



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Friday, March 22, 2024
11:00 AM
State Capitol, Conference Room 423

In consideration of
HR55 / HCR70
**REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM TO CONVENE A SPORTS WAGERING WORKING GROUP TO
CONDUCT A COMPREHENSIVE ANALYSIS OF THE POTENTIAL LEGALIZATION
AND REGULATION OF ONLINE SPORTS WAGERING IN HAWAII.**

Chair Holt, Vice Chair Lamosao, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) appreciates the intent and offers comments regarding HR55 / HCR70, which requests DBEDT to convene a sports wagering working group to conduct a comprehensive analysis of the potential legalization and regulation of online sports wagering in Hawaii.

DBEDT is aware of the state's economic condition and state revenue growth projections. For the project to be completed at the scope and timeline as requested in the resolution, we would need \$200,000 state funds to hire a research company to prepare the study.

We have vacancies for our economist positions. We would recommend extending the deadline to 20 days before the legislative session of 2026, and we will conduct the study in house with the hope that we will fill the economist positions in the next few months.

We are following a number of other bills and resolutions that require DBEDT to do studies, and we will cooperate as long as our primary functions and responsibilities are not impacted.

Thank you for the opportunity to testify.



**Hawaii House of Representatives
Committee on Economic Development**

Testimony in Support of HCR 70/HR 55

March 22, 2024

Chair Holt and members of the House Committee on Economic Development, thank you for the opportunity to provide testimony in support of HCR 70/HR 55. And thank you, Chair Holt, for sponsoring these companion resolutions.

My name is Kathleen (Kate) Owen, and I am an attorney with the law firm Orrick, Herrington & Sutcliffe. I represent the Sports Betting Alliance (“SBA”), and I am submitting this testimony on their behalf. The SBA is a trade organization comprised of many of the top sports betting operators in the country—BetMGM, DraftKings, Fanatics, and FanDuel. Taken together, our membership is active in nearly all of the 32 U.S. jurisdictions¹ with legal online sports betting.

We welcome the opportunity to participate in a Sports Wagering Working Group convened by the Department of Business, Economic Development, and Tourism to conduct a comprehensive analysis of the potential legalization and regulation of online sports wagering in Hawaii. We have worked cooperatively with legislators and regulators across the country to develop sports wagering frameworks that apply best practices while addressing the unique needs of the individual states, and we would embrace the occasion to do so in Hawaii as well.

The proposed working group not only includes representatives of the SBA, but it also includes the President of the Senate, the Speaker of the House, the Attorney General, the Director of Taxation, and the Director of Commerce and Consumer Affairs, or their designees, as well as a representative from the Hawaii law enforcement community. Through this resolution, we are seeking to work collaboratively and cooperatively with all government stakeholders and departments that have an interest in the potential legalization of sports wagering in Hawaii.

Nearly four-fifths of the states now offer some form of sports betting, which is a remarkable development since sports betting was restricted to only a handful of states prior to 2018.

¹ Thirty states plus the District of Columbia and Puerto Rico.

However, the rapid adoption of sports wagering by state legislatures since the Supreme Court struck down that restriction comes as no surprise. Allow me to highlight three reasons why, which may be further explored together through the working group.

First, there is a robust illegal sports betting market that thrives in the absence of a legal, regulated framework. The American Gaming Association estimates that Americans wager \$63.8 billion dollars each year in the illegal sports betting market²—which works out to over \$277 million wagered in Hawaii alone. This money is being wagered with offshore websites and illegal bookies with no oversight, consumer protections, or revenue generated for the state.

Second, sports wagering is offered safely and responsibly by reputable operators in jurisdictions where it is legal. These operators implement robust measures with regard to identify verification, consumer protection, responsible gaming, and game integrity that are not present in the illegal market.

Third and finally, states stand to generate significant revenue by putting a regulatory framework in place around this activity. By channeling this activity into the legal market and building a robust and responsible market for sports betting, Hawaii stands to gain \$9 million per year in additional tax revenue.³

A regulated, competitive mobile sports betting market would replace the predatory, illegal platforms already operating in Hawaii and generate new revenue for the state through a policy that has the support of constituents. According to a 2022 poll conducted by Anthology Research, 73% of Hawaii residents support legalizing and regulating online sports wagering in Hawaii for adults 21 years of age or older to generate annual tax revenue.⁴

Among any other topics that the Working Group agrees to study, the resolution would assess:

- (1) The estimated revenue potential of a legal online sports wagering market in Hawaii;
- (2) An appropriate regulatory structure to efficiently implement and oversee online sports betting in the State using the experience of other states with online sports betting;
- (3) The consumer protections available for patrons of online sports wagering, including responsible gaming; and
- (4) The experience of other states in implementing online sports wagering and benefits derived from the legalization of online sports betting.

