov/28643152/#:~:text=There%20was%20a%20consistent%20finding,suffering%20with%20a%20gambling%20problem>

⁵⁵ Stardust online casino, “Responsible Gaming.” <https://account.nj.stardustcasino.com/responsible-play> (accessed May 12, 2022)

Figure 66: Example of igaming player controls



Source: Stardust New Jersey, May 2022

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

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

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

The NCPG in 2012 issued its first “Internet Responsible Gambling Standards” in advance of New Jersey and Delaware becoming the first states to launch the activity in 2013. The group’s standards have been updated several times over the years to adapt to changing technology and regulations, most recently last year.⁵⁶ (See *Appendix II: National Council on Problem Gambling Internet Responsible Gambling Standards* of this report). The standards cover corporate/operator policy, corporate staff training, supporting informed decision-making by players, assisting players, offering self-exclusion, advertising and promotion (from the standpoints of responsibility, not volume), game and site features, research, and payments.

Indiana can also look to states that are implementing other forms of digital gaming, such as ilottery, when crafting a responsible-gaming strategy, as the same issues must be addressed. Michigan, for example, is addressing both ilottery and igaming in its policies. The Michigan Lottery’s Responsible Gaming program includes the following ilottery controls, as posted on its website:⁵⁷

- Self-Exclusion – Players may choose to take a break from Michigan Lottery’s online gaming. Self-Exclusion means your account will be closed for the selected exclusion length and will not be reopened for any reason during the exclusion period. Exclusions may be set by the player through the Responsible Gaming Tools section in “My Account” or with the help of a Michigan Lottery Support Center representative upon request.
- Deposit Limits – Players may set daily and weekly deposit limits. A default \$505 weekly limit is set at registration. Deposit limits can be raised or lowered at any time. Lowering a deposit limit will take immediate effect, but players choosing to raise their deposit limits must wait 48 hours for such changes to take effect.
- Age Verification – Age and identity-verification technology is used during account registration to ensure all players are at least 18 years of age. Any instance of a minor found playing the Michigan Lottery online games will result in forfeit of all winnings and possible referral to local law enforcement.
- Play History – Players can monitor the time and money they spend on Michigan Lottery’s online gaming through their personalized account histories. Each account history provides a full overview of the games played, the amount wagered on each game, wins and losses, and deposited and withdrawn funds. Players can access their account histories in the “My Account” section of the site.
- Geolocation – Players must be physically located in Michigan to make purchases and use some other features. Advanced technology is used to determine each player’s location.
- Security and Privacy – The Michigan Lottery has strong mechanisms in place to maintain the security of players’ financial information and to protect their privacy.

⁵⁶ See <https://158bvz3v7mohkq9oid5904e0-wpengine.netdna-ssl.com/wp-content/uploads/2021/08/NCPG-IRGS-May-2021.pdf>

⁵⁷ Michigan Lottery, “Online Gaming Safeguards and Tools.” <https://www.michiganlottery.com/responsible-gaming> (accessed February 6, 2022)

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

A person may sign up at any Indiana casino, at the IGC office in Indianapolis or with a designated problem gambling treatment provider for one year, five years or lifetime exclusion. The list of excluded persons is confidential. In order to sign up for the VEP, an interested participant must fill out a Request for Voluntary Exclusion form in person, witnessed by a gaming agent or IGC designee. The participant must complete the form of their own free will and not be under the influence of alcohol, controlled substances or prescription medication. Once enrolled, it is the responsibility of the VEP participant to stay away from gaming areas of the casinos. A photograph will be taken at the time the person requests voluntary exclusion.⁵⁸

That is a provision that should be changed with the introduction of digital gaming, however, since online players are less likely to be coming into a state office, or a retail gaming facility, to exclude themselves from an online activity. Rebeck said any state that is considering igaming should require links on every web page to get to the state's exclusion program and there should be an online process to allow someone to exclude himself or herself from gambling facilities. "You've got to make it convenient for people to take advantage of self-exclusion. Many states don't have an online system right now and that's not good. ... The numbers of people who self-exclude online compared to going in person, we have a hundred times more online," Rebeck said.⁵⁹

3. Funding Problem Gambling Programs

Of course, if the expansion of gaming in Indiana generates a need for additional assistance for problem gamblers, that will involve additional costs. When igaming and sports betting were introduced in New Jersey, the state dramatically increased the amount of money going toward responsible gaming. In order to receive an igaming permit, casinos were required to pay an annual responsible-gaming fee of \$250,000 that was directed to the Council on Compulsive Gambling of New Jersey or a similar organization. For an initial sports wagering license, casinos had to pay a fee of \$100,000, of which half was earmarked "to provide funds for evidence-based prevention, education, and treatment programs for compulsive gambling."⁶⁰ The state also set the annual renewal fee at \$100,000; the percentage that was directed to compulsive gambling programs was not specified, but up to the director of the New Jersey Division of Gaming Enforcement to determine on an annual basis. "What we did here for funding was very simple – every year you pay a fee, 75% of the money is going to (responsible gaming)," Rebeck said.⁶¹

In Michigan, igaming began in January 2021 and quickly surpassed \$1 billion in gross gaming revenue. The increased activity resulting from igaming made it clear to officials that additional resources were needed and, as a result, Michigan's state legislature recently passed a budget for the upcoming fiscal year that increases funding for the Michigan Gaming Control Board ("MGCB") by \$7 million. According to

⁵⁸ Indiana Gaming Commission, "Voluntary Exclusion Program." <https://www.in.gov/igc/voluntary-exclusion-program/> (accessed July 10, 2022)

⁵⁹ Rebeck interview, May 18, 2022.

