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Mobile Sports Gambling in South Carolina

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MOBILE SPORTS GAMBLING IN SOUTH CAROLINA

By

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of the Requirements for
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Abstract

After the U.S. Supreme Court deemed the Professional and Amateur Sports Protection Act (PASPA), sports betting has expanded across the country at a rapid pace. As the sports gambling industry continues to grow, states that have not passed legislation are left wondering whether legalization would benefit their constituents.

The purpose of this study is to determine the feasibility and consequences of legalizing mobile sports gambling in the state of South Carolina. This study can inform state leaders on how to implement mobile sports gambling in the state as well as the positive and negative repercussions that would follow legislation. As more states legalize mobile sports gambling to provide additional tax revenue, it is vital that South Carolina does its due diligence to decide whether sports betting would be beneficial for the state.

Because legal sports betting is still in its infancy, the growth of the industry has enormous potential. States can take advantage of these restrictions being lifted by charging gaming companies a tax rate to allocate towards education, infrastructure, and various other funds. The addictive nature of gambling give some states hesitation on passing legislation. There is evidence mobile sports gaming can increase the likelihood of problem gambling as opposed to betting at a retail casino. It is up to state leaders to analyze the data and perform in-depth research to determine whether legal sports gambling will positively or negatively impact their constituents.

The results of the study provide the overall implications and limitations of legalizing sports betting in the state of South Carolina through mixed methods research consisting of interview design, survey design, and case study design. Results showed that mobile sports gambling will continue to spread throughout the country as more states

legalize it over time. Research showed that a majority of young South Carolina residents are in favor of making mobile sports gambling legal and that a mobile-only model would be the best implementation strategy for the state.

Introduction

Since the U.S. Supreme Court's decision to lift the ban of sports gambling under the Professional and Amateur Sports Protection Act (PASPA), the mobile betting industry has exploded across the United States. With an estimated \$380 billion wagered illegally per year in the United States, this comes as no surprise (Meer). By legalizing and regulating sports gambling, states can monetize this growing industry. Repealing the federal ban provides states with the opportunity for massive new revenue streams.

As of today, twenty-nine states have legalized sports betting in some capacity with legislation pending in several other states. States have taken different steps to implement sports gambling. Nine states restrict sports gambling to physical retail locations while twenty allow for online and mobile gambling. States who restrict wagering to casinos have been bringing in less tax revenue than previously expected. Mobile sports betting accounts for well over 50% of wagers placed in states where it is permitted (Sayre). South Carolina does not allow any sort of sports gambling within state lines and is without any sort of on-land, retail casino. The most logical and cost-effective way for the Palmetto State to implement sports gambling would be to jump straight to a mobile platform. The convenience of mobile gambling has led to widely available gray-market apps and offshore websites. States who remain hesitant to expand sports gambling to mobile platforms risk missing out enormous amounts of potential tax revenue.

Each state is given the responsibility to do what is best for their own constituents. There are still many states who are hesitant to legalize sports betting in any form. States who have yet to pass legislation on sports gambling have been wrestling with morality of the issue. Legalizing sports gambling has shown to increase participation as well as problem gambling compared to a land-based venues. With the convenience and availability of mobile sports gambling, bettors wager more frequently and are at higher risk for being a problem gambler (Winters & Derevensky). States such as Florida and California have many Native American operated casinos which adding further complexity to legalization of the activity. Policymakers take these issues into account when determining legislation to legalize mobile sports gambling.

South Carolina has been hesitant to legalize sports gambling in any form, including mobile betting. According to legal gambling data, South Carolina is missing out on \$43.1 million in tax revenue by blocking mobile gambling legislation (Action Network). With one of the worst public school education systems in the country and a large pension deficit, South Carolina should consider mobile sports betting as a potential revenue stream for the state. State and local governments who have passed legislation have seen a new fast-growing tax revenue stream, job growth, and increased intrastate economic activity. This thesis aims to determine the feasibility and consequences of legalizing mobile sports gambling in the state of South Carolina. I intend on examining and comparing the effects that sports gambling has had on states that have passed legislation to forecast the consequences of legalization in South Carolina. These findings will inform decision makers in South Carolina and other states who are grappling with their decision on whether or not legal mobile sports gambling by providing information

about the sports betting industry, public opinion, and the effects mobile sports gambling has had on states that have implemented it.