² *Sizing the Illegal and Unregulated Gaming Markets in the United States*, American Gaming Association, November 2022. Available at americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf

³ Estimate based on average 2023 mobile sports betting revenue per 21+ adult in Colorado, Connecticut and Maryland—three states similarly situated to Hawaii in terms of education levels and household income.

⁴ Specifically, the Anthology Research survey inquired whether participants support this legalization “to generate annual tax revenue which can be used to improve Hawaii schools and to fund other critical priorities for the islands.”

This comprehensive analysis would be memorialized in a report that would be presented to the Legislature before the start of the 2025 session, and it would include any findings, recommendations, or proposed legislation.

The SBA supports HCR 70/HR 55 and the opportunity to work together to explore the potential legalization and regulation of sports wagering in Hawaii. Thank you again for the opportunity to testify, and I am happy to answer any questions.



Chair Holt, Vice-Chair Lamosao, and members of the Committee on Economic Development, thank you for your time today. My name is Rebecca London, Senior Government Affairs Manager for DraftKings, and I am here today to provide testimony on behalf of DraftKings in support of HCR 70/HR 55, requesting to convene a sports wagering working group. We appreciate the opportunity to participate in today's hearing—and additional conversations—to discuss the importance of Hawaii embracing a competitive, fully mobile sports wagering market.

DraftKings is a digital sports entertainment and gaming company created to be the Ultimate Host and fuel the competitive spirit of sports fans with products that range across daily fantasy, regulated gaming and digital media. Headquartered in Boston, and launched in 2012, DraftKings is the only U.S.-based vertically integrated sports betting operator. DraftKings' Sportsbook is live with mobile and/or retail sports betting operations in 27 states.

DraftKings supports a sports wagering framework in Hawaii that protects consumers, generates revenue for the state, and stamps out the pervasive illegal market. We view this study as helpful to understanding the benefits a legal market could have for the state and its residents including providing the important consumer protections the legal market affords residents of Hawaii and capturing revenue for the state, neither of which are happening in the existing illicit offerings.

We would welcome the opportunity to work with the Department of Business, Economic Development, and Tourism to conduct analysis of what legalization and regulation of sports wagering could look like in Hawaii, taking into consideration what we, and our partners of the Sports Betting Alliance, have learned in legal jurisdictions, while accommodating for the uniqueness that comes to each state, of which Hawaii is no different.

We recognize the importance of collaboration and partnership when taking a serious look at new policy initiatives that would impact your state, and these resolutions provide an opportunity to do just that. Working with legislators and regulatory bodies, who would work with the market day-to-day should Hawaii legalize sports wagering, will provide ample opportunity to look at the potential for a legal market, while also allowing to put forward common-sense suggestions for making a market work best for all residents of Hawaii.

It is important to recognize that sports wagering is already taking place in Hawaii, with an estimated \$277 million in illegal wagers each year.¹ Nearly all the sports wagers in Hawaii are placed online through websites in the robust illegal market, where sophisticated illegal operators capitalize on the popularity of this form of entertainment. Across the country, states are bringing this activity into a legal, regulated market that mandates robust consumer protections- including responsible gaming tools and messaging, responsible advertising, access to player protection

¹ *Sizing the Illegal and Unregulated Gaming Markets in the United States*, American Gaming Association, November 2022. Available at americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf



tools, and integrity monitoring. To date, thirty-seven states have legalized sports betting, including the thirty, plus DC and Puerto Rico, that have authorized mobile sports betting, allowing customers to place bets conveniently from their mobile phones and other devices.

Regulated operators, like DraftKings and other members of the Sports Betting Alliance, have vast experience across the United States in markets both new and mature, having learned from each launch we participate in, and each regulator we interact with. We have seen the revenue potential states realize, while leading efforts to take consumer protections, including the issues of underage wagering and problem gaming seriously. That is why we welcome the opportunity to partner and create a comprehensive report to answer questions this legislature, and ones before it, have sought answers to, so that there may be a guide in the future for a roadmap to success.

Thank you very much for your time today, we look forward to the opportunity to collaborate on the potential for a legal sports wagering market in Hawaii, and I would be happy to answer any questions you may have.