BOYDGAMING

TO: Chair Vanessa Atterbeary, and the members of the House Ways & Means Committee

FROM: Uri Clinton, Boyd Gaming Corporation, Executive Vice President and General Counsel

DATE: February 10, 2025

RE: **FAVORABLE WITH AMENDMENTS** – House Bill 17

As the Executive Vice President and General Counsel for Boyd Gaming Corporation, I am writing to support House Bill 17, which would authorize iGaming in the state of Maryland. A well-regulated iGaming market in Maryland could generate $1.1 billion in gross gaming revenue (GGR) by 2030. We support HB 17 with amendments that would authorize additional skins, foster a competitive market through a tax rate below 30%, and provide meaningful minority business participation. These amendments would yield more competition for the benefit of Maryland residents, maximize revenues for the state, and create new marketing opportunities for the Maryland's six (6) brick-and-mortar operators.

Boyd Gaming is one of the largest casino entertainment companies in the United States, owning and operating 28 casinos in 11 states, along with our iconic Stardust Online Casino in Pennsylvania, New Jersey, and Ontario, Canada. Passage of HB 17 would provide an opportunity for Boyd to make new investment in the state of Maryland.

Before divesting our ownership interest in Atlantic City's Borgata Hotel and Casino, Boyd Gaming managed that property and was among the first to launch iGaming in New Jersey once it was legalized there in 2013. We embraced iGaming at Borgata despite those who thought that it would cannibalize our brick-and-mortar business. The results confirmed what we believed to be true; iGaming proved to be complementary to our land-based business, not competitive, in that:

- ***iGaming Attracted a Different Clientele*** - 60% of online casino customers had not been to Borgata in over a year, and 75% had made fewer than two trips to Borgata in the previous year.

- ***iGaming Grew Overall Gaming Revenues*** - And on a combined basis, the addition of online gaming revenue[1] resulted in an incremental revenue increase for Borgata of more than 40% from our land-based play alone in December 2012.

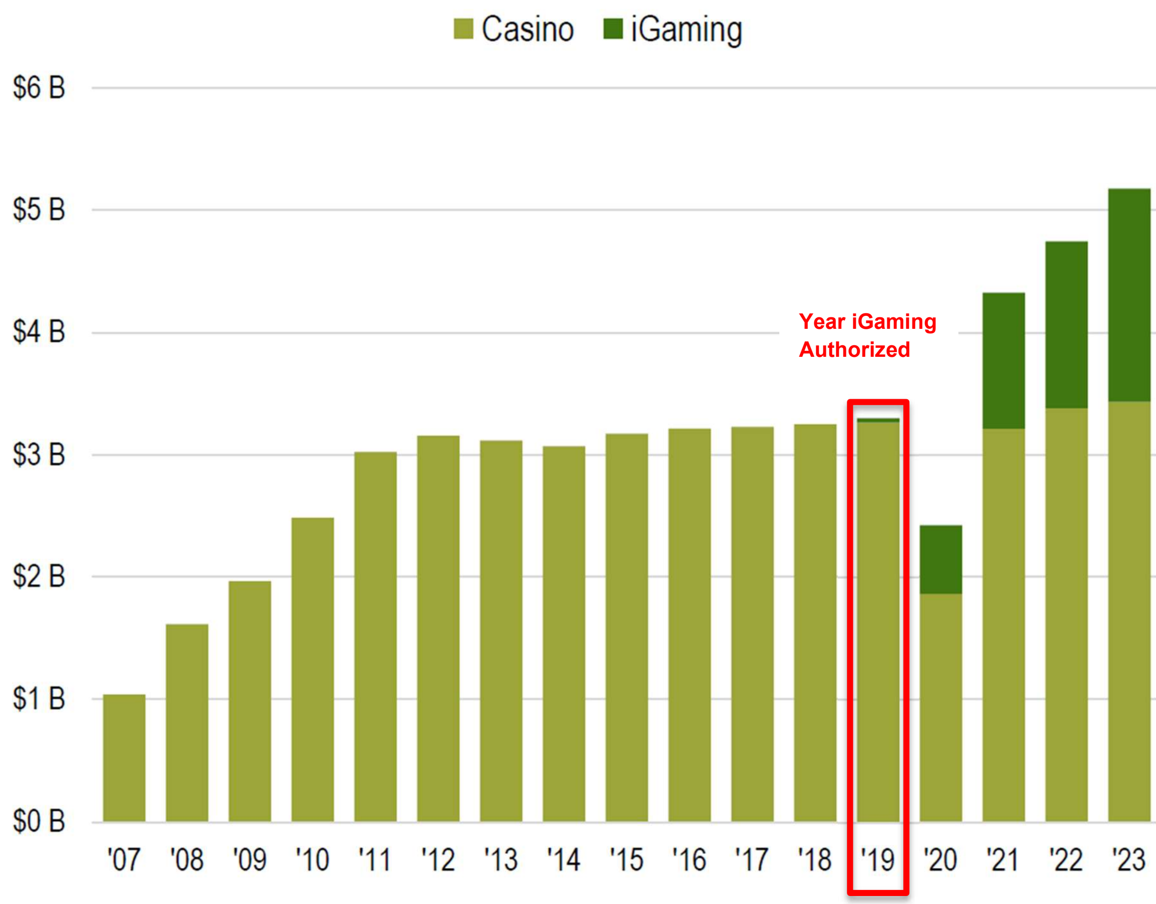
We are now experiencing similar results in our current operations in Pennsylvania. It is important to note that our Pennsylvania land-based property has not experienced any job loss as a result of iGaming's launch in 2019. Our experience is not unique, in fact recent industry studies and the raw Gross Gaming Revenue reports of states where both brick-and-mortar and iGaming coexist show similar outcomes.

