



Betting on the Future: Crafting Smart Policies for a Thriving Online Sports Betting Market

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Executive Summary

The legalization of sports betting in the United States has transformed the gambling landscape. But with the creation of new economic opportunities came new policy challenges. Since the repeal of the Professional and Amateur Sports Protection Act in 2018, 38 states and the District of Columbia have legalized sports betting, with 33 of those states also permitting online betting, as opposed to limiting it to retail locations. While legalization has expanded consumer choice and generated substantial tax revenues, concerns about problem gambling and market regulation persist.

Existing narratives suggest that legalized sports betting drives increases in gambling. However, the American Consumer Institute's analysis of the Bureau of Economic Analysis Consumer Expenditure Survey (CES) data suggests that legal sports betting has not significantly increased overall gambling expenditures compared to states where it remained illegal. In fact, gambling expenditures grew at a slower rate in states that legalized both online and retail sports betting than in states where sports betting remains illegal.

Legal sports betting increases consumer choice but also expands consumer protections and access to resources to the small percentage of those with problematic gambling behavior. Remaining restrictions—such as high tax rates, affordability checks, and advertising limitations—may slow the transition from illegal to legal sports betting.

Rather than heavy-handed federal mandates, state-driven policies that prioritize competition, consumer protection, and responsible regulation will best serve the evolving sports betting industry. Allocating tax revenues to fund problem-gambling treatment programs and educational initiatives can further enhance protections without deterring responsible consumers from participating in legal sports betting markets. By embracing balanced regulatory frameworks, states can maximize economic benefits while ensuring a safe and fair betting environment for consumers.

Introduction

Sports betting in the United States has undergone a significant transformation, shaped by evolving legal frameworks. Before 2018, sports betting was largely restricted under the Professional and Amateur Sports Protection Act (PASPA) of 1992, which effectively banned the practice in most states, except for Nevada.[1] Despite PASPA, the rise of the internet in the late 1990s and early 2000s led to the emergence of offshore sportsbooks that catered to American bettors, operating in a legal gray area with limited enforcement.[2]

A major turning point came in May 2018, when the U.S. Supreme Court struck down PASPA in *Murphy v. NCAA*, giving states the authority to legalize and regulate sports betting.[3] This decision allowed states like New Jersey, Pennsylvania, and West Virginia to swiftly pass legislation establishing regulated sports betting markets.[4] By 2025, 38 states and the District of Columbia had legalized sports betting. Of those, 33 states and D.C. had also authorized online sports betting, solidifying its place as a mainstream form of consumer entertainment and a driver of state tax revenue.

Despite the quick adoption, states still must navigate the balance between market competition and regulation. Policymakers must adapt to evolving technologies and consumer behaviors, striking a balance between consumer freedoms, economic opportunities, and responsible gaming.

As both retail and online sports betting becomes more widely accepted, policy debates are becoming increasingly prominent. One key issue has been the concern of some that sports betting has driven increases in gambling and financial harm. This debate has stopped or delayed states from implementing sports betting markets and sparked talk about potential federal oversight such as uniform national standards on advertising, consumer protections, and responsible gambling measures.

Unfortunately, most research informing the discussion is weak, relying on correlation rather than causation, and showing minimal harmful effects. Instead, legalizing sports betting expands access to consumer protection and addiction resources. Poor research puts states in a difficult position, leaving many consumers without safe options. ACI's analysis suggests that continued legalization is the path forward.

[1] Professional and Amateur Sports Protection Act, S.474, 102nd Congress (1992), <https://www.congress.gov/bill/102nd-congress/senate-bill/474>.

[2] Internet Gambling: An Overview of the Issues, United States Government Accountability Office (GAO), December 2002, <https://www.gao.gov/assets/gao-03-89.pdf>.

[3] *Murphy v. National Collegiate Athletic Association*, Supreme Court of the United States (2018), https://www.supremecourt.gov/opinions/17pdf/16-476_dbfi.pdf; "Opinion Analysis: Justices Strike Down Federal Sports Gambling Law," SCOTUSblog, May 14, 2018, <https://www.scotusblog.com/2018/05/opinion-analysis-justices-strike-down-federal-sports-gambling-law/>.