Literature Review

History of Sports Gambling in the U.S. and South Carolina

Sports betting has been a part of American culture since we were British colonies. During the colonial era, friendly bets were made on horses, cockfights, and boxing. By the end of the Revolutionary War, sports betting was woven into everyday life. However, similar to today, many religious leaders saw sports gambling as immoral and believed that it encouraged crime. In the late nineteenth century and early twentieth century, sports betting began to grow too big, and several scandals followed. In what would come to be known as the “Black Sox Scandal,” eight players of the Chicago White Sox were accused of intentionally losing the 1919 World Series versus the Cincinnati Reds in exchange for \$10,000 from a gambling syndicate. All eight players were banned from professional baseball. As gambling became more and more popular during the late twentieth century, New Jersey Senator Bill Bradley helped pass The Professional and Amateur Sports Protection Act (PASPA) through Congress in 1992. PASPA made it illegal “to sponsor, operate, advertise, promote, license, or authorize ... a lottery, sweepstakes, or other betting, gambling, or wagering scheme based ... on competitive sporting events.” Since then, New Jersey has been on the forefront of the fight by trying to pass legislation to lift PASAP but kept coming up short. The New Jersey Senate repealed the state law that banned wagering on professional, collegiate, or amateur sporting events in Atlantic City in 2014. In turn, the NCAA, NFL, NBA, NHL, and MLB filed suit against the governor of New Jersey, Chris Christie. In 2018 the Supreme Court determined that PASPA’s ban on sports gambling was unconstitutional because of its violation of the anti-

commandeering doctrine in *Murphy v. National Collegiate Athletic Association* (Brand, 2019).

A month after PAPSA was deemed unconstitutional by the Supreme Court, New Jersey passes a new sports betting law with wagers being placed days later. Later that summer, DraftKings introduced the first online sportsbook outside of Nevada. One year after PAPSA was repealed, 10 states as well as Washington D.C. legalized sports betting.

South Carolina has historically been one of the most restrictive states when it comes to gambling. There are currently only three legal forms of gambling in the state: bingo, raffles, and the state lottery. In the 1990s, the tides seemed to be turning as video poker machines became popular in the state. By the end of the decade, the state Supreme Court deemed video poker machines unconstitutional and outlawed them. The South Carolina Education Lottery began in 2002 as a way to benefit public education in the state. However, many people opposed the lottery with the belief that middle and upper-class students would benefit from scholarships while those in poverty would likely be buying tickets. The lottery offers national games such as Mega Millions and Powerball as well as scratch-offs and instant wins. The 'Bingo Act,' passed in 1976, allowed for charitable gambling such as non-profit bingo or raffles. Although casinos are forbidden on land in South Carolina, they allow casino cruises on international waters. Myrtle Beach and Little River casino cruises offer blackjack, craps, roulette, let it ride, slots, and video poker.

Since PASPA was repealed, sports gambling has become less taboo around the country as more and more states introduce legislation. The history of gambling in the United States is being written before our eyes, however, lawmakers in South Carolina

don't seem to want to give up the past for the sake of morality. As more and more states near pass legislation and benefit from the new revenue stream, there's a chance the Palmetto State will give in to the sportsbooks just like it did with the lottery.

Current South Carolina Gambling Legislation

On January 12, 2021, a joint resolution was filed by Representative J. Todd Rutherford and Representative Lucas Atkinson. The joint resolution proposed an amendment to Article XVII of the Constitution of South Carolina to allow gambling and gaming activities on which bets are made to include pari-mutuel betting on horse racing, sports betting, casino activities, and games of chance. The revenue from gambling would be realized by the state and local jurisdictions to be used for highway, road, and bridge maintenance. Representative Rutherford sees promise in the bill saying "You have major corporations, MGM, Caesars, that want sports betting to come. I think that's going to drive the needle and move the needle towards more progression and more freedom." A similar joint resolution was also submitted by Senator Malloy in the state senate on January 12, 2021. Malloy also submitted a statement of estimated fiscal impact that says, "all realized revenue from legalized gambling will be designated to the State's retirement fund and the General Fund." Senator Malloy also assured the Senate that the joint resolution would have no immediate expenditure impact. This likely comes as result of the South Carolina pension deficit hitting \$26 million in 2020 (Daley). States with similar debt issues such as Kentucky, Rhode Island, and Colorado had to raise taxes, cut benefits, and close schools down (Daley). With some of the strictest anti-gambling laws, both bills may stay without a vote until the session expires. Historically, the state of South Carolina has had a firm stance against gambling with the belief it is immoral and encourages crime. If a bill does get passed by either the state senate or house, many believe that it

will likely be vetoed by South Carolina Governor Henry McMaster, an outspoken critic of gambling.

