

**Submitted Testimony of the iDevelopment and Economic Association (iDEA)
Senate Budget and Taxation Committee Hearing on HB 1319
March 26, 2024**

Chairman Guzzone and Distinguished Members of the Senate Budget and Taxation Committee,

The iDevelopment and Economic Association (iDEA) is the leading trade association for the US online gaming industry. We are writing in support of HB 1319, with a more regionally competitive tax rate. We thank Chairwoman Vanessa Atterbeary and Senator Watson for their leadership on this issue and their commitment to creating a regulated, safe, and economically advantageous online gaming industry to ensure Maryland thrives in the digital age.

iDEA was founded to advocate for responsible internet gaming policies that spur economic growth and protect consumers. Our membership represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States, including in Maryland where our members are licensed as online sports wagering operators and suppliers. iDEA is uniquely positioned to provide a 360-degree perspective into every internet gaming policy issue this Committee may consider.

We commend the Committee for discussing HB 1319 and urge you to support authorizing internet gaming (iGaming) for the benefit of consumers and the state of Maryland.

iGaming Considerations for Maryland

Consumer Protection

Simply type “play online poker in Maryland” or “play online slots in Maryland” into your web browser and you will be directed to numerous websites claiming to be legal and legitimate because they operate out of the reach of the Maryland government. This should be a major concern for policymakers.

Today, any Maryland resident with an internet connection and a credit card (and even crypto currency) has access to real money online casino gaming and poker. These offshore websites operate without any restriction or consumer safety protections. They lack the transparency and consumer protections afforded by state-regulated entities, exposing our citizens to potential exploitation, and diverting funds that could otherwise benefit the state and its taxpayers. Legalizing iGaming will protect consumers by turning a black market into one that is state-licensed, regulated, taxed and accountable.

By transitioning from unregulated to a regulated environment, Maryland can ensure that all iGaming operations adhere to strict standards of fairness, data protection, and responsible

gaming practices. This shift not only protects Marylanders from the risks associated with offshore and illegal sites but also promotes a culture of safe and responsible gaming.

Economic Impact

Given the media's coverage of budgetary deficits, we imagine that Maryland lawmakers are deeply committed to coming up with solutions to fund the Blueprint without creating burdensome taxes for Maryland residents.

iGaming has emerged as a significant source of tax revenue and economic benefits in states like New Jersey, Michigan, Pennsylvania and West Virginia, contributing nearly \$5 billion in taxes and surpassing revenue expectations. These funds have supported vital public services, including education, healthcare, and infrastructure, and have proven to be resilient income streams during crises like the COVID-19 pandemic.

Earlier this month economic experts at the Analysis Group released a comprehensive study¹ that examined the potential economic impact of iGaming in five states including Maryland. Based on their analysis, legal iGaming in Maryland will produce \$5.5 billion dollars in revenues in the first five years. This would equal \$1.65 billion in new tax revenue in just five years for the state if Maryland lawmakers elected to tax iGaming at a flat rate of 30%.

The tax revenues from HB 1319 will be primarily disbursed to the Blueprint for Maryland's Future. This critical education reform initiative needs to be fully funded so that it can effectively address achievement gaps and provide improvement opportunities for students in pre-K through middle school. If lawmakers legalize iGaming the dollars will go to boost the state's commitment and investment into a first-in-class public education system. As Maryland faces a lean fiscal outlook, securing vital education funding today is paramount.

iGaming has also proven to have broader economic impact than just producing direct tax revenues. While online casinos exist on the internet, they are tangible businesses that require skilled personnel. According to research conducted by noted economist Alan Meister², regulated iGaming created nearly 6,600 new jobs in the state of New Jersey in the first five years (2013 – 2018). This jobs figure has grown with the popularity of "live dealer" games in recent years.

Today, Maryland's gaming industry supports more than 16,000 jobs, a figure that iGaming is poised to increase. Embracing online gaming will help Maryland reinforce the regulated gaming industry as a significant contributor to the state's prosperity.

