



**Maryland Senate Budget and Taxation Committee
Senate Bill 278 - Internet Gaming - Authorization and Implementation
February 15, 2023**

Good afternoon, Chairperson Guzzone and Members of the Committee.

For the record, my name is Jon Mandel and I am an attorney with the law firm Orrick, Herrington & Sutcliffe, which serves as National Public Policy Counsel to the Sports Betting Alliance (or “SBA”), and I have submitted written testimony in advance of the hearing. It is a pleasure to be here today in support of Senate Bill 278 with comments on behalf of a coalition of leading mobile entertainment operators in the United States, including BetMGM, DraftKings, FanDuel and Fanatics. Our members are competitors in the marketplace – operating as licensed online casino gaming, or iGaming, operators in Connecticut, Michigan, New Jersey, Pennsylvania, and West Virginia – but we are aligned in working with policymakers and stakeholders to create safe and successful gaming markets through sound legislation and regulation.

You are perhaps familiar with our coalition through the legalization of mobile sports wagering in Maryland, which launched at the end of last year. We worked side by side with lawmakers and stakeholders to ensure legal sports wagering would promote top tier consumer protections, deploy expansive responsible gaming tools and generate revenue for the State.

We appreciate the opportunity again to come to the table today and continue to work with the Committee, ensuring iGaming is established in Maryland with the same rigorous licensing process as mobile sports wagering and holding iGaming operators accountable to the highest consumer safety safeguards and security protocol standards in the industry.

Legalizing iGaming presents multiple benefits to Maryland and Marylanders, benefits that are driving three other states to consider iGaming legalization this year as well.¹ First, it will provide consumers with a safe and convenient way to engage in iGaming, a critical element not afforded in the rampant illegal, offshore market. Second, it requires and promotes responsible gaming measures that are, once again, not offered by the thriving illegal market. And third, it will generate significant tax revenue for the State without impacting traditional gaming offerings or mobile sports wagering.

Consumer Protections

Illegal Market

It is difficult to determine the exact size of the illegal iGaming industry, as it operates in a clandestine manner. However, according to a recent study by the American Gaming Association, Marylanders could be wagering approximately \$6.3 billion with illegal, offshore iGaming operators.² I would note that this figure is only an estimate, and the actual amount of illegal iGaming wagering in Maryland could be higher or lower than this estimate.

These illegal operators pose significant risks to consumers. They aren’t subject to any licensing and regulatory requirements and do not provide anywhere near the level of consumer protections as importantly required under Senate Bill 267.

¹ Illinois, Indiana and New Hampshire.

² American Gaming Association, “Sizing the Illegal and Unregulated Markets in the United States”. November 2022, available at <https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf>. According to the study, Americans wager an estimated \$337.9 billion with illegal iGaming operators, with a loss of \$3.9 billion in tax revenue to U.S. states. The estimated figure for Maryland is based on its population (~1.9% of the U.S. population).

Legal Market

Senate Bill 267 will provide consumers with a safe and convenient way to engage in iGaming. When it comes to consumer safety, every transaction will take place through a registered account, allowing iGaming operators to verify a customer's location, age and identity to ensure minors are prevented from wagering and the account holder is actually the customer who signed up to use the platform. iGaming software will undergo a robust verification and testing process conducted by a certified and independent lab to ensure the games cannot be manipulated in favor of the operator. Finally, customers that wager on legal iGaming platforms can trust that their deposits are safe and that they will receive their winnings.

Responsible Gaming

Turning to responsible gaming, which isn't just a priority for members of our coalition; it is the **top priority**. Legal and regulated iGaming operators provide tools and resources to help players manage their gaming habits and prevent problem gaming, including self-limits on the amount of time spent on the platform, caps on account deposit and wagering amounts, and exclusion all together from the app. In addition, legal and regulated iGaming operators have dedicated Player Protection teams to support the monitoring of user accounts for potential problem gaming behavior and language. All of our members' employees receive responsible gaming training when they are onboarded and periodically thereafter. And above all, consumers are provided substantial responsible gaming resources and messaging directly through the app.

Tax Revenue

Legalizing iGaming can generate significant tax revenue for Maryland.³ Equally important, iGaming's success can come without cannibalizing existing retail gaming operators, the lottery or mobile sports wagering, which have seen revenue growth year-over-year in states that have legalized iGaming. According to initial estimates through a study SBA has commissioned with a renowned gaming research company – and we welcome the opportunity to follow up with the Committee once we have more concrete data – Senate Bill 267 could generate \$102.9 to \$111.6 million in the first year, rising to \$150.6 to \$156.3 million per year in year 5, as the iGaming market in Maryland continues to mature.

Competition

Senate Bill 267 is a very strong step in the direction to establishing a legal and regulated iGaming framework. Now despite our members being vigorous competitors in the market, we advocate for that very level of competition. Competition provides better experiences for players, drives innovation, and attracts more customers from the illegal, offshore market. For this reason, SBA recommends to the sponsors and this Committee to explore ways to increase competition in the underlying framework. That can come in the form of (i) making mobile sports wagering operators eligible for an iGaming license; (ii) increasing the number of licenses, or "skins", each casino is granted; or (iii) permitting other existing gaming operators, such as the race tracks or retail sports wagering facilities, the opportunity to also offer iGaming.

Conclusion

In conclusion, legalizing iGaming will provide numerous benefits to Maryland. Legalizing iGaming will help Maryland reach its full potential and support important public initiatives by providing a safe and convenient way for consumers to engage in iGaming, deploying critical responsible gaming tools and generating significant tax revenue each year to the State.

Thank you again for the opportunity to testify. I am happy to answer any questions.

³ States like New Jersey, Connecticut, and Pennsylvania generate more than \$1 billion in gross iGaming revenue per year. Collectively, for the 12-month period ending July 2022, the six states that have legalized iGaming - CT, DE, MI, NJ, PA and WV – have generated \$4.4 billion in gross iGaming revenue.