

Testimony of The Cordish Companies and Live! Casino Hotel Maryland

Presented by Mark Stewart, General Counsel

In OPPOSITION to SB 565 & SB 603

Budget and Tax Committee Hearing

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On behalf of The Cordish Companies and Live! Casino Hotel Maryland, I respectfully submit this written testimony in **opposition** to SB 565 and SB 603 and the proposed authorization of online casino gambling (“iGaming”) in Maryland. As the State’s only Maryland-based and Maryland headquartered gaming company, whose principals make their homes and have raised their families in Maryland, The Cordish Companies and Live! feel compelled to present testimony on this crucial question facing the Legislature – because once the iGaming box is opened, there is no going back.

SB 565 and SB 603 are a bad bet for Maryland:

- 1) iGaming is a jobs killer – According to the Maryland Lottery’s consultant, Innovation Group, iGaming will lead to thousands of Marylanders losing their good-paying jobs. All casino unions oppose iGaming. These are our team members who help us produce for Maryland year in and year out and we stand with them.
- 2) iGaming will bring more financial pain than gain for the State – iGaming will cannibalize gaming tax revenue generated by Maryland’s six brick and mortar casinos, result in substantial losses of ancillary economic benefits to the State, reduce sales tax, wage tax and property tax revenues, decrease funding for local communities and destroy ongoing economic investment in Maryland.
- 3) So much is unknown – iGaming is night-and-day different than in-person gaming at Maryland’s casinos in a number of important ways. Online gambling needs to be fully studied by the University of Maryland Center for Excellence on Problem Gambling and other experts so that the State has all the data and a comprehensive picture of what expansion may entail for Marylanders.

SB 565, which calls for a vague and confusing referendum without any implementing details or provisions, is contrary to the public interest and should not be moved. The public deserves transparency and should not be asked to consider a referendum question without knowing the details (*e.g.*, licensing details, tax rates, protections against problem gambling, loss

of local impact grants, etc.) that could prove crucial to their determination on the question. In contrast, the original referendum authorizing the constitutional change was specific about the scope of gaming, the locations and the purpose:

Authorizing Video Lottery Terminals (Slot Machines) to Fund Education

Authorizes the State to issue up to five video lottery licenses for the primary purpose of raising revenue for education of children in public schools, prekindergarten through grade 12, public school construction and improvements, and construction of capital projects at community colleges and higher education institutions. No more than a total number of 15,000 video lottery terminals may be authorized in the State, and only one license may be issued for each specified location in Anne Arundel, Cecil, Worcester, and Allegany Counties, and Baltimore City. Any additional forms or expansion of commercial gaming in Maryland is prohibited, unless approved by a voter referendum.

(Enacts new Article XIX of the Maryland Constitution)

- For the Constitutional Amendment
- Against the Constitutional Amendment

Moreover, the General Assembly should not undertake such a massive expansion of online gambling in the State in a manner that evades the obligation and responsibility of contemporaneously enacting the legislative implementing provisions. This is particularly true with an expansion that will result in the loss of thousands of jobs, loss of hundreds of millions of dollars in brick and mortar casino gaming tax revenue, loss of hundreds of millions of dollars in ancillary economic output and related tax revenue, and loss of vital funding for local communities.

Contrary to SB 565 (and SB 603), the General Assembly carefully crafted the initial gaming legislation, strategically locating casinos to maximize tax revenue, seeking input from local communities, imposing a historically high gaming tax rate, and implementing protections and safeguards against problem gambling. As a result, Maryland is home to a thriving gaming industry that is among the best (in terms of jobs and tax revenue) in the nation. According to the American Gaming Association, Maryland's six casinos support 27,300 jobs. The State's casinos have also generated over \$3.5 Billion in gaming taxes for Maryland since the inception of casino gaming. Of course, our industry has produced many multiples of that sum when one considers

the economic benefits of capital investment in casino facilities, hotels, entertainment venues, restaurants and other ancillary development, construction spend, personnel wages and taxes, property taxes, sales taxes, liquor taxes, purchases of goods and services from Maryland vendors, local share support for important community projects, and philanthropy for non-profits.

In fact, from its inception until the launch of mobile sports betting in Maryland (with the exception of Covid's 2020), the State's casino industry averaged nearly \$100 Million in new tax revenue growth each year. Over a ten-year period, that's \$1 Billion in new tax revenue. It's safe to say that Maryland has rarely, if ever, had an industry produce such tremendous financial results for the State. As a bit of foreshadowing should iGaming be adopted, the launch of mobile sports betting – even after considering the new revenue it generated – cost the State approximately \$75 Million in total tax revenue in 2023 because of the loss of patron foot traffic at the State's casinos. If left alone, Maryland's gaming industry can get back to what it does best – growing new tax revenue for the State.

iGaming is Devastating for Maryland Workers

Casinos offer an attractive career for Maryland workers. Casino jobs offer good pay, with benefits and special incentives, like the free healthcare clinic provided by Live! to its workers and their families. Many casino jobs are union jobs, many are available to workers with a high school diploma or less, and casinos boast a fully diverse workforce. iGaming is a direct threat to casino workers. Sage Policy Group has reported that iGaming could cost Maryland as many as 2,700 jobs currently supported by the State's casinos and, based on more conservative projections, result in a loss of \$65 million/year in wages. Even if jobs are preserved, iGaming is likely to suppress wages and threaten benefits.

