

Betting on the Budget¹

This IPRO report examines the legality surrounding amateur and professional sports betting by state.

Definitions

Fantasy Sports Wagering- betting or wagering on a fictitious sports team composed of actual players from different teams.² Fantasy sports teams are created by participants in a simulated player draft that is usually conducted through an online fantasy sports website.

Calcutta Pools- a form of sports betting in which participants bid auction style on teams which they believe will win. All money wagered is pooled together, applicable taxes are removed, and winnings are distributed to winners.³

Sports Tab Games- a form of sports betting that operates similar to lottery tickets. Participants purchase a sports tabs with various team names on the tab. If the teams on the tab win, the participant is awarded winnings.⁴

Parimutuel Wagering- a form of betting in which all wagered money is collected into a pool, applicable taxes are removed, and winnings are distributed to winners. Parimutuel wagering differs from Calcutta pools in that participants can wager specified amounts of money on a given team (or race animal) rather than bid auction style against other participants wishing to bet on the same team (or race animal).⁵

Parlay, Multi-Game Betting- a series of wagers in which the winnings from one wager are used as a stake for the subsequent wagers.⁶

Gambling Game- Iowa currently defines this narrowly to not include sports betting. As defined in the Iowa State Code, “means any game of chance approved by the commission for wagering, including, but not limited to, gambling games authorized by this chapter.”⁷

Background

Sports betting on professional and amateur games are illegal in 46 states. It is however allowed by Federal exemption because of the Bradley Act in Delaware, Montana, Nevada, and Oregon. Furthermore, horserace betting is excluded from Federal exemption.⁸

¹ This IPRO report was prepared by University of Iowa undergraduate students Nicholas Pottebaum, nicholas-pottebaum@uiowa.edu, and Andrew Brehm, andrew-brehm@uiowa.edu.

² Dictionary.com, September 2010, <<http://dictionary.reference.com/browse/fantasy+sport>>.

³ About.com, “Calcutta”, September 2010, <http://golf.about.com/od/golfterms/g/bldef_calcutta.htm>.

⁴ Bill Burton, “1992 Sports Betting Ban.”, About.com, <<http://casinogambling.about.com/od/racesports/a/sportsban.htm>>.

⁵ Ibid.

⁶ Princeton Word Dictionary

⁷ The Iowa Legislature, "Iowa Administrative Code, 491--11.1 (99F)," 2009, <<http://search.legis.state.ia.us/nxt/gateway.dll/ar/iac?f=templates&fn=default.htm>>.

⁸ Anthony Cabot, "Symposium: Betting on the Budget: Can State Legislatures Go All In Or Will the Federal Government Force Them To Fold?," [Villanova Sports & Entertainment Law Journal](#) 17 (2010).

Federal Action

Professional and Amateur Sports Protection Act (PASPA) of 1992

The 102nd Congress passed the Professional and Amateur Sports Protection Act of 1992. The PASPA of 1992, or Bradley Act, made it illegal to wager on sporting events in all 50 states with the exception of states that currently had sports betting or had enacted legislation to allow sports betting since 1976.⁹ The four exempt states were Nevada, Delaware, Oregon, and Montana.¹⁰ The Bradley Act also had a provision that allowed states who had operated state regulated casinos for at least 10 years to pass legislation to allow sports betting in the respective state within one year.¹¹ New Jersey was the only state that qualified for this provision. Although Iowa is currently home to multiple state regulated casinos, the state did not pass legislation to allow gaming until 1983, thus Iowa failed to meet the provision in the Bradley Act to allow sports betting.¹²

Benefits and Costs of Legalizing Sports Betting in Iowa

Benefits

Increased Revenue

Legalization of sports betting in Iowa would result in significant increases in state revenue. Recent studies conducted by Cantor Fitzgerald L.P. have projected a state revenue boost of over \$600 million if sports betting were to be enacted in New Jersey.¹³ IPRO researchers have calculated a potential \$30 million increase if revenue of sports betting were to be enacted Iowa.¹⁴ Boosts in annual state revenue could be used to cover budget shortfalls as planned by New Jersey, or could be allocated to fund multiple state programs. Oregon uses sports wagering revenue to fund collegiate scholarships to in state students. Over the past 10 years, sports betting revenue has generated more than \$28 million in public university scholarship funds.¹⁵ In 2002, Oregon allocated \$2.5 million of sports betting revenue towards in state athletic scholarships which was enough for over 40 four-year, full ride scholarships at the University of Oregon.¹⁶