[1] Including land-based poker

<u>**iGaming is Additive to Brick-and-Mortar Revenue – Not Cannibalistic**</u>

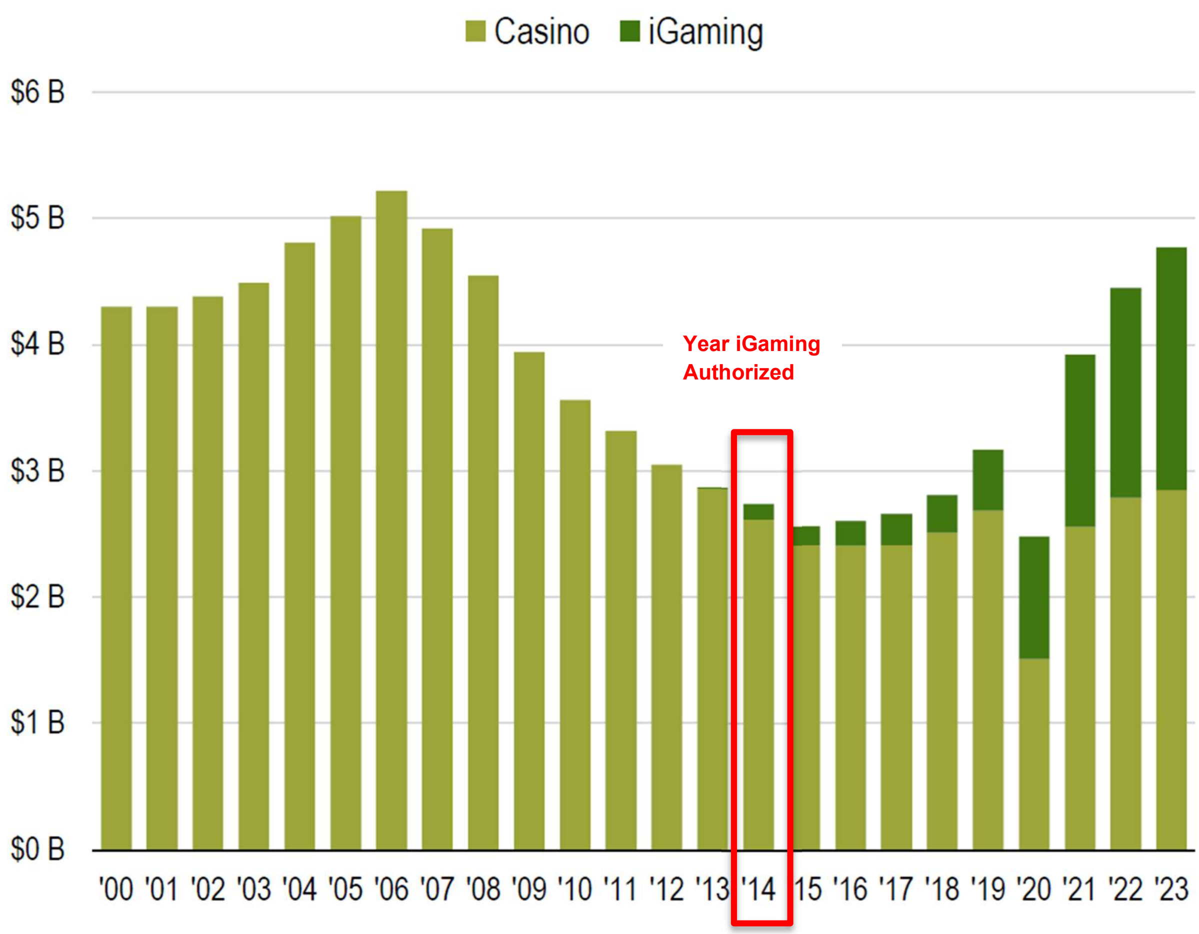
Pennsylvania Case Study – Pennsylvania's brick-and-mortar casino revenue began to plateau in 2012 and remained relatively flat through 2018, the final full year before the addition of iGaming in July 2019. In fact, from 2012 through 2018, the brick-and-mortar revenue only increased 3%. However, since the introduction of iGaming, the brick-and-mortar gaming revenue has increased 6% from 2019 to 2023. In addition, the State had $1.7B in taxable iGaming revenue. So not only did the brick-and-mortar casinos show growth, but the State's gaming tax revenue grew substantially from iGaming.