For example, HB 1319 requires online gaming companies to base their live dealer studios in the state. This means up to 1,000 jobs could be created for communities in Maryland that have traditionally been under-represented in the tech community. Jobs and training would be created

¹ [The Potential Economic Impact of Legalizing iGaming on Casino Revenues in Five States](#), Analysis Group, March 18, 2024

² [Economic Impact of New Jersey Online Gaming](#), Meister Economic Consulting & Victor Strategies, October 2019

for game presenters, set designers and builders, as well as technical staff, team leaders and operations managers.

iGaming and Land-Based Casinos

iDEA is pleased to share with you a study from by Eilers and Krejcik Gaming³ (EKG) that assesses how online gaming impacts land-based casino performance. The full report and summary are included in our testimony submission.

This critical issue was central to discussion at the hearing on iGaming legislation (SB 603) in this Committee last month. Contrary to the unfounded claims that iGaming takes money and jobs out of the land-based casino ecosystem, this in-depth study looks at actual data from states with both iGaming and casinos. It reveals that, in addition to adding a revenue stream for land-based casino operators, online gaming helps boost revenue for operators’ brick-and-mortar properties. In the six states that offer iGaming, the evidence shows that online gaming is a catalyst for growth, not a competitor to land-based casinos. These findings are also independently supported by the separate research conducted by the Analysis Group that was cited earlier in our testimony.

Pennsylvania has been a model for how iGaming and land-based casinos can coexist and even thrive. Since the launch of iGaming in July of 2019 there has been an increase in overall land-based revenues for both slots and table games. See chart below provided by the Pennsylvania Gaming Control Board (PGCB)⁴. In 2023, the PGCB announced that 2023 was a record year for overall gaming revenue with nearly every gaming vertical (online and offline) seeing YoY increases. This resulted in a record \$2.3 billion dollars in tax revenues.

Year	Slot Machine Revenue	Table Games Revenue	iGaming Revenue	Sports Wagering Revenue	VGT's Revenue	Fantasy Sports Contests	Total Gaming Revenue
2013	\$2,384,098,225	\$729,830,365					\$3,113,928,590
2014	\$2,319,534,380	\$749,543,217					\$3,069,077,597
2015	\$2,365,651,659	\$808,137,112					\$3,173,788,771
2016	\$2,360,184,122	\$853,238,055					\$3,213,422,178
2017	\$2,336,212,902	\$890,704,254					\$3,226,917,156
2018	\$2,369,885,203	\$878,796,174		\$2,516,589		\$15,309,615	\$3,266,507,581
2019	\$2,363,085,678	\$903,594,181	\$33,599,749	\$84,112,967	\$2,329,540	\$25,872,124	\$3,412,594,239
2020	\$1,355,924,785	\$504,309,266	\$565,776,908	\$189,703,465	\$16,647,898	\$21,148,707	\$2,653,511,029
2021	\$2,287,529,465	\$924,902,965	\$1,112,855,937	\$340,113,160	\$39,852,039	\$29,298,635	\$4,734,552,201
2022	\$2,390,757,300	\$990,568,468	\$1,364,392,468	\$401,208,108	\$42,079,447	\$22,329,896	\$5,211,335,687
2023	\$2,463,698,452	\$971,742,564	\$1,741,832,079	\$458,616,339	\$41,237,349	\$20,091,332	\$5,697,218,115

Pennsylvania Gaming Revenues from 2013 – 2023 (iGaming launched July of 2019)

³ [Comparing Online And Land-Based Casino Gaming](#), Eilers and Krejcik Gaming LLC, February 2024

⁴ [PA Gaming Control Board Reports Record High Gaming Revenue for 2023](#), Pennsylvania Gaming Control Board, January 18, 2024

Since the launch of iGaming, 4 new land-based casinos have opened in Pennsylvania. According to reports published by the PGCB during FY 2022/23 Pennsylvania casinos added 700 new jobs to their workforce. Additionally, the PGCB website⁵ hosts job boards for all the state's land-based casinos and at of time of submitting this testimony there were hundreds of job opportunities at Pennsylvania casinos ranging from slot technicians and casino floor security to human resources and food and beverage positions.