[4] Matthew Waters, "Sports Betting Bill Tracker," Legal Sports Report, January 14, 2025, <https://www.legalsportsreport.com/sportsbetting-bill-tracker/>.



Legal Sports Betting Doesn't Drive Gambling Increases

The Bureau of Economic Analysis collects data on annual consumer spending, including gambling habits, called the Consumer Expenditure Survey (CES).[5] It provides detailed, nationally representative data on household spending, making it a reliable source for analyzing gambling expenditures. Its consistent methodology enables comparisons across states and over time, helping to assess trends with reliable data.

Comparing gambling expenditures in 2015 and 2023 across states that did not legalize sports betting,[6] only legalized retail sports betting,[7] and legalized both retail and online sports betting,[8] suggests that legalization did not drive significant increases in gambling behavior. In fact, a weighted average of inflation-adjusted changes in per capita gambling expenditures shows similar increases in states that did not legalize sports betting and those that only legalized in-person betting, and far less in states that legalized both retail and online betting.[9] This runs counter to claims that legalized sports betting is driving consumer harm through irresponsible spending.[10]

[5] "Regional Economic Accounts," Bureau of Economic Analysis, last accessed March 20, 2025, <https://apps.bea.gov/regional/downloadzip.htm>.

[6] Alabama, Alaska, California, Georgia, Hawaii, Idaho, Minnesota, Missouri, Oklahoma, South Carolina, Texas, and Utah.

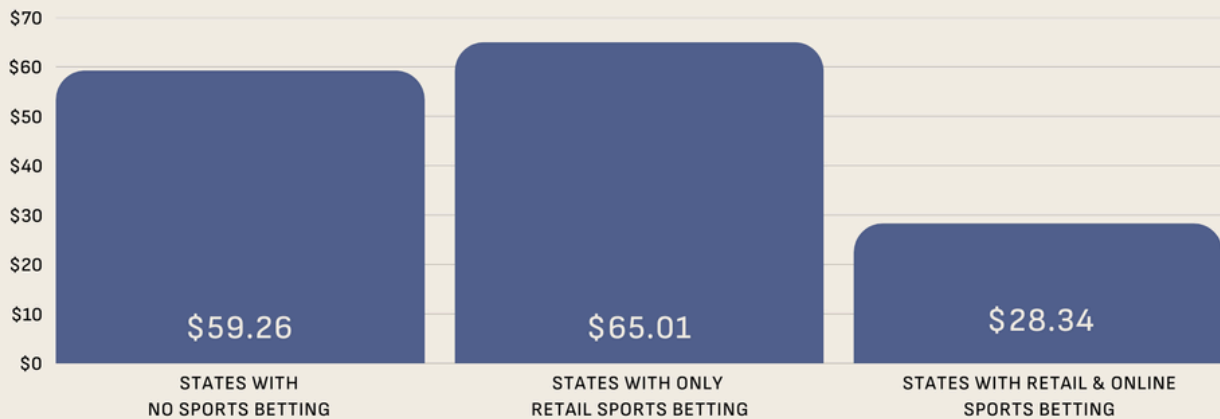
[7] Nebraska, New Mexico, North Dakota, South Dakota, Washington, and Wisconsin.

[8] Arizona, Arkansas, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Virginia, West Virginia, Wyoming, and Washington, D.C.

[9] Weighted average was calculated using 2020 census data to weight each state; Per-capita values calculated using population estimates from the St. Louis Federal Reserve Bank for 2015 and 2023; "State Population Totals and Components of Change: 2020-2024," United States Census Bureau, accessed March 19, 2025 <https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html>; "Annual Estimates of the Population for the U.S. and States, and for Puerto Rico," St. Louis Federal Reserve Bank, accessed March 19, 2025, <https://fred.stlouisfed.org/release?rid=118>.