Although South Carolina has a history of strict anti-gambling legislation, many other southern conservative states have legalized sports gambling such as Mississippi, Arkansas, Louisiana, and Tennessee. After seeing the tax revenue that states are pulling in and the pension deficit rise, South Carolina will have to decide if they want to hop on the bandwagon.

Estimated Tax Revenue Growth

In June 2018, \$310 million was bet on sports. In October 2021, sports gamblers wagered \$7 billion with 84 percent of bets being placed through mobile phones (O'Brien & He). Goldman Sachs believes that the online sports gambling market could be worth \$39 billion in annual revenue by 2033 (O'Brien).

Although betting may be illegal in South Carolina, that doesn't mean it's not occurring. In 1999, the National Gambling Impact Study Commission estimated that around \$380 billion worth of illegal bets were placed in the United States. In 2019, before Louisiana's adoption of sports gambling, state Senator Danny Martiny argued that many residents of Louisiana are betting on sports through offshore websites, personal bookies, or neighboring states.

According to data from GeoComply, a geo-validation company, sports gamblers in Kentucky made over 530,000 attempts to bet on sports in a legal state in March 2022 (Coxky). Kentucky Representative Adam Koenig, a sponsor of the bill to legalize sports gambling in the state was not shocked. "Although this comes as no surprise to me personally, this data provides further evidence that Kentucky should legalize sports betting in 2022 and capture the tax revenue that other states are raking in from our

constituents and citizens,” Koenig said. “House Bill 606 will bring sports betting in Kentucky out of the shadows and provide regulatory protections Kentuckians need to place bets safely and without having to make frequent trips to border states.” Nicole Russo with PlayTenn says “that when you have a state that’s surrounded by a bunch of other states who can’t bet, people cross the border.”

Before New York allowed for online sports wagering, residents would cross state lines to place their bets and provide New Jersey with additional tax revenue (Pickman). Eilers & Krejcik, a gambling research and consulting firm, discovered that New York residents bet over \$800 million in New Jersey on sports in 2019 according to one of their studies (Pickman). GeoComply found that almost half of mobile bets in New Jersey were done within two miles of the border (Pickman).

Once New York passed legislation legalizing sports gambling, betting operators reported over \$150 million in wagers in its first weekend with 1.2 million unique accounts made at the end of the first week (Pickman). With a much larger population than New Jersey, supporters of the new legislation predict that New York will surpass New Jersey as the betting capital of the country. With a new tax revenue stream, New York expects tax revenue to grow from \$375 million this year to \$518 million by 2027 (Pickman).

As states who remain stubborn on sports betting witness the benefits that a new stream of tax revenue offer other states, leaders will have no choice but to research the issue to make a decision that benefits their constituents. States such as South Carolina are missing out on millions of dollars that are illicitly wagered through bookies and offshore

websites as well as bettors who cross state lines to bet legally. The tax revenue generated by other states from sports betting will not go unnoticed.

Gambling Addiction & Sports Betting Advertisements

Similar to other addictive behaviors such as sex, drugs, alcohol, and eating, gambling causes the brain to release dopamine, a neurotransmitter that can provide pleasure and euphoria (O'Donnell). Studies have shown that the outcome of the wager does not matter when it comes to the brain's release of dopamine (O'Donnell). Gambling operators can take advantage of this phenomenon by offering customers risk-free bets. After several wagers without any risk, operators hope players continue to bet with their own money to chase the dopamine high.

In 2018, shortly after PASPA was overturned, the National Council on Problem Gambling brought a testimony before the House Subcommittee on Crime, Terrorism, Homeland Security, and Investigations. The testimony urged legislators to incorporate responsible gambling principles into their laws and regulations. The NCPG says they fear gambling problems will increase unless necessary steps are taken such as dedicating revenue to prevent and treat gambling addiction, require operators to implement responsible gaming programs, assign a regulatory agency to enforce responsible gambling, conduct surveys of the prevalence of gambling addiction, and establish a consistent minimum age for sports betting (Whyte). Keith Whyte of the NCPG is also concerned about the increase in gambling advertisements, mobile phone gambling, and a virtually unlimited amount of betting opportunities. Although mobile sports gambling can increase the risk for gambling addiction, there are features that offer setting limits and exclusion.