The Innovation Group has stated that as many as 8% of the gaming industry's more than 27,000 jobs could be lost. True to form, in Pennsylvania, over 2,000 casino jobs disappeared after iGaming launched and those losses were sustained despite the opening of five (5) new casinos. Likewise, in New Jersey, a November 2023 study by NERA Economic Consulting for The Campaign for Fairer Gambling found that more than 15,700 casino jobs had been lost since the start of iGaming – representing a loss of more than \$900 Million in employee wages.

iGaming is a Zero-Sum Game

Despite the claims of easy money by out-of-state and foreign iGaming companies, the numbers don't add up for iGaming. The Innovation Group and the Department of Legislative Services ("DLS") project that iGaming will cannibalize over 10% of gaming revenue at Maryland's six casinos, reducing gaming revenue by more than \$200 million. Observers like Sage Policy Group and data from other states indicate that the losses will be even greater.

In the real-world example of mobile sports betting in Maryland, after just one year of online betting, brick and mortar casino sports betting revenue decreased by 65% -- more than six times the Innovation Group's projected rate for iGaming. As a result, the State lost 1,400 jobs and will suffer annual losses of \$92 Million in wages and nearly \$225 Million in economic output. According to Sage Policy Group, **mobile sports betting also led to a 26% decline in in-person slot machine and table game revenue**, costing the State millions of dollars in gaming taxes.

In another real-world example, backing out the opening of new casinos (which is appropriate given that Maryland has no new casinos) **brick and mortar casinos in iGaming states suffered a more than 23% decline in gaming revenue** from 2019-2022. While casinos in iGaming states saw in-person revenue *decline* by 10%, their counterparts in non-iGaming states enjoyed a 13.5% *increase* in in-person gaming revenue during that same period. Further, until recently, the biggest iGaming states (New Jersey, Michigan and Pennsylvania) were the only states in the country where in-person casino revenue had not recovered to 2019, pre-pandemic levels. ***To this day, New Jersey brick and mortar casinos are still not back to 2019 gaming revenue levels due to iGaming.*** All of which shows that Innovation Group's projected 10.2% cannibalization rate is low.

Importantly, Innovation Group admits they did **not** factor into their study **any** ripple effects or ancillary losses as a result of brick and mortar casino cannibalization or **any** increase in government spending on social costs from iGaming. As SB 603's fiscal note is based on Innovation Group's study, DLS also omitted these crucial factors from its analysis. New Jersey's experience is telling on both points. The NERA study showed that iGaming had a net negative financial impact on New Jersey, after considering a \$180 Million/yr. decrease in economic output

and \$350 Million/yr. increase social costs tied to increased gambling addiction, impacts on healthcare, homelessness, welfare programs, and criminal justice system costs.

Using the same modeling as Innovation Group, and staying within their projected 10% cannibalization rate, yields a loss of economic output for Maryland of \$244 Million/yr. as a result of the ripple effects from brick and mortar cannibalization on jobs and ancillary economic activity at hotels, restaurants, entertainment venues, local business vendors, etc. With a dramatic decrease in patron foot traffic due to iGaming, casinos will also lack the incentive to continue expanding and growing their facilities and related developments. This would result in a loss of \$222 Million/year in economic output tied to construction related expenditures based on historic reinvestment rates by Maryland's casinos. Combined, and again using the same modeling as Innovation Group, these decreases in economic output result in a loss of State and local tax revenue totaling \$145 Million/year. In sum, the iGaming math does not add up:

- \$425M/yr. DLS projected iGaming tax revenue by 2029
- \$88.7M/yr. Less lost B&M gaming tax revenue due to iGaming as per DLS
- \$145M/yr. Less lost States & local tax revenue from decreased economic output
- \$235M/yr. Less increased spending on social costs as per NERA (pro-rated for MD)
- (-\$43.7M/yr.) Net negative impact from iGaming

When the complete economic and social consequences of iGaming are factored in, even DLS' and the Innovation Group's highest projections for new iGaming tax revenue leaves the State with no gain in net revenue. If in reality brick and mortar cannibalization is more than 2x the projection of Innovation Group, as suggested by Sage Policy Group and the real-world experience of casinos in iGaming states, the State's losses could be even greater. It's easy to see how Maryland will end up losing financially from iGaming.

Don't Experiment with Marylanders

Despite how much it's talked about in the media, **only six states** have experience with iGaming. **43 states have not authorized it.** Online gambling is very different than in-person casino gaming. At Maryland's casinos, the Lottery's regulations and the casinos' procedures are geared to create a pause in the action and make patrons think twice before placing that next bet.

Patrons must travel to the casino. Credit cards cannot be used to gamble and access to cash requires additional steps. Casino employees are trained to identify problem gambling and intervene. Patrons are not allowed to gamble while drunk or high. Security personnel stop underage individuals from gaining access to gaming.

Online gambling lacks many of these protections. Maryland only has one year of mobile sports betting under its belt. While the Maryland Center of Excellence has reported increases in call volumes and problems among young people, the Center has explained that the State does not yet have the data to know the full scope of the problem that may be facing Marylanders. It takes time for problem gambling behavior to manifest itself, people to accept that they have a problem and, ultimately, to seek help from the Center or a 1-800 Helpline. This has been recognized in SB 878 and HB 1029, which call for a comprehensive study of the impact of mobile sports betting by July 2029 and which we support.

Conclusion

We urge you to oppose SB 565 and SB 603. At the very least, before any further expansion of online gambling occurs – whether in the form of iGaming or its twin sister, iLottery – the State should conduct a comprehensive study of mobile sports betting and its various impacts, as well as the societal impacts of iGaming in the very few states that have authorized it, to obtain a clearer data-based picture of the issues related to iGaming and inform any future legislative policy accordingly. There is too much at stake for the State in terms of jobs, comprehensive tax revenues and potential social costs to rush this important public policy decision.