

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1224
Ways and Means

(Delegate Pippy)

Gaming - Sports and Event Wagering License - Long Shot's

This bill requires the State Lottery and Gaming Control Commission (SLGCC) to issue a license to offer sports and event wagering in the State to 5400 Holiday Entertainment, LLC, trading as Long Shot's, if the commission issues such a license to an entity. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: None. Additional legislation is required to enable SLGCC to issue any license to offer sports and event wagering in the State.

Local Effect: None. Additional legislation is required to enable SLGCC to issue any license to offer sports and event wagering in the State.

Small Business Effect: None.

Analysis

Current Law: Wagering on a contest, event, game, or match between individuals or teams sponsored by a professional league or association or hosted by a college or university is illegal in Maryland. However, Chapter 492 of 2020 established that, subject to voter referendum, the General Assembly may authorize, by law, that SLGCC may issue a license to offer sports wagering and event wagering in the State. Sports and event wagering legislation must include the criteria for eligible applications for a licensee and specifications of the permissible forms, means of conduct, and premises of wagering. Chapter 492 also states the General Assembly's intent that, if the voter referendum is

approved, State revenues generated by sports and event wagering be used primarily for public education. The voters approved the referendum during the November 2020 election.

Chapter 346 of 2012 exempts a specified “fantasy competition” from prohibitions against betting, wagering, and gambling in State law. The law defines “fantasy competition” as any online fantasy or simulated game or contest such as fantasy sports in which (1) participants own, manage, or coach imaginary teams; (2) all prizes and awards offered to winning participants are established and made known to participants in advance of the game or contest; and (3) the winning outcome of the game or contest reflects the relative skill of the participants and is determined by statistics generated by actual individuals.

Chapter 338 of 2019 authorizes an organization conducting an “eSports competition” to offer prize money or merchandise to winning participants in the eSports competition. An eSports competition is a competition involving video games, including first-person shooters, real-time strategy games, and multiplayer online battle arenas in which players compete against each other and the players’ skills generally determine the results.

For an overview of sports betting laws and related revenues in the United States, please see the **Appendix – Sports Betting**.

State Fiscal Effect: The bill alone has no impact on State finances. Additional legislation is required to enable SLGCC to issue any license to offer sports and event wagering in the State. If such legislation becomes law, and SLGCC issues licenses, the requirement under this bill to issue a license to offer sports and event wagering in the State to 5400 Holiday Entertainment, LLC, may impact overall State revenues and expenditures. The type and degree of State fiscal effect cannot be determined at this time.

Local Fiscal Effect: The bill alone has no impact on local finances. Any effect on local finances of the requirement under this bill to issue a license to offer sports and event wagering in the State to 5400 Holiday Entertainment, LLC, cannot be determined absent further legislation.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 850 (Senator Hough) - Budget and Taxation.

Information Source(s): Comptroller’s Office; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2021
rh/jrb

Analysis by: Scott P. Gates

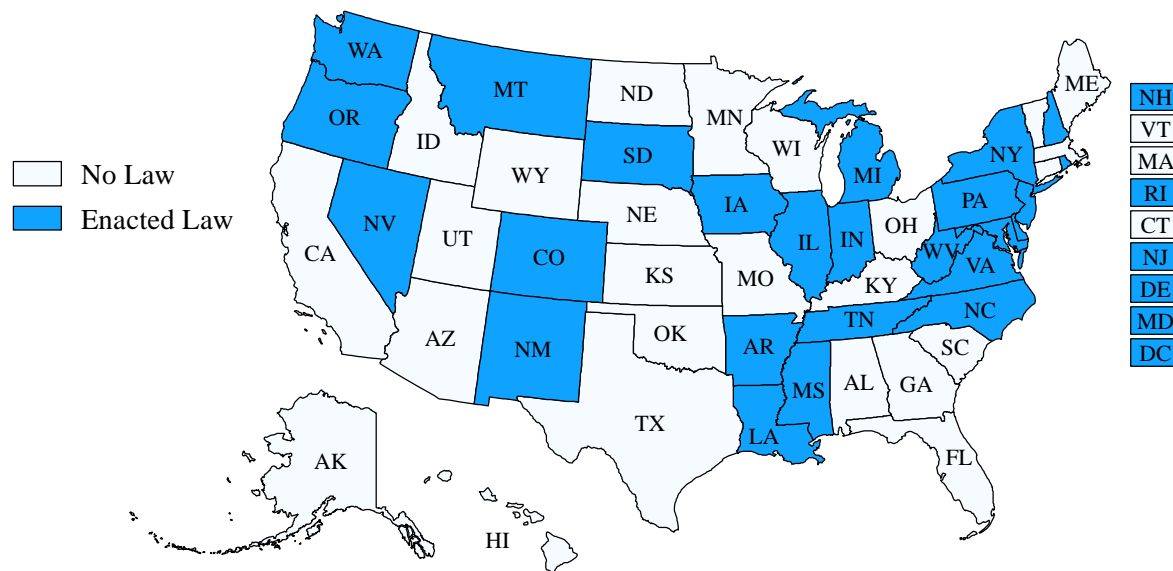
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Appendix – Sports Betting

The federal Professional Amateur Sports Protection Act of 1992 (PASPA) made betting on sports in most states illegal under federal law. New Jersey challenged the PASPA in the U.S. Supreme Court, arguing in *Murphy v. National Collegiate Athletic Association* that the federal ban violated the U.S. Constitution by commandeering the states into enforcing federal law. In May 2018, the U.S. Supreme Court ruled in *Murphy* that the PASPA was unconstitutional, leaving states free to authorize sports betting.