As more and more states legalize sports betting, corporations such as FanDuel, MGM, DraftKings, and Caesars continue to spend hundreds of millions of dollars on advertisements for their online sportsbooks. Sports betting operators admit that their current advertising spending is not sustainable and will cause several companies to file for bankruptcy as they claw for a chunk of the market share. Additionally, almost every sportsbook offers promotions and incentives for signing up and referring friends in an effort to create bettors who are loyal to their platform. In 2021, the National Problem Gambling helpline received more than 22,000 calls a month, over 7,000 more than the year before (O'Donnell). Problem gamblers have an average of \$55,000 in debt with 20 percent eventually filing for bankruptcy (O'Donnell).

In May 2021, a study that examined whether problem gambling was associated with advertising impact or exposure was published in the Journal of Gambling Studies. Data for the study was taken from a general population cross-sectional survey in Norway. Through data analysis, they concluded that “problem gambling was associated with increased perceived advertising impact on gambling involvement and awareness of gambling.” Exposure to direct gambling advertisements was directly correlated with gambling problem level with internet advertising having the “strongest predictor of perceived advertising impact on gambling involvement.” Internet advertising allows for companies to tailor their advertisements to the individual and offer a more compelling offer to customers (Syvertsen, Erevik, Hanss, et al).

When the New Jersey Casino Control Act was signed in 1977 to help aid urban development, state officials were concerned about a rise in gambling addictions among their constituents. In an effort to prevent a sharp increase in addiction, legislators required

casinos to limit gaming advertisements. Regulators believed that without advertisement guidelines casinos would prey on vulnerable bettors and glorify gambling. Today, New Jersey has loosened their restrictions on gambling advertisements and no longer requires approval for promotions and offers. To prevent losing fans who opposed sports gambling or who were growing tired of the countless ads, the NFL limited sports betting ads to six per broadcast.

Gambling addiction and problem gambling will always be present and be an area of concern when it comes to sports betting. The major reason behind the unwillingness of many states to legalize sports betting continues to be their concern that there will be a rise in gambling addicts among their constituents. There is also evidence that advertisements from gaming companies can increase the likelihood of problem gambling from those who view them. Gaming companies and state officials are taking necessary steps to prevent widespread addiction and problem gambling by investing in programs designed to help problem gamblers, offering resources to those suffering from addiction, and setting regulations on gaming advertisements.

Methodology

Research Design

To understand the feasibility of mobile sports gambling in South Carolina and its effects on the state, a mixed-methods research design was used. A mixed methods research design combines qualitative and quantitative research to reinforce and expand a study's conclusion and support the research question (Schoonenboom & Johnson). Three approaches were used in this study, which included an interview, a survey, and a case study.

A research interview design is a qualitative technique which involves conducting an interview with a respondent to explore their perspectives on a particular idea, program, or situation. The interview performed was a structured interview that consisted of a series of pre-determined questions that the interviewee answered. Interview design allows the researcher to collect detailed information about research questions and gives them direct control over the flow of process.

A survey designed is used to question individuals about a topic and then describe their responses. It can describe aspects and characteristics of a population. A questionnaire is a form of survey that is conducted to gather a large size of information in a short period of time. Participants of the sample can remain anonymous, and it is cheaper than other forms of mass collection methods.

A case study design provides an in-depth, multi-faceted exploration of complex issues in their real-life setting. It is best used to obtain an appreciation of an issue, event, or phenomenon of interest, in its natural real-life context (Crowe). Instead of an experimental design, case studies are described as having a “naturalistic” design where the researcher can control and manipulate the variables of interest.

Procedures & Data Collection

To get an in-depth look at the sports betting industry, an interview was conducted with Parker Sutton, a business associate at one of the top mobile sportsbooks. Sutton was able to provide key information on the sports gambling industry as well as offer his opinion on the legality of sports gambling based on his experience and data.

After agreeing to participate as an interviewee in the study, a phone interview was scheduled with Sutton. Before the interview, I compiled a list of nine questions that would provide adequate research toward the study. Feedback from the questions provided

a unique perspective on the future of sports gambling that can aid in answering the research question.

To collect a large amount of data in a short amount of time, a questionnaire survey was used to poll a sample to describe the characteristics of a population. Students at the University of South Carolina were surveyed to provide information on young people living in South Carolina. A survey was developed through Google Forms with six multiple choice questions relating to sports gambling. The link to the poll was sent out through several class group messages as well as on a mass email chain on the honors thesis supersite.

Instrumentation

For the research interview questions were asked pertaining to the sports betting industry and his personal future outlook on the business. With states having concerns with regards to gambling addiction, Sutton was also asked what is being done to prevent problem gambling as well as sports gaming promotions and advertisements. The full list of questions can be found in the Appendix.