⁶⁰ N.J.A.C. 13:69A-9.4. <https://casetext.com/regulation/new-jersey-administrative-code/title-13-law-and-public-safety/chapter-69a-applications/subchapter-9-fees/section-1369a-94-casino-license-fees> (accessed July 9, 2022)

⁶¹ Rebeck interview, May 18, 2022.

the MGCB, the additional appropriation will fund “new MGCB positions and IT support/ infrastructure to assist with the surge of higher-than-expected internet gaming activity, internet sports betting, and fantasy contests. The funding will increase network storage capacity, and network speeds in MGCB casino offices to support operations, including the transfer of large regulatory files.”⁶² As Casino.org reported:

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

“The funding will support a comprehensive responsible gaming messaging campaign, direct citizens to services available for problem gambling, and extend our outreach to community organizations,” the MGCB explained of the initiative.⁶³

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

So what about funding in Indiana? When sports wagering was legalized in Indiana, the State imposed a 9.5% tax on sports wagering revenue that generated \$31.2 million for the State in Fiscal Year 2021. The statute requires that 3.3% of the tax collected be used to fund addictions services at the Division of Mental Health and Addiction. But, according to Christina Gray, Executive Director of the Indiana Council on Problem Gambling, 44% of the money in the fund goes to treat people with drug or alcohol addictions, not gambling addictions.⁶⁴ The law requires that only 25% of the money go to problem gambling programs, but Gray said she has not seen any of this money. Gray expressed frustration with the situation and said she believes that there should be more focus on where the money collected goes.

Gray said there were a number of reasons why the largest chunk of money goes to programs for drug and alcohol addiction, including that there are federal programs that provide matching funds for drug and alcohol treatment programs but not for pathological gambling treatment. So by using tax revenue derived from sports wagering, the State can receive significantly more federal dollars to benefit people in Indiana, not just those with a gambling problem.

Gray said that as Indiana legislators work on igaming bills, they should not use the same language that they did when they authorized sports wagering – the language that allows funds to treat other

⁶² Michigan Gaming Control Board, “Legislature approves bipartisan deal expanding funding for the Michigan Gaming Control Board,” July 5, 2022. <https://www.michigan.gov/mgcb/news/2022/07/05/legislature-approves-bipartisan-deal-expanding-funding-for-the-michigan-gaming-control-board>.

⁶³ Devin O’Connor, “Michigan Gaming Control Board funding increases as responsibilities expand,” Casino.org, July 7, 2022. <https://www.casino.org/news/michigan-gaming-control-board-funding-increases/>

⁶⁴ Christina Gray interview with Spectrum Gaming Group, July 8, 2022.

addictions. “Give it all to problem gambling. Don’t put that addiction thing in there,” she said.⁶⁵ Her recommendation is that for the first two years, all of the money should go to funding advertising and education programs so that people are made aware of problem-gambling issues. The introduction of igaming – which as noted in Chapter II of this report attracts a different type of customer – is expected to significantly increase the number of people who need help for gambling problems, Gray said. But she said that too many people may be unaware that there is help available.

In subsequent years, the funds should be used to expand treatment programs around the state, Gray said. “The more you legalize, the more people are going to have problems and you now need to take care of those people. If you are going to keep legalizing gambling, it’s time to take care of the problem gamblers,” she said.⁶⁶ After the first two years of igaming, she said the money from the tax should be used to expand and support treatment programs around the state. She said that at present, there are no inpatient programs to treat pathological gamblers. She also said the funds should be used to help counsellors become certified to treat problem gambling and to eliminate a gap between what problem gambling counselors are paid and their counterparts who treat drug and alcohol addictions. She said problem gambling counselors are paid \$10 an hour less and that all such professionals should be paid the same.

D. Igaming Promotions

As Indiana experienced, the launch of digital sports betting resulted in a multimedia onslaught of advertising from sports-betting operators. The ads offered promotions designed to attract players to a particular app or website. Typical promotions included risk-free bets, deposit bonuses, and boosted odds.

If Indiana were to authorize igaming, it can expect a similar advertising blitz in which operators offer promotions such as deposit match, free play and cash-back offers. Although in New Jersey’s experience the igaming advertising subsided over time, promotions remain a vital part of the operators’ marketing strategy – just as they do for retail casinos. Following are recent examples of New Jersey igaming promotions.

⁶⁵ Gray interview.

⁶⁶ Gray interview.

Figure 67: Examples of New Jersey igaming promotions, May 2022



Hard Rock



Caesars

A dark-themed promotional banner for Stardust/Betfair. It features a "NEW MEMBER OFFER" for "PLAY YOUR FIRST DAY RISK FREE UP TO \$1,000!". It includes a "100% OF NET LOSSES RETURNED WITHIN 72 HOURS" guarantee, an "OPT-IN" button, and a "Play Your First Day Risk Free Up To \$1,000" headline. Below, it describes the offer: "New Casino Customer Offer: receive 100% back on your net Casino losses incurred in your first 24 hours of play, up to...". There are "More info" and "Play Now" buttons.

Stardust/Betfair

A promotional banner for Golden Nugget featuring a smartphone displaying the "88 FORTUNES MEGAWAYS" slot game. The main text reads "UP TO \$1,000 FREE" and "+200 FREE SPINS ON 88 FORTUNES MEGAWAYS™". It also includes "FIRST DEPOSIT 100% CASINO MATCH BONUS" and a prominent "SIGN UP NOW" button.

Golden Nugget

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

Other nations, such as the United Kingdom, have implemented sweeping rules that restrict gaming promotions, although it should be noted that such nations need not be concerned with constitutional protections on free speech. The UK's advertising code includes the following:

Marketing communications for gambling must be socially responsible, with particular regard to the need to protect children, young persons and other vulnerable persons from being harmed or exploited. ...