Tourism in Iowa

Since sports wagering is currently allowed in four states legalization of such gaming activity in Iowa would likely result in increased tourism. Calculations from Cantor Fitzgerald's report on sports wagering show that the state of New Jersey would gain approximately \$60 million annually from boosts in tourism associated with sports betting.¹⁷

⁹ Jeffrey Rodefer, "Sports Protection Act.", August 2010, [Gambling-laws-us.com](http://www.gambling-law-us.com/Federal-Laws/sports-protection.htm), <<http://www.gambling-law-us.com/Federal-Laws/sports-protection.htm>>.

¹⁰ Ibid.

¹¹ Ibid.

¹² "History of Gaming in Iowa.", September 2010, <http://www.poncatribene.org/pdfs/Casino/history-iowa_gaming.pdf>.

¹³ Bob Considine, "Could Sports Betting Save New Jersey?," August 2010, [The Star-Ledger](http://www.nj.com/insidejersey/index.ssf/2010/08/can_sports_betting_save_new_je.html), <http://www.nj.com/insidejersey/index.ssf/2010/08/can_sports_betting_save_new_je.html>.

¹⁴ IPRO researchers calculated this figure by taking the 2009 gross revenue from sports wagering in Nevada and applying the Iowa gaming tax rate of 22 percent on gaming revenue over \$3million based on the assumption that sports betting in Iowa would result in an annual revenue of over \$3 million.

¹⁵ American Gaming Association, [Industry Information: Sports Wagering](http://www.americangaming.org/Industry/factsheets/issues_detail.cfv?id=16), September 2010, <http://www.americangaming.org/Industry/factsheets/issues_detail.cfv?id=16>.

¹⁶ Ari Weinberg, "The Case For Legal Sports Gambling.", September 2010, [Forbes](http://www.forbes.com),

¹⁷ Ibid.

Freeing Markets

The sports betting market is both a high market and a high potential market. In 2009 alone, over \$2.57 billion was wagered on Nevada's sport books.¹⁸ Moreover, with an ever increasing 29.6 million fantasy sports participants, the potential market of sports wagering is at an all time high.¹⁹ However, the sports betting market is, by law, confined to only four states. Legalizing sports wagering in Iowa would essentially be freeing a market that is currently restricted to an oligopoly under the Bradley Act.

Entertainment Value

Both sports and gaming have a long history in the United States. This past year, over 106 million people watched the Super Bowl and an estimated \$380 billion of illegal sports bets were placed.^{20,21} Legalization of sports betting in Iowa would open the door to new, legal forms of entertainment for both sports fans and gaming participants alike.

Sports Betting as a Crime

It has become increasingly common for illegal sports betting to go unrealized, therefore jeopardizing the perception of the legal system and questioning its ability to enforce laws for reasons such as:²²

- Limited resources by law enforcement to execute the laws of sports betting.
- The legal framework for what is legal and illegal in sports betting has become discombobulated.
- There are small financial penalties for violating sports betting laws; therefore it does not justify the expense to prosecute an alleged criminal.
- Public perception that violating sports betting laws is acceptable.

Costs

Route for Legalization

In the current state, Iowa would have to perform two steps to effectively legalize amateur and professional sports betting in the state. The cost to legalization involves the legal and time along with the opportunity costs of not receiving sports betting tax revenue.

The following could be implemented in any order:

- Change state code to define sports betting as a 'gambling game' in order for it to be licensed.
- Have the PASPA of 1992 overturned in Federal Court or the have the exemption of state status changed to allow sports betting in the state.

Compromising the Integrity of Sport

The legal ability for players to bet on games could jeopardize sports in general placing into question

¹⁸ Ibid.

