

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 112

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Lottery and Gaming Control Agency)

Budget and Taxation

Gaming - Prohibition on Interactive Games and Revenue From Illegal Markets

This departmental bill prohibits a person from operating, conducting, or promoting an interactive game in the State. An applicant for, or a person holding, a specified gaming license must annually report to the State Lottery and Gaming Control Commission (SLGCC) any business relationship with specified others that are known to support, operate, conduct, or promote an interactive game in the State. Violators are guilty of a misdemeanor punishable by imprisonment for up to three years and/or a fine of between \$10,000 and \$100,000 and SLGCC must deny the person's license application or revoke a license held by the person. Additionally, the bill specifies disclosure requirements for gaming license applicants and license holders. SLGCC may not issue a license and may impose sanctions on a licensee and the licensee's officers and board members under specified circumstances. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures for the Office of the Attorney General (OAG) increase by \$110,800 in FY 2027. Future years reflect annualization and inflation. General fund revenues and expenditures may increase potentially minimally as a result of the bill's penalty provisions.

| (in dollars) | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 110,800 | 132,000 | 138,000 | 144,200 | 150,500 |
| Net Effect | (\$110,800) | (\$132,000) | (\$138,000) | (\$144,200) | (\$150,500) |

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: The State Lottery and Gaming Control Agency (SLGCA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: An interactive game is a game, contest, or promotion that is available on the Internet or accessible on a mobile phone, computer terminal, or similar device, utilizes multiple currency systems of payment allowing the player to exchange the currency for any prize or award or cash or cash equivalents, and simulates casino-style gaming, lottery games, or sports wagering. An interactive game does not include a game that solely awards noncash prizes.

An applicant or a licensee for specified gaming licenses must submit a disclosure on the license application and annually thereafter stating the jurisdictions in which the applicant or license holder or any affiliate of the applicant or license holder directly or indirectly accepted revenue from the conduct of an interactive game in an illegal interactive gaming market. A material misrepresentation or omission on the required disclosure may, in SLGCC's discretion, result in an application's denial of a license or sanctions on a licensee and the licensee's officers and board members.

SLGCC may not issue specified gaming licenses if the applicant or any of the applicant's affiliates knowingly accepts revenue that is directly or indirectly derived from specified sources. Likewise, SLGCC may not allow these licensed persons to commence or continue operations if SLGCC determines that the person (or person's affiliates) knowingly accepts revenue that is directly or indirectly derived from specified jurisdictions and may revoke the license after notice and opportunity for a hearing as specified.

The requirements of the bill also apply to sports wagering licenses.

Current Law: The General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of voters in a general election. The State of Maryland has authorized online sports wagering and online fantasy competitions.

OAG, SLGCC, the Department of State Police, local law enforcement units, and the court must liberally construe the Criminal Law Article relating to gambling and betting to prevent prohibited activities. A decision by SLGCC must be the final determination as to whether a gaming device being operated in the State is a legal gaming device and is being operated in a lawful manner.

Federal Laws

Several federal laws, like the Wire Act, the Illegal Gambling Business Act, and the Unlawful Internet Gambling Enforcement Act, among others, make it illegal to operate or financially support unlicensed gambling in the United States. The Federal Trade Commission handles complaints related to fraudulent or deceptive business practices, including those involving online gambling. Additionally, the Federal Bureau of Investigation handles complaints related to illegal gaming operators.

Background: According to an August 2025 report by the American Gaming Association, Americans wager more than \$550 billion annually on illegal sportsbooks and iGaming sites, leading to almost \$6.0 billion in lost tax revenue for state governments.

In August 2025, the National Association of Attorneys General wrote a letter to the U.S. Department of Justice (DOJ), addressed to U.S. Attorney General Pam Bondi, requesting assistance to address the spread of illegal offshore gaming operations across the United States. The letter noted that offshore entities routinely operate without proper licensure, offer limited or non-existent consumer protections, fail to verify user age, ignore state boundaries, and evade taxation obligations. The letter was signed by 50 Attorney Generals representing states and territories, including Maryland's.

In DOJ's response in September 2025, DOJ reported that it is committed to addressing illegal offshore gaming operators but also encourages states and localities with the resources to aid in addressing them.

Since May 2024, SLGCA has sent 75 cease-and-desist letters to alleged illegal operators.

Appendix – Maryland Gaming provides the status of gaming in Maryland as of December 2025.

State Revenues: General fund revenues may increase potentially minimally as a result of the bill's monetary penalty provisions. The bill likely does not materially increase State gaming revenues.

State Expenditures: SLGCA can likely enforce the bill with existing resources. However, as SLGCA increases its investigations, OAG may need to provide assistance on those investigations. Thus, general fund expenditures for OAG increase by \$110,797 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one assistant Attorney General to provide guidance and address increased enforcement of illegal gaming expected under the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---|------------------|
| Position | 1 |
| Salary and Fringe Benefits | \$101,656 |
| Operating Expenses | <u>9,141</u> |
| Total FY 2027 State Expenditures | \$110,797 |

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

The bill's incarceration penalty does not have a material impact on general fund expenditures.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 860 and HB 1140 of 2025.

Designated Cross File: HB 295 (Chair, Ways and Means Committee)(By Request - Departmental - Lottery and Gaming Control Agency) - Ways and Means.

Information Source(s): Comptroller's Office; Department of State Police; Maryland State Lottery and Gaming Control Agency; Office of the Attorney General; American Gaming Association; Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2026
 sj/jrb

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Appendix – Maryland Gaming

The State of Maryland has authorized and awarded six video lottery operation licenses in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties with a maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2025 are shown in **Exhibit 1**.