Marketing communications must not:

- Portray, condone or encourage gambling behaviour that is socially irresponsible or could lead to financial, social or emotional harm
- Exploit the susceptibilities, aspirations, credulity, inexperience or lack of knowledge of children, young persons or other vulnerable persons
- Suggest that gambling can provide an escape from personal, professional or educational problems such as loneliness or depression
- Suggest that gambling can be a solution to financial concerns, an alternative to employment or a way to achieve financial security
- Portray gambling as indispensable or as taking priority in life; for example, over family, friends or professional or educational commitments
- Suggest that gambling can enhance personal qualities, for example, that it can improve self-image or self-esteem, or is a way to gain control, superiority, recognition or admiration
- Suggest peer pressure to gamble nor disparage abstention
- Link gambling to seduction, sexual success or enhanced attractiveness
- Portray gambling in a context of toughness or link it to resilience or recklessness
- Suggest gambling is a rite of passage
- Suggest that solitary gambling is preferable to social gambling
- Be likely to be of particular appeal to children or young persons, especially by reflecting or being associated with youth culture
- Be directed at those aged below 18 years (or 16 years for football pools, equal-chance gaming [under a prize gaming permit or at a licensed family entertainment centre], prize gaming [at a non-licensed family entertainment centre or at a travelling fair] or category d gaming machines) through the selection of media or context in which they appear
- Include a child or a young person. No-one who is, or seems to be, under 25 years old may be featured gambling or playing a significant role. No-one may behave in an adolescent, juvenile or loutish way. Individuals who are, or seem to be under 25 years old (18-24 years old) may be featured playing a significant role only in marketing communications that appear in a place where a bet can be placed directly through a transactional facility, for instance, a gambling operator's own website. The individual

may only be used to illustrate specific betting selections where that individual is the subject of the bet offered. The image or other depiction used must show them in the context of the bet and not in a gambling context.

- Exploit cultural beliefs or traditions about gambling or luck
- Condone or encourage criminal or anti-social behaviour
- Condone or feature gambling in a working environment. An exception exists for licensed gambling premises.

Marketing communications for family entertainment centres, travelling fairs, horse racecourses and dog race tracks, and for non-gambling leisure facilities that incidentally refer to separate gambling facilities, for example, as part of a list of facilities on a cruise ship, may include children or young persons provided they are accompanied by an adult and are socialising responsibly in areas that the Gambling Act 2005 (as amended) does not restrict by age.

Marketing communications for events or facilities that can be accessed only by entering gambling premises must make that condition clear.⁶⁷

In the United States, however, offering promotions and advertising as a means of attracting and cultivating players is standard operating procedure for digital gaming operators. Still, a crush of advertising as witnessed in several sports-betting markets may seem overwhelming to consumers – particularly those who have – or may be at risk of developing – a gambling problem. The following analysis as reported by KUSA/9News in Colorado concerns the deluge of sports betting ads in that state but, in Spectrum’s opinion, could also apply to a state that is developing an igaming policy:

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

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

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

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

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

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

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

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

⁶⁷ Advertising and Marketing Rules and Regulations, UK Gambling Commission
<https://www.gamblingcommission.gov.uk/licensees-and-businesses/guide/advertising-marketing-rules-and-regulations> (accessed June 3, 2022)

"I think the industry knows people are frustrated," Garnett said. "The industry just hasn't done anything about it. The industry is too slow."⁶⁸

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

Andrewes, the Resorts Digital Gaming CEO, said advertising has gone overboard in the area of sports betting, but not so much on the gaming side, and he recognizes that some people may want to place restrictions on it. He added, however, that "it won't work if you say the industry should be responsible and self-regulate."

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

1. Deductibility of Promotional Expense

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

This is a balancing act that legislators must weigh as they consider the goals of the state to maximize fiscal receipts against the goals of the gaming operators to maximize profits in an often-hypercompetitive marketplace. This balancing act has come to the fore in sports betting in some states where fiscal receipts have not met expectations. Colorado on June 7, 2022, enacted a bill that gradually reduces the tax write-off for sports betting promotions – up to 2.5% of beginning January 1, 2023, diminishing to 1.75% after July 1, 2026. As *Legal Sports Report* noted, "As The state initially allowed operators to write off the cost of bonuses since CO sports betting launched in 2020. That allowance, combined with a 10% tax rate, has led to underwhelming tax revenues."⁶⁹

⁶⁸ Steve Saeger, "Even lawmaker who helped bring sports betting to Colorado thinks there are a lot of sports betting ads," 9News, February 14, 2022. <https://www.9news.com/article/news/local/next/lawmaker-sports-betting-colorado-ads/73-d4ae57c6-0cab-43b0-8c00-09d6fde87858>

⁶⁹ Brad Allen, "Colorado Ending Tax Breaks For Sports Betting Promo Spend," *Legal Sports Report*, May 27, 2022. <https://www.legalsportsreport.com/70580/no-more-tax-breaks-colorado-sports-betting-promos/>

Virginia also considered a similar measure for sports betting earlier this year but it failed in the legislature before a modified version become effective on July 1, 2022. Operators can now only make those deductions for one year after they start taking bets.⁷⁰

Of the six current igaming states, four do not permit promotional gaming credits to be deducted from the tax on gaming revenue, while one state, Michigan, fully permits such deductions and another, Connecticut, permits deductions only to a certain point, as shown in the following table.

Figure 68: Deductibility of igaming promotional gaming credits by state

State	Deduct Promotional Play from Gaming-Tax Calculation?
Connecticut	Up to 25% of GGR
Delaware	No
Michigan	Yes, fully
New Jersey	No
West Virginia	No
Pennsylvania	No

Source: State regulators

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

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

⁷⁰ Geoff Zochodne, "Virginia Sports Betting Landscape Could Shift with Promo Changes," Covers, July 21, 2022. <https://www.covers.com/industry/virginia-sports-betting-tax-changes-july-2022>

About This Report

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

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

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

Our clients in 43 US states and territories, and in 48 countries on six continents, have included government entities of all types and gaming companies (national and international) of all sizes, both public and private. In addition, our principals have testified or presented before the following governmental bodies:

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

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

Disclaimer

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

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Appendix I: Indiana and Regional Gaming Market Overview