¹⁹ Jeff Zillgitt, "We Certainly Live in a Fantasy World.," September 2010, [USA Today](http://www.usatoday.com/sports/comment/jzcol53.htm), <<http://www.usatoday.com/sports/comment/jzcol53.htm>>.

²⁰ David Bauder, "Super Bowl 2010 Ratings: Over 106 Million Watch, Top Rated Telecast Ever.," September 2010, [Huffington Post](http://www.huffingtonpost.com/2010/02/08/super-bowl-2010-ratings-m_n_453503.html), <http://www.huffingtonpost.com/2010/02/08/super-bowl-2010-ratings-m_n_453503.html>.

²¹ Ibid.

²² Anthony Cabot, "Symposium: Betting on the Budget: Can State Legislatures Go All In or will the Federal Government Force Them To Fold?," [Villanova Sports & Entertainment Law Journal](#) 17 (2010).

the ethicality and motives behind outcomes in games. Experiencing again scenarios such as:^{23,24}

- The 1919 World Series involving the “Black Sox’s” in which White Sox players purposely lost games because they were paid to resulting in a fixed World Series. Eight players were banned from baseball for life.
- The Pete Rose scandal in which the all-time leader on hits was banned from MLB for betting on games while as a player and manager. He most famously played for the Cincinnati Reds.
- In 1951, Men’s Collegiate Basketball Point-Shaving Scandal involved seven teams and over 50 players fixing games over a four-year period; most famously involving players from Columbia University and the University of Kentucky.

State Action (Iowa, New Jersey, Delaware, Montana, Nevada, Oregon)

Iowa

Iowa does not directly define betting on amateur or professional sports in the state code. Administrative Code 481-102.2(1) states “...sports betting polls are not considered games.” Sports’ betting is not considered a game and thereby not allowing any casinos in Iowa to register for a sports betting license.

In the 2010 Legislative Session, a bill sponsored by State Senator John Kibbie would have allowed sports betting as a gambling game to be licensed if “...federal law does not prohibit professional and amateur sports betting...”^{25, 26, A}

Gambling Revenue Status

The Iowa Gaming Commission found that gaming in general for the state generated \$1 billion for Iowa’s economy in 2009.^{27, B}

New Jersey

1993 Action in New Jersey

Following the passing of the PASPA of 1992, the New Jersey State Legislature created a bill that

²³ Jeff Moran, "ESPN," Biggest Sports Gambling Scandals,

<<http://sports.espn.go.com/espn/page2/story?page=merron/060207>>.

²⁴ Bob Considine, "Could Sports Betting Save New Jersey?," August 2010, The Star-Ledger,

<http://www.nj.com/insidejersey/index.ssf/2010/08/can_sports_betting_save_new_je.html>.

²⁵ Committee on State Government, "Senate File 2129 Authorizing sports betting," 83rd General Assembly (2010).

²⁶ Committee on State Government, "Senate File 2214 Authorizing sports betting," 83rd General Assembly (2010).

^A Senate File (SF) 2129 and SF 2214 (2010): SF 2129 and 2214 (a successor bill to SF 2129) would have allowed sports betting to be legal in state licensed gambling venues if the 1992 PASPA exemption for the state of Iowa was overturned either through federal law or by a challenge in court. Amateur and professional sports betting would have been allowed under SF 2129 while only professional sports betting would be allowed under SF 2214.^{27, 27, 27} Both legislations passed out of the Iowa Senate State Government Committee.^{27, 27}

<http://www.buyiowafirst.org/reinvesting_in_iowa/gaming_benefits.aspx>.

^B Taxation of Iowa’s Gambling industry is currently set at graduated taxation level for Iowa’s 19 casinos. Taxation levels can be in Table I. Gambling is projected to add \$278 million to the tax rolls in fiscal year 2011.²⁷

²⁷ Iowa Gaming Association, Gaming Benefits Iowa, September 2010

would place a referendum to allow sports betting on the ballot for public vote.²⁸ The bill passed in the Senate twice, but died in the Assembly Appropriations Committee under Chairman Rodney Frelinghuysen-Republican.²⁹ Failure to pass such legislation in the one-year time window provided in the Bradley Act resulted in the banning of sports wagering in New Jersey.