[10] Due to data limitations, spending data measures total gambling expenditures and is not limited to sports betting. However, this is still a useful indicator as it shows that gambling expenditures do not increase dramatically with sports betting legalization.

CHANGE IN PER CAPITA GAMBLING FROM 2015 TO 2023 (WEIGHTED AVERAGE)



A counter explanation to these findings would be that perhaps sports betting was legalized because it was already prevalent in those states and therefore did not have the ability to increase dramatically. CES data shows that to be incorrect as total per capita gambling expenditures are fairly consistent regardless of legal status.

PER CAPITA ANNUAL GAMBLING EXPENDITURES, 2023 (WEIGHTED AVERAGE)



ACI Analysis Debunks Prior Research

Measuring problem gambling is inherently difficult due to social stigmas, legal concerns, and the relatively short period since sports betting was legalized for most states. As a result, few studies have examined its long-term effects, and even fewer have established any causal relationships between legalized sports betting and financial harm. Prior studies are often flawed, relying on correlations rather than causation.

For example, the study *Gambling Stability Away*[11] claims that legal online sports betting increases gambling on sports betting and reduces household savings by examining household investment. However, it also found that only 0.66 percent of income was deposited into betting accounts, suggesting that online sports betting is not consuming a significant portion of household resources. Furthermore, there was minimal difference in savings behavior between different groups of sports bettors, with the top and middle thirds of bettors investing more, \$374 and \$394 per quarter, respectively, while the bottom third invested \$302. This data suggests that online sports betting is correlated with greater investment, which runs counter to the causal link the study claims.

Other research has shown mixed financial effects of legalized sports betting. The study *Financial Consequences of Legalized Sports Betting*[12] found that while there was a slight increase in bankruptcies—one additional bankruptcy per 10,000 people—there was also a decrease in credit card delinquency rates. These effects were minimal and, again, correlative rather than causal. Combined, these studies fail to support the claim that legalized sports betting causes financial hardship.

Studies indicating legalizing online sports betting causes increased financial or social harm assume a significant increase in gambling as a causal factor. However, the evidence from CES data suggests that while gambling did increase in states that legalized online sports betting, the growth rate was slower than in states where it remained illegal. Instead, much of the effect of legalization appears to be a shift of bettors from the illegal market to the legal, regulated one, where consumer protections exist given more than half of bettors were using legal channels exclusively by 2022.[13] Relatively steady spending rates suggest people are betting in the same ways and amounts as previously as legal channels to do so become available.