The survey on University of South Carolina students provided data on key points related to the study. To gauge the amount of sports betting participation out of the sample, students were asked if they had ever bet on sports. With South Carolina not allowing sports betting of any type, students were also asked if they had ever bet on sports while in the state of South Carolina. To gain more insight on illegal betting activity, individuals provided the platform that they used to bet on sports the most; the options were a bookie, offshore website, legal in-person sportsbook, legal mobile sportsbook, or not applicable.

To provide insight on the population's opinion of legalizing mobile sports betting in South Carolina, the sample was given several questions. The survey asked if the students supported legalizing mobile sports betting in South Carolina as well as if they believed that mobile sports gambling would have a positive impact on the state.

Data Analysis

The phone interview was recorded using a built-in voice recorder on a laptop computer. The interview lasted fifteen minutes, after which the recording was transcribed into a document to better analyze the content. After the transcription was completed, I used thematic analysis to identify several key themes in the interview. The themes present in the analysis were able to provide the study with information regarding the benefits of mobile sports betting as well as counter arguments to concerns posed by critics.

The survey data were compiled through Google Forms and converted into a Microsoft Excel spreadsheet in order to organize the information. The range of data was then converted into a table which allowed the information to be filtered using slicers. By filtering the data, the table could present more accurate data for questions that pertained to illegal sports betting. By eliminating that data of participants who did not bet on sports, I was able to have a more accurate analysis on the prevalence of illegal betting. To provide a clearer understanding of the data, the table was imported into Power BI for data visualization to better analyze the survey. This allowed me to see how the sample answered the various questions of the survey through ratios and provided an understanding of the population. Descriptive statistics were analyzed to provide a general overview of participants attitudes and behaviors related to sports gambling.

Results

Industry Interview

Although South Carolina seems to be stubborn on legalizing sports betting, gaming companies are optimistic. To research more about the feasibility and likelihood of mobile sports gambling in South Carolina, I interviewed Parker Sutton, a business associate on the VIP Team at DraftKings. DraftKings is a publicly traded sports betting company headquartered in Boston, Massachusetts. After starting off as a daily fantasy sports contest company, DraftKings launched its first legal sportsbook in 2018, months after PASPA was declared unconstitutional. DraftKings was the first company to offer legal, mobile, and online sports gambling. They have mobile operations in New Jersey, West Virginia, Indiana, Iowa, Illinois, New York, and Pennsylvania.

As more and more states pass legislation to legalize sports betting, Sutton does not see expansion slowing down anytime soon. “I think that some are going to take longer than others, but I think that sports betting will be legal in all fifty states eventually.” Sutton believes that once neighboring states see the tax revenue that they are missing out on, they will crave a piece of the pie. “In New York when they went live in January, they did \$1 billion in handle for sports betting in their first month with the state getting 51% of the revenue. It’s a massive tax pull and it’s regulating something that people are going to do anyways. It’s becoming more widely accepted throughout the country through deals with the NFL, NHL, and the rest of the leagues. At this point the states that aren’t doing it are missing out on all of the tax money.”

State leaders who oppose sports gambling fear that legalization will lead to a rise in gambling addiction among constituents. Sutton argues that is not that case. “There are already so many outlets to gamble. If somebody is interested in doing it, they’re going to

do it.” It’s even possible that legalizing sports gambling could offer helpful resources to problem gamblers. “Regulated entities such as DraftKings and other books have lots of team in place to ensure responsible gaming. All of these companies pull all forms of resources into responsible gaming. We have hotlines for gambling addiction. We seek out people who are showing suspicious trends either through what they say or their gambling behavior. In states where it’s not legal, if you want to gamble, you’re going to gamble. You just won’t have the resources there to help you like you do with some of these bigger companies.”

As sports gambling companies spend millions of dollars on marketing and promotions, critics argue that advertisements and free-play offers are strategically used to get users hooked on gambling. However, Sutton says the reason for the plethora of advertisements and ridiculous sign-up promotions are all about competition. “Essentially, a big portion of the sports gaming industry is market share. For public companies like DraftKings, market share matters a lot when valuing companies. One of the ways market share is determined is by handle, which is how much money is being wagered on the site. It’s just to get the most amount of new active users on the platform.”