New Jersey Lawsuit

In March of 2009 the state of New Jersey filed a lawsuit against the U.S. Department of Justice claiming the PASPA of 1992 unconstitutional.³⁰ The lawsuit is supported by New Jersey Governor Jon Corzine, New Jersey State Senator Raymond Lesniak, as well as various organizations representing the 11 casinos in Atlantic City.³¹ New Jersey's lawsuit is the first step in a series of actions that would legalize sports betting in New Jersey and could help reduce a \$10.7 billion budget shortfall. If successful, the New Jersey lawsuit would pave the way for other states to enact legislation to legalize sports betting.

Delaware

Sports betting in Delaware

In 1976, Delaware offered parlay bets (also known as multi-game sports betting) for National Football Games (NFL) for the 1976 season. In March 2009, the state attempted to offer wide-ranging multi-game, parlay, and single game bets for a wide-ranging number of sports. Sports that were included but not limited were the NFL, National Collegiate Athletic Association (NCAA), National Basketball Association (NBA), Major League Baseball (MLB), and National Hockey League (NHL). The United States Delaware District Circuit Court ruled in August 2009 that it was illegal for Delaware to offer betting on all forms of amateur and professional sports, not compliant with PASPA of 1992. The ruling for Delaware limited sports betting to just parlay or multi-sports betting for NFL games.³²

Currently, Delaware offers parlay or multi-sports betting NFL games administered at three Delaware casinos.³³ This form of sports betting helps contribute to all forms of gambling to the state coffers at the tune of \$248 million in fiscal year 2009.^{34, C}

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

³² Greg Stohr, "Delaware Sports Gambling Bid Rejected by High Court (Update1)," *Bloomberg BusinessWeek*, <<http://www.businessweek.com/news/2010-05-03/delaware-sports-gambling-bid-rejected-by-high-court-update1-.html>>.

³³ Delaware State Lottery, "Sports Lottery: Ready. Set. Bet! Sports Lottery at Delaware Racetracks.," September 2010 <<http://delottery.com/games/sports/>>.

³⁴ Delaware Lottery, "2009 Annual Report for the fiscal year ending June 30, 2009," 2010 September <http://lottery.state.de.us/pdf/2009_Annual_Report.pdf>.

^C Delaware Action: In 2009, the Delaware State Legislature passed and signed into law by Governor Jack Markell the legalization of wide-ranging forms of betting on amateur and professional sports. This includes betting on multiple and single games for everything from women's collegiate field hockey to the NBA games.³⁴ The new law was estimated to bring in \$17 million to \$50 million in state tax revenue for the first year when legalization went into effect September, 2009.³⁴ In response, a joint lawsuit by multiple plaintiff's (MLB, NHL, NFL, NBA, and the NCAA) was filed. By August 2009, a the United States District Court for the District of Delaware upheld the plaintiff's claim that Delaware's legalization of sports betting should only apply to a narrow set of betting games not a wide ranging set, citing the PASPA of 1992 law in which only what was legal from 1976 - 1990 would be allowed. The Supreme Court of the United States decided not to hear the case, thus upholding the District Court's decision.³⁴

Montana

Sports betting in Montana

Montana State Code explicitly outlaws any wagers on the outcome of individual sporting events.

However, Montana currently allows multiple forms of sports betting.³⁵ In 2008, the Montana State Legislature created the Montana Sports Action which allows for wagers to be placed on fantasy sports teams and is operated through the Montana State Lottery. The state of Montana also allows for sports Calcutta pools, which fall under the category of parimutuel betting, and sports tab games which are operated similar to lottery tickets.³⁶

Nevada

Sports betting in Nevada

The Nevada Gaming Commission and State Gaming Control Board allow all forms of amateur and professional sports betting.³⁷ According to the American Gaming Association (AGA), less than one percent of nationwide sports betting were made via Nevada sports betting licensed bookkeepers - producing revenues of \$136.4 million in 2009.³⁸ Up until January, 2001 the Nevada Gaming Commission regulated that betting could not take place on Nevada collegiate sports teams.³⁹

Currently, in Nevada betters can wage on all amateur and professional sports. No publicly owned casinos exist.

