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Fitch: Limited State, Casino Impact From US Sport Betting Ruling.

Fitch Ratings-New York-14 May 2018: The U.S. Supreme Court's (SCOTUS) decision to strike down a federal law banning states from permitting gambling on the outcome of sporting events will lead to an increase in the number of states permitting sports betting, Fitch Ratings says. However, those revenues will only have a small impact on overall gaming revenue and is unlikely to have a material adverse impact on Las Vegas' sports betting activity.

The ruling struck down the Professional and Amateur Sports Protection Act (PASPA), which unconstitutionally restricted state governments. The ruling was directly linked to a case involving New Jersey but Connecticut, Mississippi, New York, Pennsylvania and West Virginia have already enacted laws to offer legal sports betting, anticipating SCOTUS' ruling. At least 14 other states have had sports gaming legislation introduced in recent sessions. New Jersey filed the case with SCOTUS, arguing PASPA violated the 10th Amendment, which prohibits the federal government from compelling states to impose federal laws.

Sports betting will not contribute substantially to either gross gaming revenue (GGR) or state tax revenue. Notably, sports betting in Nevada, where it is already legal, accounts for a relatively small proportion of gaming revenue. The Nevada Gaming Control Board reported almost $4.9 billion in sports handle in 2017, with $249 million in GGR and about $17 million in associated state tax revenue. That is a small fraction of the state's $4 billion in General Fund revenue.

Casino operators could grow sports betting to a wider range of locations. However, the growth will depend on several local factors. Setting competitive tax rates will be required to draw participants from existing illegal or informal wagering pools and could limit the growth of some markets. Higher tax structures, such as Pennsylvania's, or those with a handle-based integrity fee, which charges approximately 1% on each wager and pays it to the sports league, will limit margins for casino operators and could lower their ability to be competitive in those markets.

The impact of this expansion on casino operators will be small. We expect casino operators to set up sports books, or partner with companies such as William Hill, to offer betting at their facilities or, if permitted, online. The revenue effect will be small and Fitch expects sports books to be offered as amenities to drive higher visitation, rather than raise revenue.

We do not expect the growth of other markets to have a negative impact on casino operators in Las Vegas. We do not anticipate sports books in regional markets will materially compete with Las Vegas during marquis sporting events, such as the NCAA Final Four or the NFL Super Bowl, as Las Vegas has firmly established its attractiveness as a leisure destination.

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Additional information is available on www.fitchratings.com. The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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