Sutton offers the unique perspective of someone involved in the sports betting industry and makes the case for why sports betting should be legal all fifty states. He reiterates how states are losing out on revenue to sports gamblers within their state who will find a way to gamble whether its legal or not. To those who claim gaming companies are contributing to gambling addictions and problem gambling through risk-free bets and advertisements, he states that the competitiveness of the industry requires companies to claim as much market share as possible through incentives and marketing. In the near

future, Sutton envisions every state to eventually pass legislation to legalize sports betting as it becomes more widely accepted.

Survey Data

To gather data on current gambling habits of young South Carolinians, I surveyed 149 students at the University of South Carolina. By analyzing the information provided by the survey, I was able to learn how prevalent illegal gambling is among young people in South Carolina as well as their opinion on the subject. The survey was sent out randomly to college students through a Google Forms link and presented them with several questions regarding their experience with sports gambling as well as their opinion on legalization.

Based on the data collected, 39.6% of participants have gambled on sports at least once. Although this question does not consider frequency or legality, it shows that sports betting is not a taboo activity among 18-22 year-olds in the state. To examine the prevalence of illegal sports gambling among college students in South Carolina, I filtered out participants who have never bet on sports to provide a more accurate number. I then analyzed the remaining data to find the ratio of bettors who have gambled illegally on sports while living in the state of South Carolina. The poll showed that over a quarter of students that partake in sports betting have done so illegally in South Carolina. With sports betting banned throughout the state of South Carolina, over a quarter of students polled have found ways to illegally bet on sports through other platforms. By analyzing the filtered data, the survey also found that 43.14 percent of sports bettors in the sample use an illegal bookie for most of their bets, while 23.53 percent use an offshore website. The remaining gamblers mostly use legal platforms outside of the state such as a casino or mobile sportsbook.

To learn more about the opinion of young people living in South Carolina with regards to legalizing sports gambling, I asked participants in the survey if they supported legislation to make mobile sports betting legal in South Carolina and whether they believe mobile sports betting would have a positive impact on the state.

According to the data, around two-thirds of students polled support legalizing mobile sports gambling in South Carolina. With around a quarter of participants unsure whether they would support legislation, less than 9 percent are against legalizing mobile sports betting in the state. The polling numbers infer that very few college-aged people living in South Carolina would be opposed to legislation being passed in the state.

To compliment the legalization opinion data, I asked participants of the survey whether they believed mobile sports gambling would have a positive effect on the state of South Carolina. Although less than 9 percent of students polled were against mobile sports betting, 22.15 percent did not think legalization would have a positive impact on the state. Around 13 percent of mobile sports gambling supporters did not believe it would have a positive impact on the state while over 70 percent of supporters said they think it would. The number of students who were 'not sure' jumped over 6 percentage points when the question asked if there would be positive consequences.

Overall, the survey shows that a large number of young people living in South Carolina are wagering on sports illegally through outlets like bookies and offshore websites. The data also infers that most 18-22 year-olds in the state would support legislation to legalize mobile sports gambling. When it comes to whether legislation would bring a positive impact to South Carolina, many participants became unsure and less than half believed that it would. This survey provides pertinent information about

how young South Carolinians feel about sports gambling and can aid in pushing leaders to pass legislation.

Case Study

To determine the feasibility of implementing legal sports betting in South Carolina, I conducted a case study to understand and explain the casual links and pathways resulting from a new policy initiative. The case study involved analyzing a state that has already passed legislation and implemented mobile sports betting. Through the study, information can be gathered to understand whether sports gambling is possible in South Carolina.

When choosing a state to perform a case study on, two key characteristics had to be met: legal mobile sports gambling and a high similarity score to South Carolina. FiveThirtyEight used a variant of nearest neighbor analysis to determine the similarity of states to each other. The factors that determined the similarity scores were: partisan ID index; Likert liberal-conservative score; average years of completed schooling per adult; per capita income; 18-29 year old population; senior population; African-American population; Hispanic population; percentage of white evangelicals; Catholic population; Mormon/LDS population; percentage of military veterans; percentage of same-sex partner households; gun ownership rate; percentage of adults identifying ancestry as 'American'; percentage suburban; percentage of state jobs in manufacturing sector; current unemployment rate, and geographic distance. The highest score that two states can theoretically achieve on the index is 100 with 0 representing states that are dissimilar. The three states most similar to South Carolina according to the index are North Carolina (71), Georgia (62), and Tennessee (57). With sports gambling still illegal in North Carolina and Georgia, Tennessee was chosen for the case study.

