Applied Analysis was retained to evaluate specific attributes related to proposed legislation in the state of Maryland that contemplates the authorization and implementation of internet gaming, or iGaming. More specifically, the analysis addresses key topics related to Maryland House Bill 1319 ("HB1319") and Senate Bill 603 ("SB603"). The analysis contained herein considers three primary topics, including: (1) the potential revenue implications of the proposed legislation; (2) alternative revenue scenarios should an alternative number of licenses, or sublicenses, be considered by this body; and (3) the topic of cannibalization of brick-and-mortar casino revenues sourced to iGaming activity. This Executive Summary includes the salient findings within the analysis. The full report, including key assumptions and limitations, can be accessed by contacting our office.

## 1. Baseline iGaming Revenues in Maryland Estimated to Exceed $1.1 Billion by 2030

Assuming Maryland were to approve iGaming legislation that allows economic activity to commence in 2026, initial estimates suggest gaming revenue of approximately $500 million is possible with a 50-percent discount to the average iGaming revenue ($111 per adult in Maryland which is approximately half the average among iGaming states).

Revenue is expected to ramp up after its initial debut as multiple channels launch and this new entertainment offering is absorbed in the market. By 2030, Maryland revenue could exceed $1.1 billion. Importantly, consumer spending on iGaming activities in 2030 is estimated to account for approximately 0.21 percent (less than half a percent) of personal income in Maryland. For reference, a typical household earning the median income of $94,991 in Maryland would be expected to spend an average of $200 per year on iGaming activities.

## 2. Revenues Could Outperform Baseline Expectations with a Greater Number of Outlets

States with a greater number of iGaming outlets have reported the strongest gaming volumes. The number of outlets, also referred to as skins or sublicenses, that are offered in each state appear to provide a number of advantages, including:

- Expanding the brand reach of brick-and-mortar casinos;
- Establishing a competitive marketplace (more quickly);
- Attracting new demographics to the gaming space, including groups not previously exposed to in-person gaming;
- Providing access to a wider database of potential consumers and accelerating the absorption within the market; and
- Catering to niche demographics that may not have been connected but for multiple access points.

For reference, New Jersey has an estimated 33 skins and generated $1.9 billion in iGaming revenue in 2023, while Pennsylvania has approximately 19 skins and posted revenue of $1.7 billion in the past year. The baseline revenue estimates on the preceding page assume two licenses (or skins) per operator. However, fewer skins would suggest less revenue potential (reducing revenue by 25 percent or more), while more skins (a minimum of three per operator), could increase revenues by 25 percent or more.

## 3. Concerns About Cannibalization of Brick-and-Mortar Casinos Appear Unwarranted

While evaluating the expansion of gaming offerings to online activities, it is appropriate to consider the implications on other segments of the market, including brick-and-market casinos. Physical casinos are responsible for employing thousands of workers while positively contributing to the overall economy. However, the consumers visiting a casino (experiential gaming) tend to be much different than those seeking entertainment opportunities on a computer or mobile device from the comfort of their home. Research on this topic would suggest the two groups rarely crossover with one another, and in fact, they have the potential to complement one another.

States with tenured iGaming access have not seen a dramatic fall of in-person gaming revenue. New Jersey and Delaware launched iGaming a decade ago. In both cases, iGaming legalization came as brick-and-mortar casino revenues were previously trending downward. Immediately following their iGaming launches, both states saw brick-and-mortar casino revenues stabilize and then ultimately trend upward. Pennsylvania experienced a somewhat similar overall gain as casino revenues hovered around $3.2 billion annually for a five-year period prior to the introduction of iGaming. Since then, aggregate revenues reached $5.2 billion in 2023 with casino revenues increasing to $3.4 billion. A multichannel approach to gaming products increases revenues across the entire industry.