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**SB 565 - Expansion of Commercial Gaming - Internet Gaming Referendum
Senate Budget and Taxation Committee
February 28, 2024**

OPPOSE

**Donna S. Edwards
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Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to provide testimony in opposition to SB 565. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

SB 565 establishes a process for legalizing, licensing, and regulating online gambling (i.e. “I-Gaming”) in Maryland on computers and mobile devices. It proposes that tax revenues raised from I-Gaming will be dedicated to the Blueprint for Maryland’s Future Fund. SB 565 follows in the footsteps of past gaming bills in Maryland and requires labor peace agreements with unions as a condition of licensure that protect the state’s proprietary interests in the gaming industry. Despite these essential worker protections being included in the bill, as they have been in other gaming bills, these protections will not offset the harm that online gaming will do to existing workers who work at brick and mortar casinos.

Currently, the following unions represent thousands of workers in the six Maryland casinos: UNITE HERE, Seafarers International Union, International Union of Operating Engineers, United Food and Commercial Workers International Union, United Auto Workers, International Alliance of Theatrical Stage Employees, American Federation of Teachers, and the Teamsters.

Online gaming is simply too new as an industry to be understood as a foolproof potential state revenue source. Some states find that they are simply “robbing Peter to pay Paul” by decreasing potential in-person casino tax revenues. In 2023, an Indiana report of their Legislative Services Agency claimed the state could expect to lose between \$134 million and \$268 million from the “loss of tax revenues from displacement of gaming activities at brick-and-mortar casinos and racinos” if they passed I-Gaming.¹ Another report found that, “On average, **onsite** sports betting is associated with an increase in casino revenues; however, **online** sports betting is associated with a decrease in casino revenues.”²

¹ Wayne Parry, “Internet casinos thrive in 6 states. So why hasn’t it caught on more widely in the US?” AP. November 24, 2023.

² Can, Ege and Nichols, Mark W. and Pavlopoulos, Vasileios, The Effects of Sports Betting on Casino Gambling and Lottery (December 9, 2023). Available at SSRN: <https://ssrn.com/abstract=4659440> or <http://dx.doi.org/10.2139/ssrn.4659440>

Maryland's own commissioned report with The Innovation Group found that brick and mortar gaming establishments could expect to lose 10% of their revenue.³

Focusing on online gaming as a new potential state revenue source shifts the attention away from Maryland's structural revenue problems that require real solutions like combined reporting, changing the throwback rule, and increasing income taxes on millionaires. I-Gaming will disproportionately tax working people. When Michigan expanded online casino gaming, a representative of their state's Problem Gambling Association, stated, "It's a way for the state to increase revenue without increasing taxes on the masses. The more the population loses, the more kickback the government gets, so they have little or no incentive to put up guard rails to slow down the problem side of gambling."⁴ This creates a dangerous relationship where the state is required to derive its revenue from problem gambling itself, while claiming to combat it.

Online gaming will contribute to more problem gambling. The same Michigan State University reporting found that, "Since Michigan legalized online casinos and sports betting in December 2019, problem gambling has spiked." This finding is hardly unique, a 2021 paper found that, "Online gambling is considered to be a particularly problematic gambling format, given the relative lack of constraints on how and when it can be accessed, its solitary nature, and the wide variety of types of gambling available. Research consistently shows higher rates of GD among online gamblers versus individuals who only gamble at land-based venues."⁵ Vice News reported, "It's pretty conclusively established in the gambling literature that ease of access is a risk factor for the development of gambling problems...Ease of access alone doesn't make someone a gambling addict. But it certainly can contribute to an increase in the rate and severity."⁶

Proponents of online gaming argue that revenues from gaming can be dedicated to funds that combat gambling addiction, as proposed in SB 565, but these funds have struggled to keep up with the proliferation of gambling addiction as the industry has grown. The Maryland Center of Excellence on Problem Gambling was established in 2012 and operates the state's problem gaming fund, addiction treatment services, resource hotline, and research. Its \$4.7 million budget comes solely from brick and mortar casino operations. Legal sports betting in the state currently contributes nothing to the fund. As brick and mortar casinos lose revenue to online gaming, it will decrease important funding for problem gaming. Online gaming may raise additional funds set aside in the bill for problem gaming but not nearly enough to combat the increase in the problem it is helping to cause in the first place. CNN reported that, "Resources for gambling addiction programs have long been thin in the United States and have been stretched further by the current wave of sports betting. In 2020, there were 5.7 million Americans with a gambling disorder, according to a nationwide survey by the National Association of Administrators for Disordered Gambling Services."⁷

³ Maryland State Lottery & Gaming Control Agency, "The Innovation Group: iGaming in Maryland." November 2023.

⁴ Claire Chapin and Jakila Taylor, "Online casinos, sportsbooks intensify online gambling problem." Spartan News Room. Michigan State University. May 1, 2022.

⁵ Hodgins, David C.a; Stevens, Rhys M.G.b. The impact of COVID-19 on gambling and gambling disorder: emerging data. Current Opinion in Psychiatry 34(4):p 332-343, July 2021. | DOI: 10.1097/YCO.0000000000000709

⁶ Maxwell Strachan, "The Rise of Mobile Gambling Is Leaving People Ruined and Unable to Quit." Motherboard: Vice. September 2022.

⁷ Nathaniel Meyersohn. "The dark side of the sports betting boom." CNN. February 10, 2023.

These problems are not just limited to adults that can legally participate in online gaming. The Journal of Behavioral Addictions found that, “Despite its illegality among adolescents, online gambling is a common practice, which puts their mental health and well-being at serious risk...Between 0.89% and 1% of adolescents exhibited an online gambling disorder...Many adolescents worldwide are involved in gambling—both online and offline—despite being below the legal gambling age (between 16 and 21 years, depending on the country and type of game)... Due to its progressive legalization and promotion alongside the expansion of technology, online gambling is becoming increasingly popular, especially among young people.”⁸ Mary Drexler, Program Director for the Maryland Center of Excellence on Problem Gaming, reported that, “We’re moving so fast that we don’t see the full potential of sports betting, yet we are seeing an increase in calls, texts and chats that come into our helpline. We’re definitely seeing the demographic change to a younger adult population, especially now minority males.”⁹

Maryland should not take a risky bet on internet gaming. The potential job losses, unstable revenue, and damage to public health are not worth the risk.

We urge an unfavorable report on SB 565.

⁸ Montiel, Irene et al. “Problematic online gambling among adolescents: A systematic review about prevalence and related measurement issues.” *Journal of behavioral addictions* vol. 10,3 566-586. 16 Sep. 2021, doi:10.1556/2006.2021.00055

⁹ Bryan P. Sears. “Sports betting booms, but the industry doesn’t contribute to Maryland’s Problem Gambling Fund.” *Maryland Matters*. October 18, 2023.