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

Figure 69: Types of legal gambling types in Indiana, neighboring states

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

Source: Spectrum Gaming Group research. *Legalized, not yet operational

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

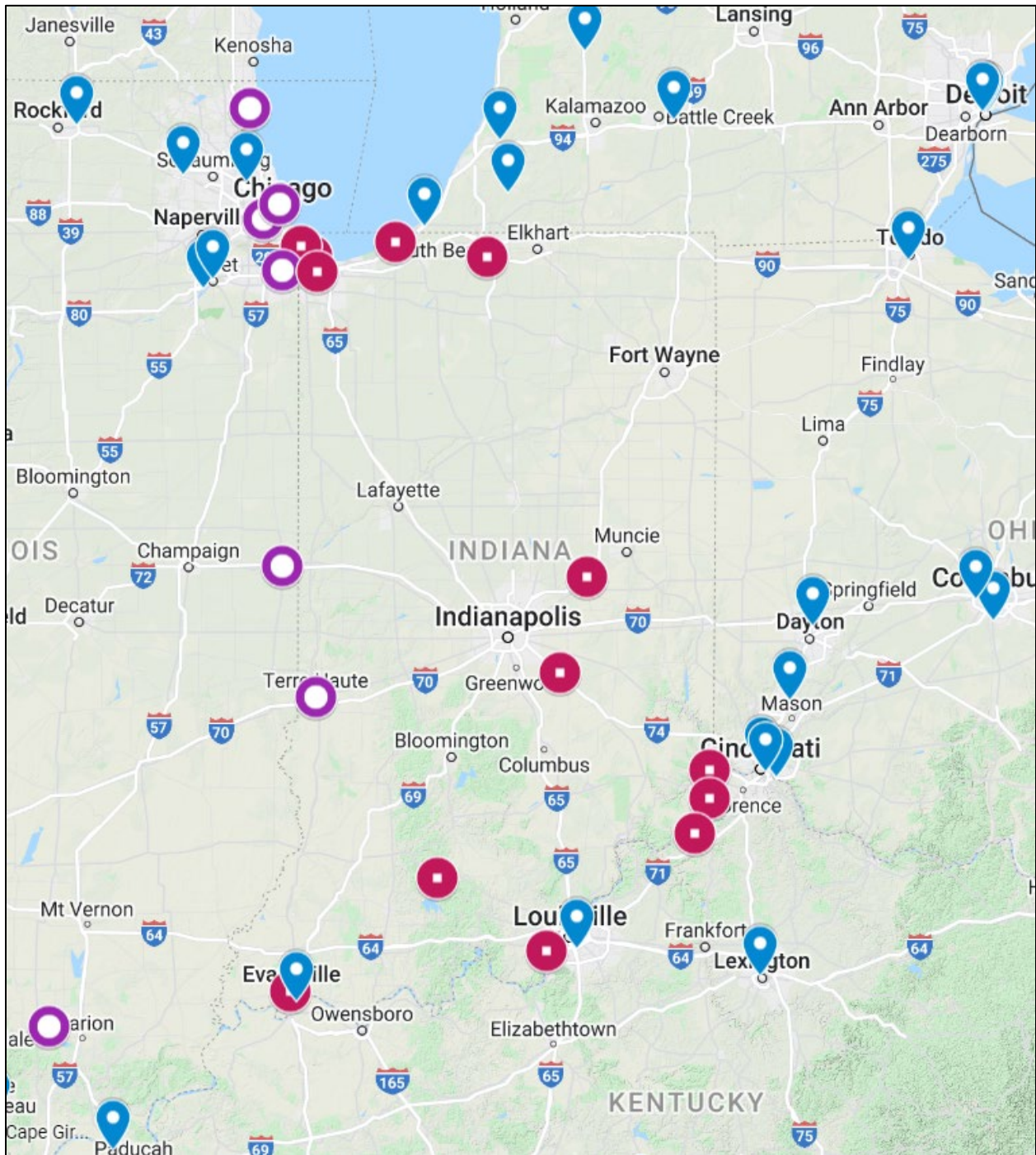
Figure 70: Gaming facility data for Indiana and neighboring states

	Commercial Casinos & Racinos	Tribal Casinos	Non-Casino Locations	Total
Number of Gaming Locations				
Indiana	12	1	-	13
Illinois	11	-	7,840	7,851
Kentucky	-	-	6	6
Michigan	3	23	-	26
Ohio	11	-	-	11
Region Totals	37	24	7,846	7,907
Number of Gaming Machines				
Indiana	14,527	1,400	-	15,927
Illinois	8,603	-	41,826	50,429
Kentucky	-	-	5,591	5,591
Michigan	7,681	21,482	-	29,163
Ohio	16,650	-	-	16,650
Region Totals	47,461	22,882	47,417	117,760

Source: American Gaming Association, Spectrum Gaming Group

The map in Figure 71 below shows the locations of Indiana casinos, gaming facilities in surrounding states, and the planned casinos in Illinois. Plainly, Indiana and its neighbors are well populated with casinos, with 11 of Indiana's 13 located at or near state borders to attract out-of-state players.

Figure 71: Map of casinos in and surrounding Indiana



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

A. Brief History of Casino Gaming in the Region

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

Illinois: In 1990, the Illinois legislature approved the Riverboat Gambling Act, which authorized the Illinois Gaming Board to grant up to 10 riverboat casino licenses. In 2009, to confront the challenge of unlicensed and unregulated “sweepstakes games” and “skill games,” the legislature approved an act to permit licensed establishments to offer up to five video gaming terminals (“VGTs”). The VGT program began in 2012 and by 2021 there were more than 40,000 VGTs at more 7,800 locations across the state. In 2019, the Illinois legislature again expanded gaming, approving the issuance of six new licenses for land-based casinos, and allowing racetracks to apply for licenses to offer slots and table games. The 2019 law also legalized sports wagering at casinos, racinos, off-track betting facilities and sports stadiums, including Wrigley Field (Cubs), the United Center (Bulls and Blackhawks), and Guaranteed Rate Field (White Sox). The law permitted digital sports wagering. The first casino licensed under the new law was Hard Rock Rockford. Hard Rock opened a temporary casino in November 2021 and the permanent casino is under development. The other licenses have been approved, and development is underway at all the locations.