Oregon

Sports betting in Oregon

From 1989 to 2007 Oregon instituted a program called *Sports Action*. This program was the state lottery for sports betting, allowing parlay wagering on NFL games and—for a short period in 1990s—NBA games as well.⁴⁰

In 2005, Oregon repealed “sports related gaming” in order to seek economic development potential in hosting NCAA Men’s basketball tournaments along with other opportunities.⁴¹ Previously, the NCAA banned Oregon from hosting NCCA Men’s Basketball “March Madness” tournament games, because of Oregon’s sports betting lottery, *Sports Action*, tax revenue funded a portion of

³⁵ Chuck Humphrey, “Montana Gambling Laws: Montana Constitution and Montana State Code.”, September 2010, [Gambling-laws-us.com](http://www.gambling-laws-us.com), <<http://www.gambling-law-us.com/State-Laws/Montana/>>.

³⁶ Ibid.

³⁷ State of Nevada, "Regulation 26B Off-Track Pari-Mutuel Sports Wagering," September 2010 <http://gaming.nv.gov/stats_regs/reg26b.pdf>.

³⁸ American Gaming Association, Industry Information: Sports Wagering, 2010 йил September, <http://www.americangaming.org/Industry/factsheets/issues_detail.cfv?id=16>.

³⁹ John Warren Kindt, "College and Amateur Sports Gambling: Gambling Away Our Youth?," Villanova Law Journal (2002).

⁴⁰ Oregon Lottery, "Oregon Lottery® Chronology of Major Events," September 2010 <http://www.oregonlottery.org/About/docs/10_Chronologyofmajorevents.pdf>.

⁴¹ 73rd Oregon Legislative Assembly, "2005 Regular Session House Bill 3466," May 2005, <http://www.leg.state.or.us/comm/sms/sms05/hb3466hrev05-04-2005.pdf>, September 2010.

Oregon's seven public university athletic programs. The state legislature and the governor concluded that it was more economically beneficial to host games rather than allow bets on them. This was particularly due to the fact that sports betting made up a minimal percentage of Oregon's gambling revenue.^{42, 43, 44}

Currently, Oregon has no legally licensed form of sports betting.

By the Numbers

- The sports betting industry is a major sector of the gaming industry. In 2009, approximately \$2.57 billion were wagered on sports betting in Nevada alone.⁴⁵ This figure represents less than one percent of annual sports wagering nationwide.
- It is estimated that if half of all illegal sports bets were legally booked, annual revenue of \$12 billion after payouts would be generated.⁴⁶

Table 1⁴⁷

The state of Iowa graduated gambling revenue tax structure

Revenue	Rate
Less than \$1 million	5%
\$1 to \$3 million	10%
Over \$3 million	22%
Over \$100 million (with racetrack)	24%

This report was prepared in October 2010 by the Iowa Policy Research Organization (IPRO), a non-partisan public policy undergraduate group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ipro/> or contact caroline-tolbert@uiowa.edu.

⁴² The Register-Guard, "NCAA picks Portalnd, UO to host 2009 tourney," (2006).

⁴³ The Oregonian, "State-Backed Sports Betting in Oregon," (2005).

⁴⁴ The Oregonian, "Governor to sign bill that bans sports bett," (2005)

⁴⁵ American Gaming Association, Industry Information: Sports Wagering, September 2010, <http://www.americangaming.org/Industry/factsheets/issues_detail.cfv?id=16>.

⁴⁶ Ari Weinberg, "The Case for Legal Sports Gambling," Forbes Magazine (23 January 2003).

⁴⁷ Iowa Racing and Gaming Commission, Iowa Statewide Gaming Market Assessment, May 2009, September 2010 <<http://www.iowa.gov/irgc/Innovation%20Study.pdf>>.