Pennsylvania Gross Gaming Revenue



New Jersey Case Study - Prior to the introduction of iGaming, New Jersey was experiencing a downward trend in brick-and-mortar casino revenue due in large part to the expansion of legalized gaming in neighboring states. However, after the launch of iGaming in November 2013, brick-and-mortar casino revenue began to rebound, while total taxable gaming revenue returned to pre-expansion levels. For example, in the 7 years prior to the launch of iGaming in New Jersey, brick-and-mortar casino revenue had a compound annual growth rate (CAGR) of -8.2%. However, over the past 8 years with iGaming that trend has reversed, and New Jersey's brick-and-mortar casinos had a CAGR of 2.1%, while adding another $1.9B in iGaming revenue.

New Jersey Gross Gaming Revenue



Additional Licenses to Serve Maryland's $1Billion iGaming Market

We suggest increasing the number of iGaming skins and licenses available under HB 17. Having a robust number of skins and licenses will spur competition among market participants, which will maximize tax revenue for Maryland and yield a better iGaming experience for the public. Moreover, it would provide more opportunities for minority business owners to enter the iGaming industry.

States with a greater number of iGaming platforms have reported the strongest gaming volume. The number of outlets, also referred to as skins or sublicenses, that are offered in each state provide a number of advantages, including expanding the marketing reach of brick-and-mortar casinos by providing access to multiple databases and establishing a competitive marketplace. Increasing the number of licenses, skins, or sublicenses would also increase the number of opportunities for disadvantaged and/or minority business owners. Moreover, fewer skins would suggest less revenue potential when you compare revenue per skin in states with higher numbers of skins against those with lower number of skins.

iGaming Metrics by State (2023)

State	Start Year	iGaming Revenue	No. of Skins	Revenue Per Skin
States with a Greater Than 15 Skins:				
New Jersey	2013	$1.9 B	33	$58 M
Pennsylvania	2019	$1.7 B	19	$92 M
Michigan	2021	$1.7 B	16	$108 M
States with a Fewer Than 15 Skins:				
Connecticut*	2021	$335 M	2	$167 M
West Virginia	2020	$157 M	11	$14 M
Delaware	2013	$14 M	3	$5 M

*Operated under tribal gaming compacts.