Beyond the success of New Jersey's and Pennsylvania's gaming industries, a news story⁶ was recently published that interviewed state gaming regulators in all six states that currently authorize iGaming and land-based casinos. Every regulator remarked that iGaming has had no negative impact on the land-based industry. These regulators oversee the entirety of gambling activity in their state, so they provide an impartial and informed position. Their viewpoint, coupled with the data, tells an irrefutable story about the true impact of iGaming on casinos.

As the Senate considers the merits of legalizing and regulating iGaming, you can be assured that it will complement Maryland existing land-based casinos to deliver even more gaming related tax revenues to the state.

Modernization and Competition

The introduction of iGaming represents a significant stride towards modernizing Maryland's gaming industry. It acknowledges the evolving preferences of consumers who increasingly seek convenience and omnichannel experiences. By integrating iGaming with land-based casinos, Maryland can offer a seamless gaming experience that bridges the physical and digital realms. This not only caters to the preferences of a wider demographic but also positions Maryland as a leader in the gaming industry, capable of providing a comprehensive gaming ecosystem.

It is important to note that Maryland borders three states that have already authorized online gaming – Delaware, Pennsylvania and West Virginia. It is safe to assume that Maryland residents are already participating in online gaming through these states, as was the case with sports betting before Maryland authorized it. By taking action now Maryland can avoid the risks of falling behind in the competitive regional gaming market, keep revenue in state and also modernize its gaming industry.

Existing Regulatory Foundation

The technological infrastructure and regulatory frameworks – established and overseen by the Maryland Lottery and Gaming Control Commission – that have successfully governed online sports betting in Maryland offer a blueprint for the safe and responsible expansion into iGaming.

⁵ Pennsylvania Gaming Control Board, [Employment at the Pennsylvania Casinos](#), Current

⁶ [Regulators from Established US online Casino Markets Agree: No Retail Cannibalization](#), PlayUSA, March 19, 2024

Digital identity verification, geolocation technology, and integrity software—cornerstones of Maryland’s current sports betting system—can effortlessly be adapted to regulate online casino games, ensuring secure, fair, and responsible gaming. The regulatory safeguards in place, including consumer protection and anti-money laundering practices, are equally applicable, promising a safe environment for Marylanders to engage in iGaming.

Neighboring states have shown that regulating online sports betting and iGaming concurrently leads to a safer, more vibrant gaming ecosystem. These examples provide valuable lessons and best practices that Maryland can adapt to ensure the integrity and success of both operations.

Reasonable Tax Rate

While iDEA supports many of the provisions within HB 1319, we do urge consideration of the proposed tax rate as we believe a more competitive tax rate will boost revenues to the state.

To ensure that iGaming delivers on its potential, it’s important that lawmakers get the tax level right. While it might seem logical that a higher tax will bring in more tax dollars, experience elsewhere has shown that a balanced tax rate secures the state benefits without hindering the market’s development or competitiveness.

Running an iGaming business is a complex and costly operation that extends beyond what meets the eye. Complying with the laws and regulations designed to protect consumers necessitates substantial investments in sophisticated technology, including secure payment systems, geolocation technology, advanced customer identification and verification processes, and robust anti-fraud measures.

Taxing the iGaming industry excessively without considering these expenses could stifle innovation and growth, ultimately diminishing tax revenue both near and long-term. Lawmakers should recognize the significant costs associated with maintaining a compliant, secure, and fair iGaming environment, and craft tax policies that support sustainable growth.

It’s a balancing act. If it’s done correctly, everybody wins - schools gain more funding, local communities have more jobs, and state-based industries can invest even more in their businesses and employees.

Conclusion

In conclusion, we urge this Committee to support HB 1319 with a more regionally competitive tax rate. The passage of iGaming legislation in Maryland would represent a significant step forward in modernizing the state’s gaming industry, driving economic growth, and safeguarding its citizens. We thank the Committee for its attention to this testimony and look forward to contributing to Maryland’s bright future in gaming.