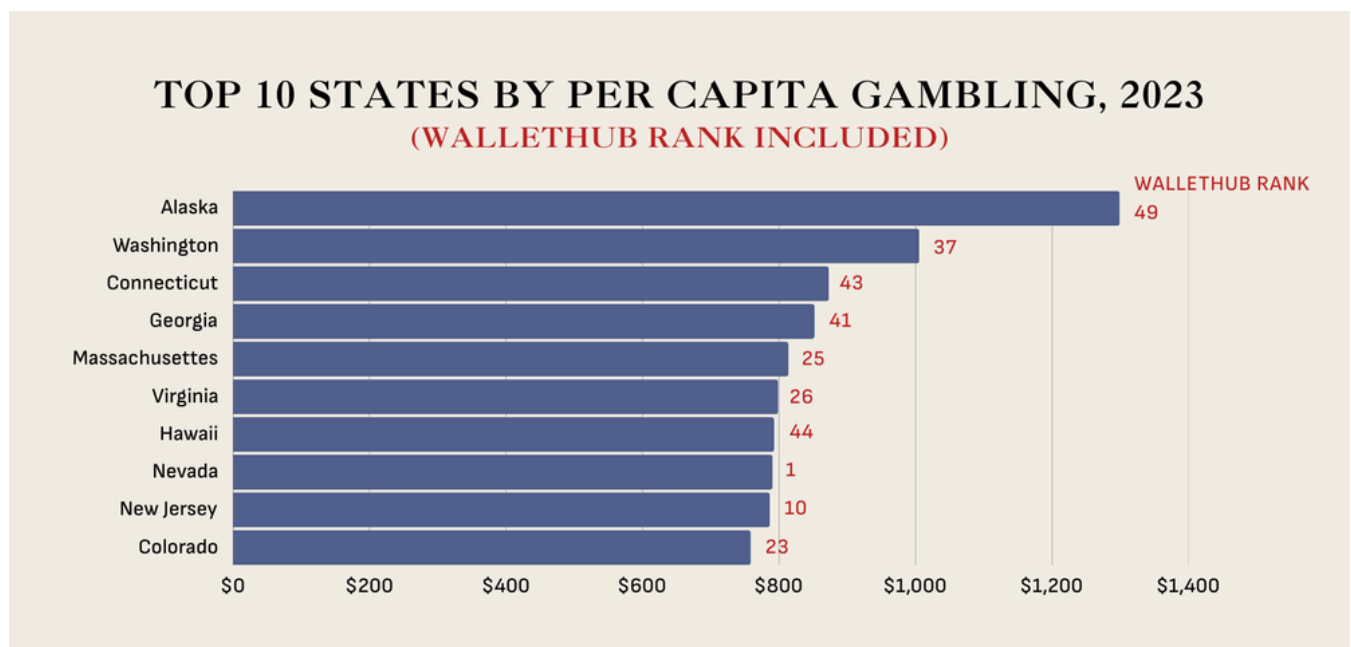
[11] Scott R. Baker, Justin Balthrop, Mark J. Johnson, Jason D. Kotter, and Kevin Pisciotta, "Gambling Away Stability: Sports Betting's Impact on Vulnerable Households," SSRN, edited October 23, 2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4881086.

[12] Brett Hollenbeck, Poet Larsen, and Davide Proserpio, "The Financial Consequences of Legalized Sports Gambling," SSRN, edited October 23, 2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4903302.

[13] "Sizing the Illegal and Unregulated Gaming Markets In The United States," American Gaming Association, November 2022, <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>.

Other methodological problems include flaws in efforts to quantify problem gaming using the legal structure in a state as opposed to looking at broader consumer trends. For example, WalletHub's 2024 ranking of the most gambling-addicted states.[14] Its methodology is flawed because it equates the legality of gambling in a state with gambling addiction. First, it discounts rates of illegal gambling that may be taking place. Second, many states with legal casinos and sports betting—such as New Jersey and Nevada—see significant gambling activity from tourists rather than residents. The data tells us more about where people are gambling, not necessarily how much residents of each state gamble.

These methodological issues produce misleading conclusions. For example, WalletHub ranked Nevada as the most gambling-addicted state, yet seven other states—and Washington D.C.—had higher per capita betting in 2023, including Hawaii, where gambling is illegal. Similarly, South Dakota, ranked second most addicted on the list, had lower per capita betting than 23 other states according to CES data. Utah was ranked 50th by WalletHub, in part because of its anti-gambling laws, yet 18 states had lower per capita gambling expenditures than Utah. Meanwhile, Alaska, ranked 49th by WalletHub, had the highest per capita gambling expenditure in the country according to CES data. These discrepancies highlight how flawed methodologies can distort public perception of gambling trends.



[14] Adam McCan, "Most Gambling-Addicted States (2025)," WalletHub, April 23, 2024, <https://wallethub.com/edu/states-most-addicted-to-gambling/20846>.



The most reliable national estimates on problem gambling come from the National Council on Problem Gambling (NCPG).[15] According to the NCPG, only one percent of adults suffer from a severe gambling disorder, while two to three percent experience mild or moderate gambling issues, often meeting only one of many criteria for gambling addiction. Contrary to the popular narrative, these figures suggest that problem gaming remains rare, even as online sports betting has expanded to provide entertainment for more consumers.