On June 5, 2018, less than one month after the PASPA was struck down by the U.S. Supreme Court, Delaware became the first state outside of Nevada to offer single-game sports betting. New Jersey launched single-game sports betting just nine days later. Since then, there has been a rush of legislative activity in states hoping to capture a new source of gaming revenue. **Exhibit 1** shows the states that have enacted sports betting laws as of November 2020.

Exhibit 1
States with Enacted Sports Betting Laws



Note: Implementation legislation must follow before sports betting can begin in Louisiana, Maryland, and South Dakota.

Source: Department of Legislative Services

Sports betting operations are now underway in 18 of those states and the District of Columbia. **Exhibit 2** shows how the states recent to sports betting have structured their operations and the revenues generated since going live. In the coming year, North Carolina, Virginia, and Washington are expected to launch sports betting operations. Connecticut, Louisiana, and South Dakota are positioned to move forward once lawmakers and regulators make necessary implementation decisions.

Exhibit 2
Post-PASPA Sports Betting Active States and Revenues

<u>State</u>	<u>First Bet Placed</u>	<u>Tax Rate</u>	<u>Authorized Retail Betting Locations</u>	<u>Mobile Betting</u>	<u>Sportsbook Data (Launch Date through September 2020)¹</u>
Delaware	6/5/18	59.8% – 60.2% (includes % for race purses)	Racetracks	No	Handle ² – \$220,097,070 Revenue ³ – \$24,939,774 State Share – \$12,469,909
New Jersey	6/14/18	8.5% retail /13% mobile	Casinos and racetracks	Yes	Handle – \$9,123,193,004 Revenue – \$616,629,274 State Share – \$74,883,688
Mississippi	8/1/18	12% (includes a 4% local share)	Casinos	No	Handle – \$719,154,291 Revenue – \$78,728,324 State Share – \$9,454,867
West Virginia	8/30/18	10%	Racetracks and the private club at Greenbriar	Yes	Handle – \$506,021,984 Revenue – \$38,750,170 State Share – \$3,891,943
New Mexico⁴	10/16/18	Not available	Tribal casinos	No	Not available
Pennsylvania	11/17/18	36% (includes a 2% local share)	Casinos and racetracks	Yes	Handle – \$3,521,543,206 Revenue – \$169,948,997 State Share – \$61,226,621
Rhode Island	11/26/18	51%	Casinos	Yes	Handle – \$388,992,888 Revenue – \$29,985,566 State Share – \$16,180,118
Arkansas	7/1/19	13% / revenues above \$150 million @ 20%	Casinos and racetracks	No	Handle – \$24,894,268 Revenue – \$2,671,412 State Share – \$383,075
New York	7/16/19	10%	Casinos	No	Handle – Not available Revenue – \$11,050,241 State Share – \$1,122,983
Iowa	8/15/19	6.75%	Casinos and racetracks	Yes	Handle – \$513,571,354 Revenue – \$36,132,754 State Share – \$2,488,765
Oregon	8/27/19	Not available	Tribal casinos	Yes	Handle – \$182,036,055 Revenue – \$13,078,462 State Share – Not available

<u>State</u>	<u>First Bet Placed</u>	<u>Tax Rate</u>	<u>Authorized Retail Betting Locations</u>	<u>Mobile Betting</u>	<u>Sportsbook Data (Launch Date through September 2020)¹</u>
Indiana	9/1/19	9.5%	Casinos, racetracks, and OTBs	Yes	Handle – \$1,409,584,535 Revenue – \$109,274,383 State Share – \$10,381,065
New Hampshire	12/30/19	Per agreement with operator	Voter approved locations and lottery retailers	Yes	Handle – \$147,725,984 Revenue – \$10,170,385 State Share – \$4,557,372
Illinois	3/9/20	15%	Casinos, racetracks, OTBs, sports facilities, and lottery retailers	Yes	Handle – \$201,870,011 Revenue – \$11,298,024 State Share – \$2,491,376
Michigan	3/11/20	8.4%	Casinos	Yes	Handle – \$49,842,141 Revenue – \$6,459,007 State Share – \$542,556
Montana	3/12/20	Per agreement with operator	Lottery retailers w/alcohol license	No	Not available
Colorado	5/1/20	10%	Casinos	Yes	Handle – \$459,244,482 Revenue – \$7,806,098 State Share – \$812,855
Washington, D.C.	5/8/20	10%	Licensed businesses, lottery retailers, and sports facilities	Yes	Handle – \$27,694,384 Revenue – \$3,688,479 State Share – \$273,242
Tennessee	11/1/20	20%	Online only	Yes	Not available

¹ Sportsbook data for September is not currently available in Illinois.

² Handle is the total amount of all wagers.

³ Revenue is gross gaming revenue (handle minus total win) minus various payouts (*e.g.*, promotional credits, excise taxes, vendor fees) to arrive at “taxable” revenue.

⁴ In New Mexico, five of that state’s nine tribal casinos offer sports betting under the existing tribal gaming compact, although the activity remains unsanctioned under state law.

Source: Department of Legislative Services

In Maryland, legalized sports betting is considered an expansion of commercial gaming. Chapter 5 of the 2007 special session amended the Maryland Constitution so that after November 15, 2008, the General Assembly may only authorize additional forms or an expansion of commercial gaming if approved through a referendum by a majority of the voters in a general election. Legislation authorizing a referendum on sports betting was introduced in both houses during the 2018 and 2019 sessions, but these bills failed to pass. Chapter 492 of 2020 authorized sports and events betting generally, subject to voter referendum, and Maryland voters approved the question in the November 2020 general election. However, before sports betting operations can begin, the General Assembly must follow with implementation legislation, including the criteria for eligible applications for

a licensee and specifications of the permissible forms, means of conduct, and premises of wagering.