Indiana: Seeing the early success of the Illinois riverboats, and wanting to spur economic development in targeted areas, the Indiana legislature approved the Riverboat Gambling Act in 1993, which authorized 11 riverboat casino licenses. Only 10 of the licenses were issued; the 11th was intended for a casino on Patoka Lake in southern Indiana. The lake was controlled by the Army Corp of Engineers, which did not want a casino on their lake. Originally, five casino licenses were awarded to counties along Lake Michigan: two at Buffington Harbor in Gary, one in Hammond, one in East Chicago, and one in Michigan City. In 2019, the Indiana General Assembly approved legislation to allow one of the licenses in Gary to relocate within the City of Gary and the other to move to Terre Haute. To follow the intent of the original law and bring a casino to the region, in 2003 the legislature authorized an 11th commercial casino within a “historic hotel district,” paving the way for the opening of French Lick Resort Casino. In 2007, a law was passed to allow slot machines at the two Indiana horse racing tracks, and table games later were added to the racetracks. In July 2018, the Pokagon Band of Potawatomi opened a casino in South Bend. Initially, the property could only offer electronic bingo machines. In early 2021, the State of Indiana and the Pokagon signed a gaming compact allowing the Pokagon to offer all casino games. After the repeal of the federal Professional and Amateur Sports Protection Act, the legislature passed a bill authorizing sports betting at commercial casinos and racinos, as well as at off-track betting facilities. The casinos and racinos are allowed to offer digital sports wagering as well.

Michigan: In 1996, Michigan voters passed a referendum permitting a maximum of three commercial casinos in Detroit. The three commercial casinos have slot machines, table games and, now, sports betting. Michigan’s casino gaming market includes 23 tribal casinos operated by 12 sovereign tribal nations throughout the state. In December 2019, Michigan lawmakers authorized the state’s commercial casinos and 12 recognized Indian tribes to offer statewide digital sports betting and internet casino gaming, which commenced in January 2021.

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

Kentucky: Although the state has no casino gaming, it does offer what are known as historical horse racing machines (“HHRs”). HHRs have been deemed a form of pari-mutuel wagering, and therefore are legal in Kentucky, whereas slot machines are illegal. Operators of HHR games must be affiliated with a live horse racing track. First introduced at Kentucky Downs in 2011, there are now six HHR facilities in the state.

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

Figure 72: Gaming tax rates for Indiana and neighboring states

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

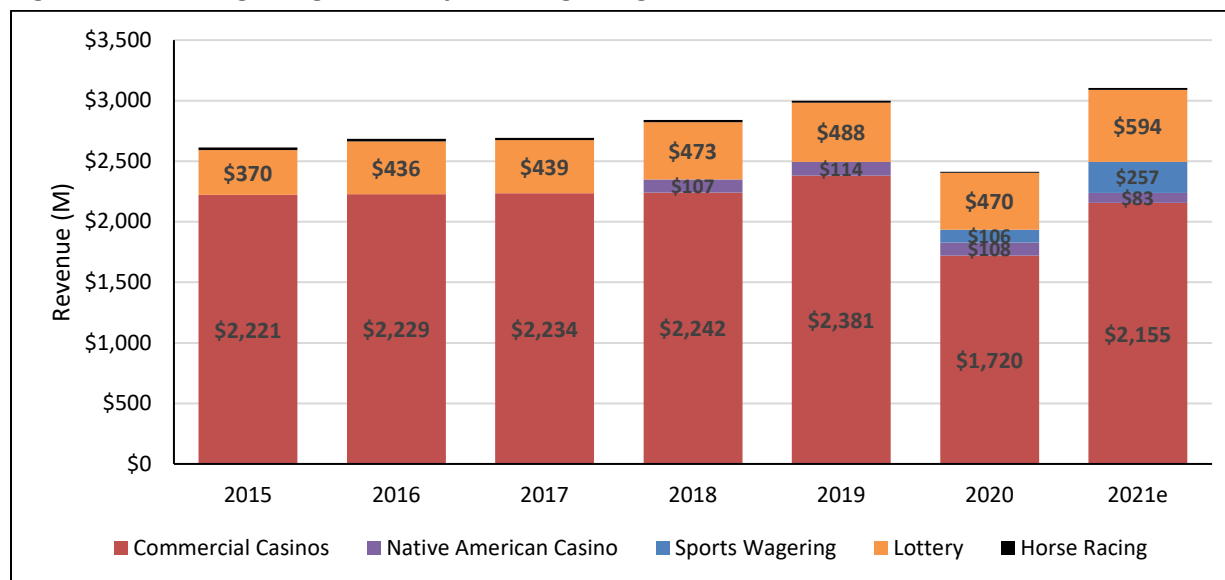
Source: American Gaming Association, Spectrum Gaming Group

B. Indiana

Indiana has 11 commercial casinos, one tribal casino and two racetracks with casinos (“racinos”). Casino Aztar in Evansville became the first Indiana casino to open in 1995. Until 2020, the racinos did not offer table games. Over time, Indiana has introduced changes to the gaming environment, allowing the casinos that once had to sail on bodies of water to become land-based, eliminating admission fees, and reworking the gaming-tax structure. All of these changes sought to increase the viability of the gaming industry.

The most recent addition to the gaming arena was sports betting, which began in September 2019, a half-year prior to the beginning of the Covid-19 pandemic. Figure 73 presents the recent history of Indiana gaming revenues.

Figure 73: Indiana gaming market by form of gaming, 2015-2021



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

Recently there has been discussion of adding igaming to the gaming products in Indiana. Later in this report we review the potential impacts of adding this new form of gaming on the existing gaming products.

C. Illinois

After Iowa in 1991 became the first jurisdiction to commence legal casino gaming outside of Nevada and New Jersey, Illinois followed suit the same year when the Alton Belle riverboat near St. Louis became that state’s first casino. Illinois currently has 11 casinos. In 2019, the state approved table games and slot machines at racetracks. Two tracks, Hawthorne Raceway near Midway Airport and FanDuel Sportsbook and Horse Racing (until recently known as Fairmount Park) in Collinsville, have begun planning for installation. Hawthorne is eligible for 1,200 gaming positions and expects to open in 2023. FanDuel can have 900 positions and expects to open in late 2022. The 2019 gaming bill also authorized a casino for Chicago for the first time.