Prohibition and Heavy Regulation Enriches Criminals

In 2019, before the legalization of sports betting in most states, the illegal sports betting market was one of the U.S.'s top 20 largest markets.[16] Illegal sports betting, like all illegal gambling, continues to thrive because legal markets often impose restrictive regulations that drive bettors to risk engaging with unregulated, unreliable sources due to legislative barriers.[17] Well-intentioned regulations can create friction points that push consumers toward illegal options, even where online sports betting is legal. These regulations can limit the games or bets offered, restrict the amounts that players can bet, increase gambling costs through high taxes, or require intrusive "affordability checks" that compel bettors to disclose their personal financial information, such as the bill recently proposed in Massachusetts. [18]

[15] "FAQs: What is Problem Gambling?" 1-800-GAMBLER, accessed March 18, 2025, https://www.ncpgambling.org/help-treatment/faqs-what-is-problem-gambling/?utm_source=chatgpt.com.

[16] John T. Holden, "Prohibitive Failure: The Demise of The Ban On Sports Betting," Georgia State University Law Review, Vol 35, February 1, 2019, <https://readingroom.law.gsu.edu/cgi/viewcontent.cgi?article=2961&context=gsulr>.

[17] "Reducing online gambling black markets, an analysis of international practices used to combat online gambling black markets," Regulux Partners, September 2024, <https://www.entaingroup.com/media/zh2n0i0s/regulus-report-2024-black-market-gambling.pdf>.

[18] Paul Burton, "New bill introduced by lawmaker would set limits on sports betting in Massachusetts," CBS News, March 31, 2025, <https://www.cbsnews.com/boston/news/sports-betting-limitation-massachusetts-bill/>.

Critics of legalized sports betting often point out that, despite legalization efforts, 65 percent of activity is still conducted through illegal channels.[19] For example, two-thirds of bets placed on the Super Bowl in 2024 were done illegally.[20] However, these analyses often overlook that many states still lack legal sports betting, and these states account for over one-third of the U.S. population. Not only that, but states where sports betting is illegal tend to gamble more money per capita than states with legalized betting, with an average per capita gambling per year in 2023 of \$626 compared to \$567 in states with legal sports betting including online options.

Interestingly, the report *Sizing the Illegal and Unregulated Gaming Markets in the United States* found that half of sports bettors engage exclusively with legal markets, while the other half participate in illegal markets to some degree.[21] There is significant overlap between legal and illegal avenues, with just over one-third of bettors using both legal and illegal methods and only 15 percent using illegal methods exclusively.

In 2023, legal sports betting in the U.S. reached \$100 billion in wagers, generating \$1.8 billion in tax revenue at rates on gaming revenues ranging from 6.75 percent to 51 percent depending on the state. [22] New York's online sportsbooks generated over \$2.3 billion in state revenue from January 2022 to January 2025.[23] A 2017 study projected that legalized online and in-person gambling, taxed at only 10 percent of gaming revenue, could generate \$8.4 billion in direct and indirect tax revenue while creating over 200,000 new jobs.[24] Increased tax revenue and more jobs helps all consumers, whether or not they are bettors.

[19] Jill Dorsen, "Yield Sec projections: Illegal market still has strong hold on US gamblers," iGaming Business, June 20, 2024, <https://igamingbusiness.com/sports-betting/yield-sec-projections-illegal-market-still-has-strong-hold-on-us-gamblers/>.

[20] "Yield Sec: Two-thirds of Super Bowl bets in US were illegal," iGaming Business, February 26, 2024, <https://igamingbusiness.com/sports-betting/yieldsec-two-thirds-of-super-bowl-bets-in-us-were-illegal/>.

[21] "Sizing the Illegal and Unregulated Gaming Markets In The United States," American Gaming Association, November 2022, <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>.

[22] Adam Hoffer, "Bets on Legal Sports Markets Pay Off Big for States, Sportsbooks, and Consumers," Tax Foundation, December 10, 2024, <https://taxfoundation.org/research/all/state/sports-betting-tax-revenue/>.

[23] Maxwell Liebler, "Online Gambling in New York: Why Should NY Legalize Online Casinos?" Northeast Times, January 14, 2025, <https://northeasttimes.com/ny/online-gambling-legalization/>.

