



**House Ways & Means Hearing | February 26, 2024
 Testimony of Light & Wonder
 In Support of House Bill 1319 (Internet Gaming- Authorization & Implementation)**

On behalf of Light & Wonder, a leading global gaming content and technology company, thank you for the opportunity to provide written testimony in support of House Bill 1319 and to present information relevant to the Maryland House’s review of the authorization and implementation of Internet Gaming. Light & Wonder (formerly Scientific Games) is a leading provider of gaming technology and content. We provide slot machines, table games and casino systems to every casino in Maryland. With decades of experience in iGaming, we provide iGaming content and technology in all six states currently offering online casino gaming, and in more than 50 countries and jurisdictions around the globe. Over the last two years, our gaming products have produced \$320 million in tax revenue to the State of Maryland.

In this testimony, we present for Maryland’s review information specifically focused on what a “Live Dealer” offering encompasses and strong suitability standards for licensees but first some introductory information on what iGaming is, why it should be authorized and the financial opportunity for the state of Maryland.

Illegal iGaming is Already Widely Available in Maryland

iGaming is defined as the offering of virtual casino style games including slots and table games, including “live dealer” games, such as blackjack and roulette made available via digital platforms through players own devices.

Currently, six states, New Jersey, Michigan, Pennsylvania, Delaware, West Virginia, and Connecticut, are offering iGaming casino games with a seventh, Rhode Island, going live this year. Nevada offers poker only online.

iGaming is, in fact, available and prevalent in Maryland today. Based on a study by the American Gaming Association, Maryland residents wager over \$6 billion per year through illegal, offshore iGaming sites. The illegal iGaming market in Maryland is untaxed, unregulated and provides no protection for players. ***Maryland would benefit by creating a regulated market, capturing the tax revenue, and establishing robust customer protections and responsible gaming standards.***

Regulated iGaming Would Generate Between \$362 Million and \$624 Million Tax Revenue in Maryland

The iGaming market, as illustrated below, has generated over \$6 billion in gross gaming revenue and \$1.6 billion in tax revenue over the past twelve months in the six U.S states where it is legal.

iGaming Revenue Review

	Dec. iGaming Revenue (\$m)	TTM iGaming Revenue (\$m)	TTM Rev./Adult (\$)	TTM Tax Revenue (\$m)
NJ	180.3	1,924	277	337
DE	1.2	14.1	18	9
PA	165.1	1,742	171	747
WV	15.9	157	110	24
MI	181.4	1,924	245	487
CT	44.2	406	143	60
Total	\$588.1m	\$6.167bn	\$161 (avg.)	\$1.664bn

Source: Vixio Gambling Compliance

There is every reason to believe that Maryland will perform, similarly to Pennsylvania, New Jersey or Michigan, adjust for population. Based on the performance of these states, Maryland can expect between \$362 million and \$624 million in annual tax revenue from iGaming, based on its population and the tax rates proposed in the House bill.

Maryland iGaming Revenue Scenarios at House Tax Rates	
If Perform Like <i>New Jersey</i> : \$572 + \$52M	\$1.3 Billion GGR – \$624 Million Tax Revenue
If Perform Like <i>Pennsylvania</i> : \$360M + \$32	\$820 Million GGR – \$362 Million Tax Revenue
If Perform Like <i>Michigan</i> : \$528M + \$48M	\$1.2 Billion GGR – \$576 Million Tax Revenue

Notes:

1. Exclusive of promotion credits
2. Assumes 80% of GGR slots at 55% tax rate; 20% of GGR live dealer at 20% tax rate – from House bill

Online Casino Gaming Means Jobs at “Live Dealer” Studios

Live dealer or live casino is an increasingly important segment within a broader iGaming market that involves the offering of casino style games that can be played via a registered player’s own device without having to visit a physical casino property.

Whereas other forms of iGaming offered by online casinos are entirely digital, live casino replicates the experience of visiting a land-based casino by enabling players to wager on blackjack, roulette, and other popular casino games where the outcomes are determined by real dice and cards and by the actions of a human dealer operating within a secure studio facility. Players can bet through their devices and then watch the outcome of the games via a real-time video feed streamed to their device. Live casino players are also able to interact with the dealer and their fellow players through chat functionality within the casino game similar to how they would be able to if seated at a gaming table in a traditional land-based casino.



Established as part of the iGaming industry in international markets for over a decade live casino has only gained traction in the U.S. within the past five years following an initial launch in New Jersey in 2016.