Hard Rock International opened a temporary casino in Rockford in November 2021 while a permanent casino is being constructed. Four other regional casino licenses have been awarded, and those casinos are in various stages of development; two of the proposed casinos may impact Indiana:

- The Golden Nugget Danville may draw players from southwest Indiana and compete with the proposed Queen of Terre Haute expected to open in summer 2023.
- Wind Creek Casino planned for the intersection of Halsted Street and I-80 in the southern Chicago suburbs will strive to keep Illinois players from visiting the casinos in Lake County, Indiana.

As for the other two casinos under development, American Place by Full House will not have any bearing on Indiana casinos, in Spectrum’s opinion, nor will the Walker’s Bluff Casino Resort being developed by Elite Casino Resorts, an Iowa casino firm.

In May 2022, the City of Chicago awarded the allotted Chicago license to Bally’s after a public-bid process. The company plans a major casino resort located at the intersection of Chicago Avenue and Halsted Street on the near north side. The proposed Bally’s casino will have 3,400 slots, a 500-room hotel, and an entertainment center with seating for 3,000.⁷¹ Spectrum believes this casino has the potential to divert players who are currently visiting Indiana casinos in Lake County, specifically the properties in East Chicago and Hammond. Hard Rock Northern Indiana may be better positioned to counter this threat both geographically – as it at an exit ramp on Interstate 94 – and physically, as Hard Rock is a new land-based casino, whereas the East Chicago and Hammond casinos are older, boat-style casinos.

Figure 74: Estimated size and opening dates of new Illinois casinos

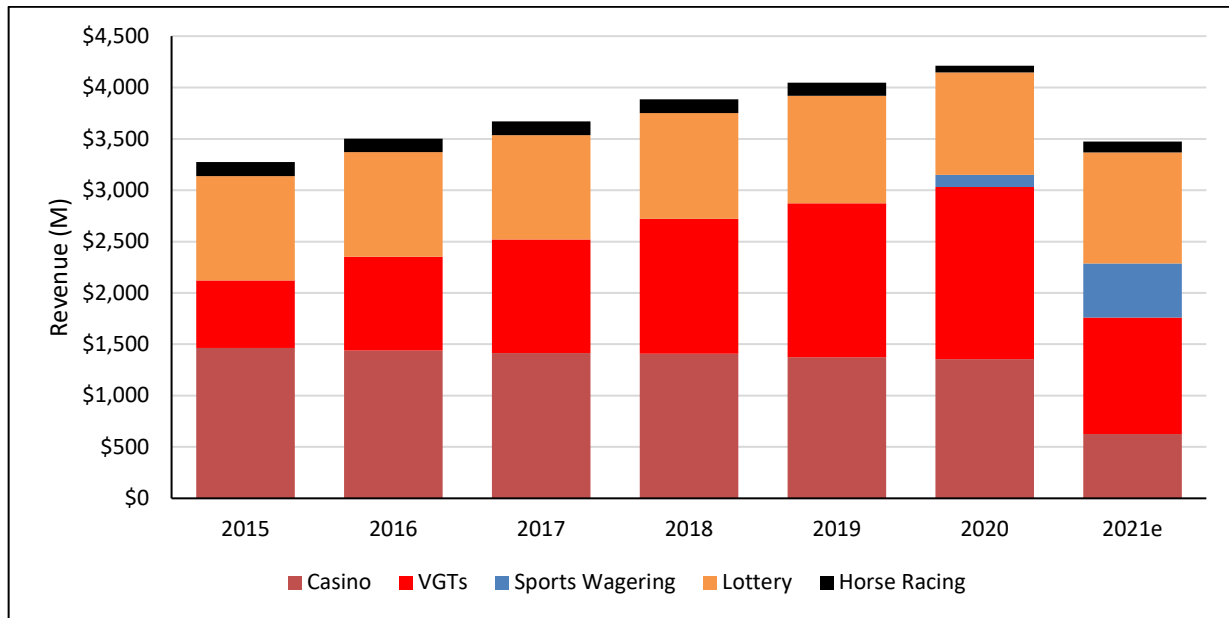
Casino	City	Slots	Tables	Est. Opening
FanDuel Sportsbook & Racing	Collinsville	600	15	Late 2022
Hawthorne Raceway	Stickney	1,100	40	Spring 2023
Walker’s Bluff Casino	Cartersville	650	20	Spring 2023
Hard Rock Rockford	Rockford	1,100	40	Fall 2023
Wind Creek	Homewood	1,300	56	Mid-2023
Golden Nugget	Danville	500	14	Spring 2024
American Place	Waukegan	1,000	50	Mid-2024
Bally’s Chicago	Chicago	3,400	170	2026

Source: Spectrum Gaming Group research

The biggest change to the Illinois casino industry was the approval of VGTs at bars, cafes, truckstops and other approved locations across the state. One positive of the implementation of the VGT program was the elimination of gray market “amusement games” that had proliferated across the state. However, the convenience of VGTs (currently more than 40,000 at 7,840 locations) diverted gaming revenue from the casinos. Figure 75 below depicts the most recent five years of Illinois gaming revenue.

⁷¹ Fran Spielman and David Roeder, “\$1.7 billion Bally’s Chicago casino clears key hurdle,” *The Chicago Sun Times*, May 23, 2022. <https://chicago.suntimes.com/city-hall/2022/5/23/23138603/chicago-casino-city-council-vote-ballys-river-west-lightfoot-medinah#:~:text=Bally's%20has%20proposed%203%2C400%20slots,Sun%2DTimes%20also%20is%20produced>.