A Tax Rate That is Under 30% Would Create a Healthy iGaming Segment of Maryland's Gaming Industry

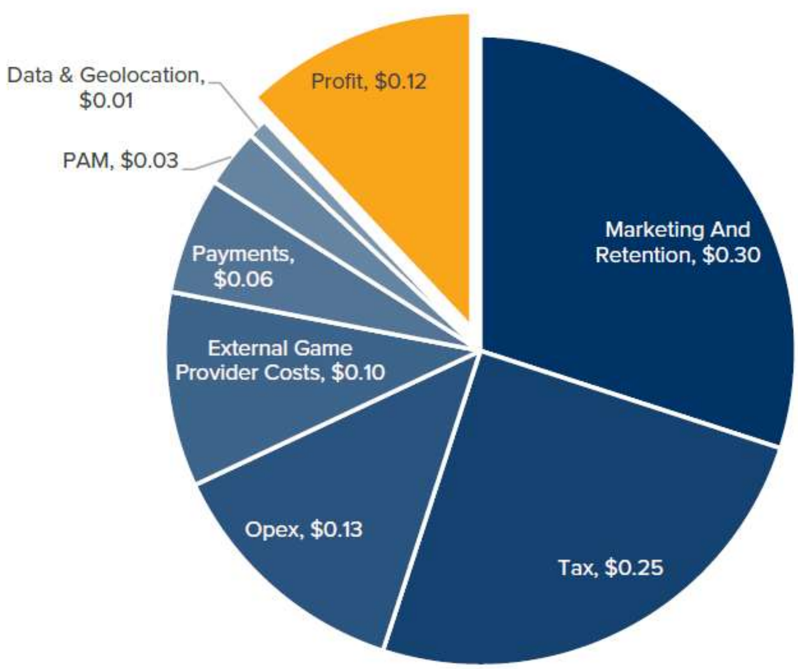
Moreover, a sound tax policy is critical to the success of iGaming. The current proposed tax rate is higher than many other states, which limits marketing reinvestment and market growth. It also inhibits goals of creating social equity investment opportunities that are outlined in the current version of the bill.

We recommend a gaming tax of no more than 30% to help accomplish this goal. By way of comparison:

- New Jersey's tax rate is 17.5%[2], and
- Michigan has sliding scale from 20% to 28%, based on adjusted gross gaming revenue.[3]

The margins for iGaming are relatively thin. In order for iGaming operators must heavily invest in marketing and player retention to effectively compete and migrate players from the illegal, offshore market to a legal, regulated one. These costs are not one time or temporary, but ongoing costs that are necessary for iGaming operators to retain players and their position in the market. At the tax rates outlined in the bill which equate to an effective rate of about 45% to 48% depending upon the split in revenue between slots and live table games, operators will have to curtail marketing efforts in order to remain profitable which leads to a smaller market and a smaller tax base.

Breakdown Of $1 Of Online Casino GGR (Mature Market Setting)*



** Note: These are generic estimates that represent a market midpoint*

Source: Eilers & Krejcik Gaming LLC

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[2] American Gaming Association's Gaming Regulations and Statutory Requirements, New Jersey, Exhibit C, p.5.

[3] American Gaming Association's Gaming Regulations and Statutory Requirements, New Jersey, Exhibit D, p.7.

As noted above, the current tax rates in HB 17 would also inhibit opportunities related to each casino's second and third skins for social equity investors. Given the thin margins, cutting marketing and promotional expenses to 20% instead of 30% as outlined in the pie chart would only leave a 2% operating margin under an effective 45% tax rate. Investors, who have choices where to deploy their capital, will instead seek other opportunities – even placing their funds in a money market account – that provide a greater return than 2%.

If these second and third skins for each casino are not utilized, it will lead to a smaller overall market for legal iGaming in Maryland. As noted earlier, states with more than 15 skins have experienced greater revenues from iGaming than those that have fewer skins which does not meet the policy goals of capturing as much of the illegal market as possible, providing opportunities for social equity investors, and generating tax revenue for the state.

Appendix/Notes

A) The Eilers & Krejcik February 2019 Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets data indicates only 7% of customers participate in both land-based and online casino games. The minimal crossover is a big reason cannibalization has not been observed. Land-based casino revenues will (actually) increase as operators leverage iGaming platforms as a marketing tool to drive visitation with a new or wider set of patrons.