Regulated live casino games are offered today in five of the six states with legal iGaming.

Live casino currently accounts for approximately 15-20 percent of iGaming revenue in key US markets and is anticipated to grow to 25 percent or more in the future as the segment matures. In Ontario, for example, live casino accounted for 32 percent of total bets on iGaming platforms in the 12-month period from April 2022 to April 2023.

Each dedicated live casino studio can be expected to directly employ in the region of 100 to 280 workers in various roles including dealers and on-air presenters to technical support and security personnel. Based on population and anticipated market size, Maryland could expect three live dealer studios being located in the state, with several hundred jobs and several million dollars investment in the studios.

Like other forms of iGaming, live casino is subject to stringent regulations to ensure the fairness of games, protect consumers, and ensure the suitability of participants. Rules related to live casino reflect both the regulations that apply to iGaming in general as well as those that apply to traditional land-based casino games such as blackjack and roulette.

Online Casinos Have a Positive Impact on Land-based Casino Revenue

Recently, the iDevelopment & Economic Association (iDEA), of which Light & Wonder is a member, commissioned Eilers & Krejcik Gaming to study the issue of the impact of online casino gaming on land-based casinos. The study, [Comparing Online And Land-Based Casino Gaming: How The Growing Online Segment Impacts Land-Based Performance](#), found that in addition to adding a new revenue stream for casino operators, iGaming helps to boost revenue for an operator's brick and mortar properties. The primary findings include:

- 1. Land-based casino markets all showed positive change after online casino was introduced.** There are six states where both land-based and online casinos currently operate. For each state, the study compared the growth rate of land-based casino revenue before online casinos were introduced there with the growth rate after online casinos were introduced. In all six states, land-based casino revenue was positively impacted by the introduction of online casinos. The amount of that improvement, quarterly, ranged from +0.34% in Connecticut to +6.02% in West Virginia, with an average increase of +2.44%.
- 2. Compared with land-based-only states, casino markets with online performed better.** In each of the six states with both land-based and online casinos, the study compared their revenue performance before and after their respective introductions of online casinos with the performance of seven other states where only land-based casinos operate. Five out of those six states outperformed the land-based-only states in terms of their directional change using the same time periods.
- 3. Adding online casino boosts land-based casino revenue.** The study built a model that takes into account a wide variety of economic and demographic factors, including data on the differences between online and land-based players, how customers typically behave differently after online casinos are made available, and other key factors. According to conservative estimates, the study estimates that in a typical U.S. state, the total impact of online casino introduction on land-based casino revenue is positive: up about +1.7%.

Online casinos grow the overall tax revenues collected by states - and not just because of new online revenue.

Land-based casino revenues have consistently been positively impacted by the introduction of online casinos, due in large part to the differences in the customers who prefer each type of gaming.

Preventing State Licensed Entities from Participating in Illegal Markets and “Terror State” Online Gambling

The legal gaming industry is among the most highly regulated industries in the United States. Legal gaming operators and suppliers comply with a broad series of laws and regulations designed to ensure consumer protections and confidence in the gaming market.

To ensure the integrity of the iGaming market, it is critical that states adopt provisions to prohibit state licensed iGaming entities from doing business in illegal markets and “terror states”. Participation in online gaming markets in these jurisdictions' markets exposes consumers to risk and undermines the economic and tax contributions of the legal gaming industry. The United Kingdom, which has long term experience in online gaming, recently required a major digital gaming entity to exit such markets in order to continue doing business in the UK. Several U.S. states, including New York, Illinois, Iowa and New Hampshire have introduced legislation to establish clear cut provisions to prevent companies which do business in terror states and illegal markets from being licensed. See, for example, Senate Bill 8185, introduced in New York in January 2024. These provisions prohibit state licensing of entities which conduct online gambling in countries listed on the “Blacklist of Money Laundering Countries” as established by the Financial Action Task Force, in jurisdictions designated as a State Sponsor of Terrorism by the United States, so called “terror states” which includes Iran, Syria and Sudan, and in countries which online casino gaming is prohibited such as Turkey, China and Singapore.

Without strong anti-illegal gaming provisions, states may inadvertently enable companies in the business of money laundering, terrorist financing and tax evasion. Maryland should include a similar provision if it adopts online casino gaming.

Thank you for the opportunity to submit this information and please do not hesitate to contact me if the committee has any questions.

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