Figure 75: Illinois gaming market by form of gaming, 2015-2021



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

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

Figure 76: Illinois tax revenue from casinos and VGTs, 2016-2021

	2016	2017	2018	2019	2020	2021
State Revenue from Casinos (M)	\$401	\$393	\$389	\$376	\$275	\$152
State Share of VGT Taxes (M)	\$255	\$301	\$352	\$381	\$342	\$561

Source: Illinois Commission on Government Forecasting and Accountability⁷²

D. Kentucky

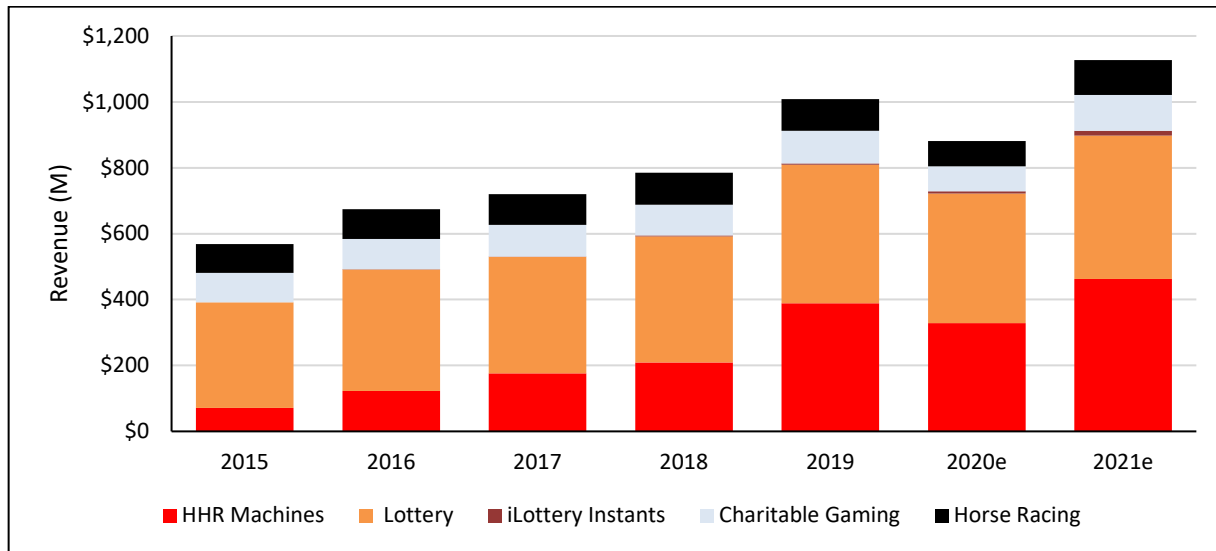
Casino gaming is not allowed in Kentucky. The state permits historical horse racing machines (“HHRs”). HHR machines are gaming machines that allow players to place bets on past horse races. Slot machines offer results based on a random number generator. HHR machines look like slots, play like slots and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

⁷² Illinois Commission on Government Forecasting and Accountability, “Wagering in Illinois, 2021 Update,” September 2021. https://cgfa.ilga.gov/Upload/2021_wagering_in_il.pdf

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

The definition of pari-mutuel is the operator does not have a stake in the outcome of the wager and the net pool is returned to the players. HHR has multiple parallel entertainment paths. The cabinetry looks like a traditional game but it functions the same as placing a wager at an OTB Kiosk and the results are displayed as both a graphical representation of a past horse races and another screen provides animation similar to traditional games.⁷³

Figure 77: Kentucky gaming market by form of gaming, 2015-2021



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

Kentucky HHRs were subject to lengthy opposition. In 2020, the State Supreme Court ruled 7-0 that HHR machines did not meet the definition of pari-mutuel wagering. After the ruling, in 2021, the Kentucky General Assembly passed legislation changing the definition of HHR to permit them to continue to operate. There are currently six HHR facilities in Kentucky.

There is still controversy over the tax rate. As HHR devices are deemed a form of pari-mutuel wagering, there is an excise tax assessed on the handle (the amount wagered). In Kentucky, there is a 1.5% tax on the handle. By contract, in all other states casino taxes are generally assessed on the casino's net win. This tax on handle is comparatively low when compared to the tax rates on casino win in other states, as illustrated in Figure 78 below.

⁷³ Colonial Downs. <https://rosiesgaming.com/historical-horse-racing/> (accessed June 4, 2022)

Figure 78: Comparison of HHR excise tax and casino revenue tax

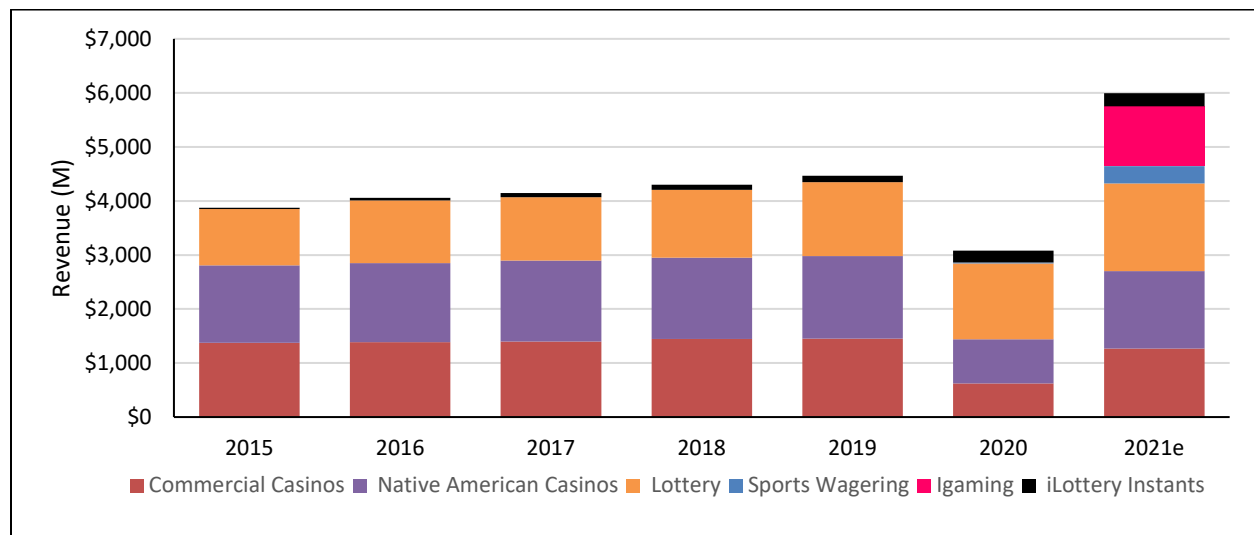
	HHR	Casino Slot
Handle (Amount Bet)	\$100	\$100
Excise Tax Rate on Handle	1.5%	0%
Excise Tax Paid on Handle	\$1.50	\$0.00
Takeout/Hold %	8.5%	8.5%
Takeout/ Casino Win	\$8.50	\$8.50
Slot Tax Rate	0%	35%
Slot Tax Paid	\$0.00	\$2.98
Takeout/Casino Win	\$8.50	\$8.50
Taxes Paid	\$1.50	\$2.98
Tax as % of Takeout/Win	17.6%	35.0%