Tennessee and South Carolina are both home to two Power 5 universities. The University of Tennessee and Vanderbilt University are located in Tennessee, while the University of South Carolina and Clemson University are in South Carolina. Tennessee has four professional sports teams: the Memphis Grizzlies, the Tennessee Titans, the Nashville Predators, and Nashville SC. Although South Carolina does not have any professional sports teams that play in the state, the Carolina Panthers represent both Carolinas in Charlotte, North Carolina, which borders South Carolina. Charlotte is also home to two other professional sports teams: the Charlotte Hornets and Charlotte FC.

On November 1, 2020, online and mobile sports betting became legal in the state of Tennessee. Tennessee has historically been very against gambling; however, legislation was passed to legalize mobile sports gambling after months of research and debate from state leaders. Although some lawmakers opposed sports gambling in the state, the majority of state politicians believed it was time to rake in the tax revenue that was being lost to illegal sports betting in the state. Tennessee remains the only state in the United States to offer online-only sports gambling because of the lack of retail casinos in the state. With over 80% of wagers in New Jersey being through mobile apps, the lack of physical betting locations is not expected to slow down the growth of sports betting in Tennessee. Without any physical casinos on land in South Carolina, the Tennessee online and mobile sports gambling model would be the simplest way to implement sports betting in the state.

Sportsbooks in Tennessee require an upfront licensing fee of \$750,000 for new operators as well as an annual \$750,000 renewal fee. Tennessee has a sports betting tax rate of 20% with 80% of tax revenue going to the Lottery for Education for scholarships

and grants for students, 15% going to the TN General Fund for roads and infrastructure, and 5% going to mental health and substance abuse programs specifically focused on problem gambling. With a desperate need for a new revenue stream, South Carolina should follow Tennessee's strategy of a low licensing and renewal fee to attract the sportsbooks but charge a higher tax rate to fund education, roads, infrastructure, and the state's retirement fund as was stated in both joint resolutions proposed by Senator Malloy and Representative Rutherford.

After the first month of legal wagering in Tennessee, they broke Indiana's record for most handle in the first month by almost \$100 million. According to PlayTenn, \$2.3 billion have been wagered since online sports betting became legal in Tennessee with \$35 million in tax revenue generated for local communities across the state. Tennessee became the fastest state to hit \$50 million in tax revenue since PASPA was lifted.

Discussion

With more and more states proposing and passing legislation to legalize sports gambling combined with partnerships between professional sports leagues and gaming companies, the sports betting industry will continue to expand across the United States. After PASPA was deemed unconstitutional and states were given the ability to legalize sports betting based on their own discretion, some state like New Jersey were quick to take advantage of a brand new revenue stream. Other states such as Arkansas have taken up to three years to approve legislation. Conservative states such as Utah, who have yet to even propose legislation, may never legalize sports gambling.

The expansion of mobile sports gambling is not slowing down. As states continue to push legislation, those in the sports gambling industry predict legalization in most

states in the near future. In South Carolina, research showed that many young residents participate in illicit sports betting through their mobile phones and a majority support legalization. After studying Tennessee's mobile-only implementation strategy, it is feasible to launch mobile sports betting in states where there is a lack of physical, retail casinos and sportsbooks.

Through my findings, I concluded that mobile sports gambling is more rampant than many people think, especially among young people. It has gone through a transition to become more accepted as more states and sports leagues begin to embrace sports gambling. Before sports gambling became legal, the National Gambling Impact Study Commission estimated that hundreds of billions of dollars were illegally wagered per year in the United States. Data today shows that states were losing hundreds of millions of dollars per year in tax revenue because of PASPA. By refusing to legalize sports betting, South Carolina is losing an estimated \$43.1 million in annual tax revenue that can be going towards education, infrastructure, retirement funds, and abuse programs.

Mobile sports gambling has shown to increase the likelihood of problem gambling compared to betting at physical casinos. For mobile sports betting to launch in the state of South Carolina, time and research will be the necessary factors for approved legislation. As a conservative state with historically Christian values, gambling of any kind is seen as an immoral activity among many residents of South Carolina. Based on literature research and quotes from lawmakers, the major concern among South Carolina legislators regarding sports betting is the risk of gambling addictions and problem gambling among constituents. However, sports gaming companies provide customers with resources to prevent gambling addictions and problem gambling. Several states that

have legalized sports betting have dedicated a portion of their tax revenue to help those with gambling problems. These resources are not as widely available in states where gamblers illicitly bet on sports. Providing customers with new outlets can help current gambling addicts in the state as well as inform the public about the risks of sports betting.

