UDC 657

McLaughlin, Sean J.,
Associate Professor, University Libraries Murray State University
United States of America

EARLY RETURNS ON LEGALIZED SPORTS BETTING IN THE UNITED STATES

Most of the United States has recently seen a dramatic liberalization of two of the country's three most lucrative vice industries, recreational marijuana and sports betting, as government thinking over the past decade has shifted away from costly and futile suppression efforts in favor of taxation and regulation. This paper will focus on the implications of a spring 2018 US Supreme Court ruling that effectively gave individual states the power to set their own laws by striking down the Professional and Amateur Sports Protection Act of 1992, a federal ban on sports betting. In the intervening years, 41 of 50 states have passed legislation allowing some form of legal sports betting, with California, Texas, Georgia, and South Carolina holding out as the last major jurisdictions to resist change [1]. Americans sunk an absolutely staggering $220 billion into legal sports betting in the first five years after legalization, creating a massive, untapped tax pool for every state that opted in [2]. As with every instance of decriminalization of multi-billion dollar black industries, however, there are substantial social and cultural costs that come along with eye-watering new revenue streams, which will be outlined below. As a revenue generator, legalization has been a clear win for the state that has come at a bearable cost of moderately diminished watchability for fans and state-funded treatment for gambling addiction. The early returns from the United States could help inform Ukrainian policy decisions should Kiev seriously consider reform of its sports betting laws at some point in the postwar era.

The main argument for legalizing vice is quite familiar by this point: shifting most of the revenue it produces away from violent, criminal elements to the state, which can reallocate some of the proceeds to harm reduction and addiction mitigation social programs. A number of major scandals in baseball, a sport that has a particular hold over the imagination of an older, wealthier, and whiter generation that is overrepresented in American politics, acted, however, as a cultural drag that kept sports betting reform at bay over the past century. The peculiarities of the American political system mean that there is no uniform national sports betting law, with considerable variation of which sports punters can bet on (rules on in-state college sports differ greatly) and how much tax is applied (ranging from a skimpy 6.75% in Iowa all the way up to an eye-watering 51% in New York and Rhode Island). Each state has different regulations, but all that legalized it have seen a dramatic rise in revenues from sports betting. In the heartland, largely rural, mostly conservative Arkansas saw gambling returns double in 2022, just as did mostly urban, highly liberal New York State [3]. In New York, a big population base and sky high taxes brought in roughly $189 million in new revenue in the third quarter of 2023 alone. Receipts of over $1 billion in annual receipts seems entirely probable for 2024 [4]. This may seem like small beer in a state with a fiscal year 2025 budget of roughly $239 billion, but it alone is sufficient to cover 100 per cent of state financial transfers to local governments [5].

Over a half century ago, Congress passed legislation banning cigarette advertising on TV and radio [6], a move that demonstrated an understanding that the government could accept that Americans would continue using a legal, taxable product while at the same time taking action that would discourage it. It would be well advised to follow suit on sports betting.

Legalized sports betting is still new enough that there is not much academic literature on the long-term consequences of constant ad exposure among American children, but research from Britain and Australia, countries with more mature sports gambling markets, has shown clear evidence of negative outcomes in financial health, personal relationships, education, employment and crime. Gambling addiction predates legalization and is the primary downside of a lucrative industry. If the state collects growing revenues from this vice, few would argue that it has an obligation to society to help mitigate the harm it causes. The American media is awash in stories of hard luck gamblers who ruined their lives by doubling down on increasingly desperate bets. It is estimated that the number of Americans with a severe gambling problem has risen to 2.5 million, a number that has risen by an estimated 30 per cent since legalization in

2018 [7]. There have been high profile cases of reckless gambling by an NBA player and a MLB interpreter within the last year alone. The National Council on Problem Gambling (NCPG), a non-profit organization that lobbies for devoting half of government betting revenue to gambling addiction prevention, treatment and research, estimates that problem gambling costs the United States $14 billion annually [8]. Pre-legalization research from 2011 indicated social costs of $9393 per problem gambler ($13,426 adjusted for inflation as of August 2024), which puts NCPG numbers within the realm of plausibility [9]. Pre-legalization data from around 2010 put treatment costs at roughly $20-25,000 per patient, a sum that would in most cases be paid for by the individual and a private health insurer [10]. The NCPG will have little difficulty rallying the public around the idea that the state has an obligation to use sports gambling revenues to help subsidize these bills, but opinions vary widely on what an appropriate amount would be.

As with every governmental effort at reform, the hope is that solving one problem creates nothing worse than more manageable ones down the road. The early indication from the United States is that state governments can accept the inevitable allure of sports betting while taxing and regulating the industry in a manner that generates enough revenue to benefit taxpayers and help subsidize medical care for the worst problem gamblers. States that added regulation to suppress advertising could easily arrive at the least bad solution for all when it comes to managing a major vice industry.

References

1. National map. URL: https://www.americangaming.org/research/state-gaming-map.
2. Associated Press (AP). 2023. Americans bet $220 billion on sports in 5 years since legalization. PBS News, May 8. URL: https://www.pbs.org/newshour/economy/americans-bet-220-billion-on-sports-in-5-years-since-legalization.

3. Jimenez, A. (2024). Sports Betting on the Rise as States Let Gamblers Wager Online. National Conference of State Legislatures, March 27. URL: https://www.ncsl.org/state-legislatures-news/details/sports-betting-on-the-rise-as-states-let-gamblers-wager-online.

4. Grundy, A. (2024). Quarterly Survey of State and Local Tax Revenue Shows Which States Collected the Most Revenue from Legalized Sports Betting. United States Census Bureau, February 13. URL: https://www.census.gov/library/stories/2024/02/legal-sports-betting.html.

5. Budget and Actuals. (2024-25). OpenBudget.ny. URL: https://openbudget.ny.gov/spendingForm.html.

6. Federal cigarette labeling and advertising act 1. Public Law 89-92. 79 Stat. 282. URL: https://www.govinfo.gov/content/pkg/COMPS-972/uslm/COMPS-972.xml

7. Schlachter, T. (2024). How the US became hooked on sports betting – and the cost it's having on lives. CNN, May 3. URL: https://www.cnn.com/2024/05/03/sport/sports-betting-usa-impact-on-lives-spt-intl/index.html.

8. FAQs. National Council on Problem Gambling. URL: https://www.ncpgambling.org/help-treatment/faqs-what-is-problem-gambling.

9. Grinols, E. The Hidden Social Costs of Gambling. URL: https://www.senate.ga.gov/committees/Documents/HiddenCostsofGam.pdf.

10. Rodriguez-Monguio, R. et. al. (2018). The Economic Burden of Pathological Gambling and Co-occurring Mental Health and Substance Use Disorders. Journal of Addiction Medicine, 12, 1, 53-60.