Source: Spectrum Gaming Group

E. Michigan

In 1993, the Saginaw Chippewa Tribe opened the first compacted tribal casino in Michigan in Mt. Pleasant. In November 1996, Michigan voters approved a referendum authorizing three licensed commercial casinos to be built in Detroit. In addition to the three commercial casinos in Detroit, there are currently 24 tribal casinos spread across the state. The tribal casinos remit a revenue-sharing payment to local governments. The commercial casinos are taxed on net win – the amount the casino keeps after paying winners. The combined tax rate is 19%. In 2020, Michigan launched sports wagering and igaming.

Figure 79: Michigan gaming market by form of gaming, 2015-2021



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

It is too soon to determine whether igaming has negatively impacted casino revenues (both Detroit commercial and tribal), as the revenue-sharing payments from the tribal casinos have not been released yet.

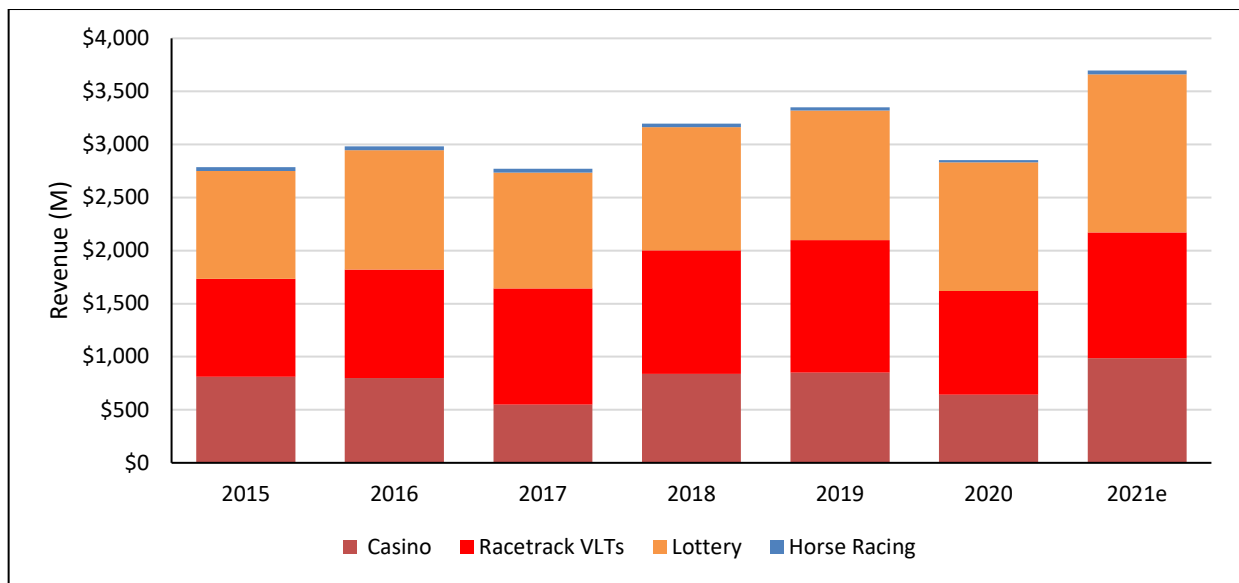
F. Ohio

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

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

In December 2021, the governor signed a law legalizing sports betting. On June 1, 2022, the Ohio Casino Control Commission announced that sports wagering would go live January 1, 2023. The tax rate on sports is set at 10% of net revenue.

Figure 80: Ohio gaming market by form of gaming, 2015-2021



Source: H2 Gambling Capital. Note: VLT data for FY 2021.

The Ohio betting landscape has been growing slowly over the past five years, as the chart in Figure 80 presents. There have been no additions to capacity. Only one of the 11 Ohio gaming properties, Scioto Downs in Columbus, has an integrated hotel.

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



INTERNET RESPONSIBLE GAMBLING STANDARDS

Revised May 31, 2021

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

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

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

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

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

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Tel: 202.547.9204
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www.ncpgambling.org

POLICY

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

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

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

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

STAFF TRAINING

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

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

SUPPORTING INFORMED DECISION MAKING BY PLAYERS

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

1. Practical tips on how to keep gambling within safe limits
2. Common myths associated with the applicable games
3. How the site's individual games work, including randomness, house edge, odds of winning and payout ratios where applicable
4. Preventing access to a player's accounts by underage, unregistered, unauthorized or excluded players
5. How to use the site's responsible gambling tools and features
6. Risks associated with gambling
7. Signs of a potential gambling problem for themselves or their loved ones
8. How to access personal data on responsible gambling
9. Direct links to at least one organization dedicated to helping people with potential gambling problems. Regular testing for functionality occurs for all links to help services.

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

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

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

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

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

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

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

ASSISTING PLAYERS

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

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

SELF-EXCLUSION

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

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

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

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

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

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

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

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

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

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

ADVERTISING AND PROMOTION

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

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

GAME AND SITE FEATURES

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

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

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

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

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

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

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

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

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

RESEARCH

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

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

PAYMENTS

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

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

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

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

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