Without any physical casinos or sportsbooks in the state, the most feasible approach for South Carolina to launch sports betting would be to use an online and mobile only model similar to Tennessee. The case study on sports gambling in Tennessee provides South Carolina lawmakers with a template on how to implement sports gaming in the state. In addition to their online and mobile only model, Tennessee uses an attractively low entry and annual fee to gaming companies while having a high tax rate to help serve the state. With a high similarity between the two states, South Carolina should attempt to replicate Tennessee's strategy if legislation does pass.

This information can help inform South Carolina and other states that are grappling with the decision on whether to legalize mobile sports betting by providing them with data on young constituents, a prediction of where sports betting will be in the near future in terms of legality across the country, and an implementation strategy. With a poor public education system, a massive pension deficit, and a need for more investment in infrastructure, South Carolina lawmakers need to look for new avenues for state revenue. States that have recently legalized sports betting witnessed the hundreds of millions of dollars being raked in by neighboring states and realized how much money they were missing out on.

In the future, states should continue to monitor and research the revenue generated by states that allow mobile sports betting. Leaders should also analyze whether

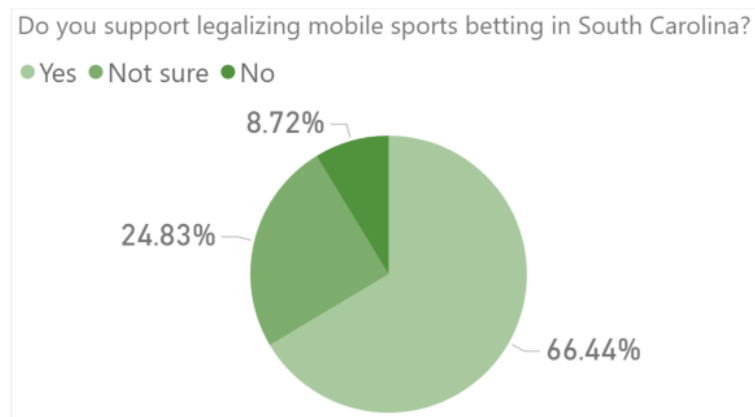
there is a sharp rise in problem gambling and gambling addiction through resource data. By starting conversations with sports gambling industry leaders, states can be offered a clearer picture of the benefits and implementation as well as voicing their concerns and reasons behind their hesitation. Legal mobile sports gambling is still in its infancy in the United States. To truly understand the effects of mobile sports betting, more years of data will be needed.

Appendix

Questionnaire

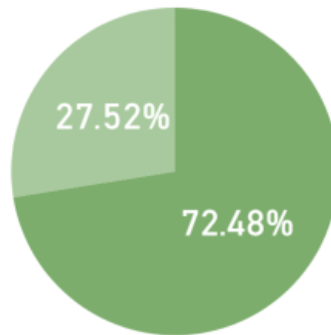
1. Can you start off by telling me what your position is at DraftKings and can you explain your role?
2. If you were to make the case for legalizing sports betting in a state where it remains illegal what would you say?
3. What do you think are the reasons that some states have decided not to pass legislation that would make sports gambling legal?
4. Do you think sports betting will eventually be legal in every state?
5. Do you think politicians should be concerned about a rise in gambling addictions in their state if they legalize sports gambling?
6. Do you think there should be limitations on sports gambling commercials?
7. Why do you think the sports gambling industry is growing so fast?
8. What is the reason behind the promotions and offers of free play after a deposit?
9. Where do you see the sports betting industry in the next five years?

Survey



Have you ever bet on sports illegally in South Carolina?

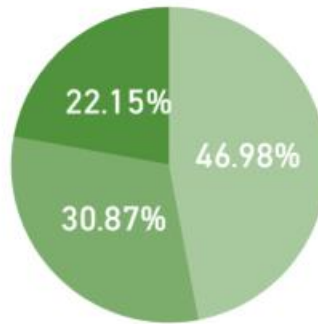
● No ● Yes



*Out of participants that have gambled on sports

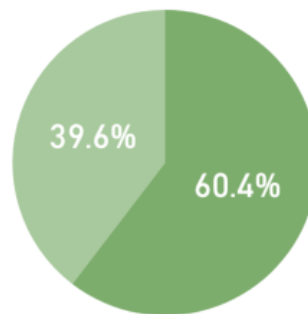
Do you think mobile sports betting would have a positive impact on South Carolina?

● Yes ● Not sure ● No



Have you ever bet on sports?

● No ● Yes



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