Exhibit 1 Number of VLTs and Table Games in Maryland

| <u>Casino</u> | <u>County</u> | <u>Opening Date</u> | <u>VLTs</u> | <u>Table Games</u> |
|----------------------|----------------------|----------------------------|--------------------|---------------------------|
| Hollywood Casino | Cecil | September 2010 | 654 | 18 |
| Ocean Downs | Worcester | January 2011 | 900 | 18 |
| Maryland Live! | Anne Arundel | June 2012 | 3,878 | 179 |
| Rocky Gap Casino | Allegany | May 2013 | 628 | 12 |
| Horseshoe Casino | Baltimore City | August 2014 | 1,365 | 115 |
| MGM National Harbor | Prince George's | December 2016 | 2,268 | 214 |

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

Video Lottery Terminals and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2027 through 2031 are shown in **Exhibit 2**. A total of \$2.0 billion in gross gaming revenues is projected in fiscal 2027, including \$607.4 million to be distributed to the Education Trust Fund.

Exhibit 2
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
(*\$* in Millions)

| | <u>FY 2027</u> | <u>FY 2028</u> | <u>FY 2029</u> | <u>FY 2030</u> | <u>FY 2031</u> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| VLTs Distribution | | | | | |
| Education Trust Fund | \$517.7 | \$523.4 | \$533.5 | \$538.8 | \$544.9 |
| Lottery Operations | 13.6 | 13.8 | 13.9 | 14.0 | 14.2 |
| Purse Dedication Account | 81.8 | 82.7 | 83.5 | 84.2 | 85.0 |
| Racetrack Renewal Account | 12.0 | 12.2 | 6.9 | 6.5 | 5.3 |
| Local Impact Grants | 75.0 | 75.8 | 76.5 | 77.2 | 77.9 |
| Business Investment | 20.5 | 20.7 | 20.9 | 21.1 | 21.2 |
| Licensees | 643.2 | 650.1 | 655.9 | 661.8 | 667.8 |
| Total VLTs | \$1,363.9 | \$1,378.7 | \$1,391.1 | \$1,403.6 | \$1,416.2 |
| Table Games Distribution | | | | | |
| Education Trust Fund | \$89.7 | \$90.4 | \$91.0 | \$91.7 | \$92.4 |
| Local Impact Grants | 29.9 | 30.1 | 30.3 | 30.6 | 30.8 |
| Licensees | 478.4 | 482.0 | 485.6 | 489.2 | 492.9 |
| Total Table Games | \$598.0 | \$602.4 | \$607.0 | \$611.5 | \$616.2 |
| Total VLTs and Table Games | \$1,961.8 | \$1,981.1 | \$1,998.0 | \$2,015.1 | \$2,032.4 |
| Total Education Trust Fund | \$607.4 | \$613.8 | \$624.5 | \$630.5 | \$637.3 |

VLT: video lottery terminal

Note: Numbers may not sum to total due to rounding.

Source: Board of Revenue Estimates; Department of Budget and Management; Department of Legislative Services

Chapter 492 of 2020, a constitutional amendment approved by the voters at the November 2020 general election, authorized sports and event wagering, contingent upon implementation legislation passed by the General Assembly. Chapter 356 of 2021 implemented sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. Chapter 604 of 2025 increased the mobile sports wagering tax rate from 15% to 20%. Mobile sports wagering licensees receive 80% of mobile sports wagering proceeds, while all other licensees receive 85% of proceeds from SB 112/ Page 6

sports wagering and fantasy gaming. Beginning in fiscal 2026, 5% of mobile sports wagering proceeds (*i.e.*, 25% of State mobile sports wagering revenues) is distributed to the general fund and the remainder is distributed to the Blueprint for Maryland's Future Fund, which supports public education. State revenues from sports wagering and fantasy gaming and their distributions in fiscal 2027 through 2031 are shown in **Exhibit 3**.

Exhibit 3
Distribution of Estimated State Sports Wagering and Fantasy Competition Revenues
Current Law
(*\$* in Millions)

| | <u>FY 2027</u> | <u>FY 2028</u> | <u>FY 2029</u> | <u>FY 2030</u> | <u>FY 2031</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| State Revenues | | | | | |
| Sports Wagering – Retail | \$2.1 | \$2.1 | \$2.1 | \$2.0 | \$2.0 |
| Sports Wagering – Mobile | 113.9 | 117.0 | 119.0 | 120.8 | 122.6 |
| Sports Wagering License Fees | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fantasy Competition | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Total | \$121.1 | \$120.2 | \$122.2 | \$123.9 | \$125.7 |
| Distribution | | | | | |
| Blueprint for Maryland's Future Fund ¹ | \$92.7 | \$91.0 | \$92.4 | \$93.8 | \$95.1 |
| General Fund | 28.5 | 29.2 | 29.7 | 30.2 | 30.6 |
| SMWOBSWA Fund ² | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Problem Gambling Fund ³ | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |

SMWOBSWA: Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance

¹ The Blueprint for Maryland's Future Fund is intended to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students in Maryland.

² Five percent of the class A-1 license fees (\$2.0 million each) and of the class A-2 license fees (\$1.0 million each) are paid into the SMWOBSWA Fund. Five percent of renewal fees are transferred to the SMWOBSWA Fund.

³ Player winnings not claimed within 182 days are distributed to the Problem Gambling Fund.

Note: Numbers may not sum to total due to rounding.

Source: Board of Revenue Estimates; Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Gaming - Prohibition on Interactive Games and Revenue From Illegal Markets

BILL NUMBER: SB 112

PREPARED BY: Jennifer A. Beskid

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL
BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

MLGCA cannot determine the extent of the impact of this change on small business; however, the majority of illegal gaming and lottery play occurs outside the State. If enforcement were to be successful, the impact on small businesses is expected to be de minimis.