[24] "Economic Impact of Legalized Sports Betting," Oxford Economics, May 2017, https://www.americangaming.org/wp-content/uploads/2019/02/AGA-Oxford-Sports-betting-impacts-2017-May_FINAL-report.pdf.

Proposed Legislation Would Restrict Legal Access

A bill introduced in the Senate and House of Representatives under the last congress sought to impose new federal limits on sports betting.[25] If enacted, the bill would have immediately rendered all existing state sports betting programs illegal until each state applied to the Attorney General for approval of its “sports wagering program.” States would have only received that approval if their programs meet a set of stringent requirements, including limiting the number of deposits a player could make and conducting “affordability checks,” which would compare consumers gambling habits to their monthly income. The bill also would have limited advertising for sports betting during daytime hours and sports events and created a National Gambling Addiction Surveillance System, monitored by the Centers for Disease Control (CDC).

While these measures are presented as consumer protection efforts, such proposals risk pushing the sports betting community back into unregulated black markets, and endangering consumers.

[25] Supporting Affordability and Fairness with Every Bet Act, S.5057, 118th Congress (2024), <https://www.congress.gov/bill/118th-congress/senate-bill/5057/text>; SAFE Bet Act, H.R. 9590, 118th Congress (2024), <https://www.congress.gov/bill/118th-congress/house-bill/9590/text>.



Policies To Enhance Consumer Protections and Options

Instead of imposing sweeping federal mandates that infringe on personal freedoms, a more effective approach would involve state-driven policies that empower bettors with voluntary tools, education, and industry accountability. These measures could ensure consumer protection without overregulating consumer choices or inadvertently pushing consumers toward the illegal market.

- **Competition:** All states that have legalized sports betting require sportsbooks or online businesses to be licensed, but these systems can vary significantly. Some states, like New York, limit the number of licenses available, while others encourage more competition by licensing multiple operators. Policies that foster competition among operators, rather than creating limits, incentivize more competitive odds and tools for responsible gaming by increasing consumer choice.
- **Responsible Gambling Measures:** While serious gambling problems affect only about one percent of individuals, it is still crucial for the online sports betting industry to protect vulnerable players. A portion of the additional tax revenues could be used to fund self-exclusion programs and AI-driven tools to identify problem gamblers, preventing harm without restricting the vast majority of responsible consumers. Implementing such measures can also generate valuable data on problem gambling and how to both prevent and address it.
- **Low Tax Rates for Legal Operators:** Illegal sportsbooks already have a financial advantage by evading taxes, which makes it harder for legal operators to compete. To level the playing field, it is essential that states impose reasonable tax rates on legal sports betting companies.
- **Crackdown on Offshore and Illegal Betting:** The illegal sports betting market generated \$3.8 billion in 2021, which could have translated into an additional \$700 million in tax revenue, depending on the tax rate.^[26] Increased tax revenue from legal sports betting could be used to bolster efforts against illegal and offshore betting. By reducing the number of unregulated options, states can incentivize bettors to use legal platforms, which offer consumer protections and legal recourse under state laws.
- **Revenue Allocation for Public Benefit:** A portion of the tax revenues generated from sports betting could be allocated to fund education, mental health services, and problem gambling treatment programs. Additionally, state-funded education campaigns can help raise awareness about responsible betting and tools for those people who do have serious gambling problems. Educating the public is a proactive step in promoting responsible gambling habits.

[26] "Sizing the illegal and Unregulated Gaming Markets In The United States," American Gaming Association, November 2022, <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>.



Conclusion

A well-crafted sports betting policy must strike a balance between consumer freedom, responsible regulation, and economic opportunity. The evidence suggests that legal, regulated markets provide better protections for consumers while also generating significant tax revenue for states. However, excessive restrictions risk pushing bettors toward unregulated, illegal markets, undermining the very consumer protections policymakers seek to enforce. Instead of heavy-handed mandates, state-led approaches that encourage competition, responsible gambling measures, and reasonable taxation will create a sustainable sports betting environment with robust consumer protections. By embracing smart policies, states can maximize the benefits of legalized sports betting while providing protections for bettors.

