

BOYDGAMING

TO: Chair Vanessa E. Atterbeary, and the members of the House Ways and Means Committee

FROM: Uri Clinton, Executive Vice President and General Counsel

DATE: February 26, 2024

RE: **FAVORABLE WITH AMENDMENTS** – House Bill 1319

Good morning, I'm Uri Clinton, General Counsel for Boyd Gaming Corporation, and I am here today to support House Bill 1319 which would authorize iGaming in the state of Maryland. A well-regulated iGaming market in Maryland could generate \$1.1 billion in gross gaming revenue (GGR) by 2030. As I will explain, we support House Bill 1319 with amendments that would authorize 23 skins, with a competitive tax rate below 30% and meaningful minority business participation. These amendments would yield more competition for the benefit of Maryland residents, maximize revenues for the state, and create new marketing opportunities for the Maryland's six (6) brick-and-mortar operators.

Boyd Gaming is one of the largest casino entertainment companies in the United States, owning and operating 28 casinos in 11 states, along with our iconic Stardust Online Casino in Pennsylvania, New Jersey, and Ontario, Canada. Passage of HB 1319 would provide an opportunity for Boyd to make new investment in the great state of Maryland.

Before divesting our ownership interest in Atlantic City's Borgata Hotel and Casino, Boyd Gaming managed that property and was among the first to launch iGaming in New Jersey once it was legalized there in 2013. We embraced iGaming at Borgata despite those who thought that it would cannibalize our brick-and-mortar business. The results demonstrated what we knew to be true, iGaming proved to be complementary to our land-based business, not competitive, in that:

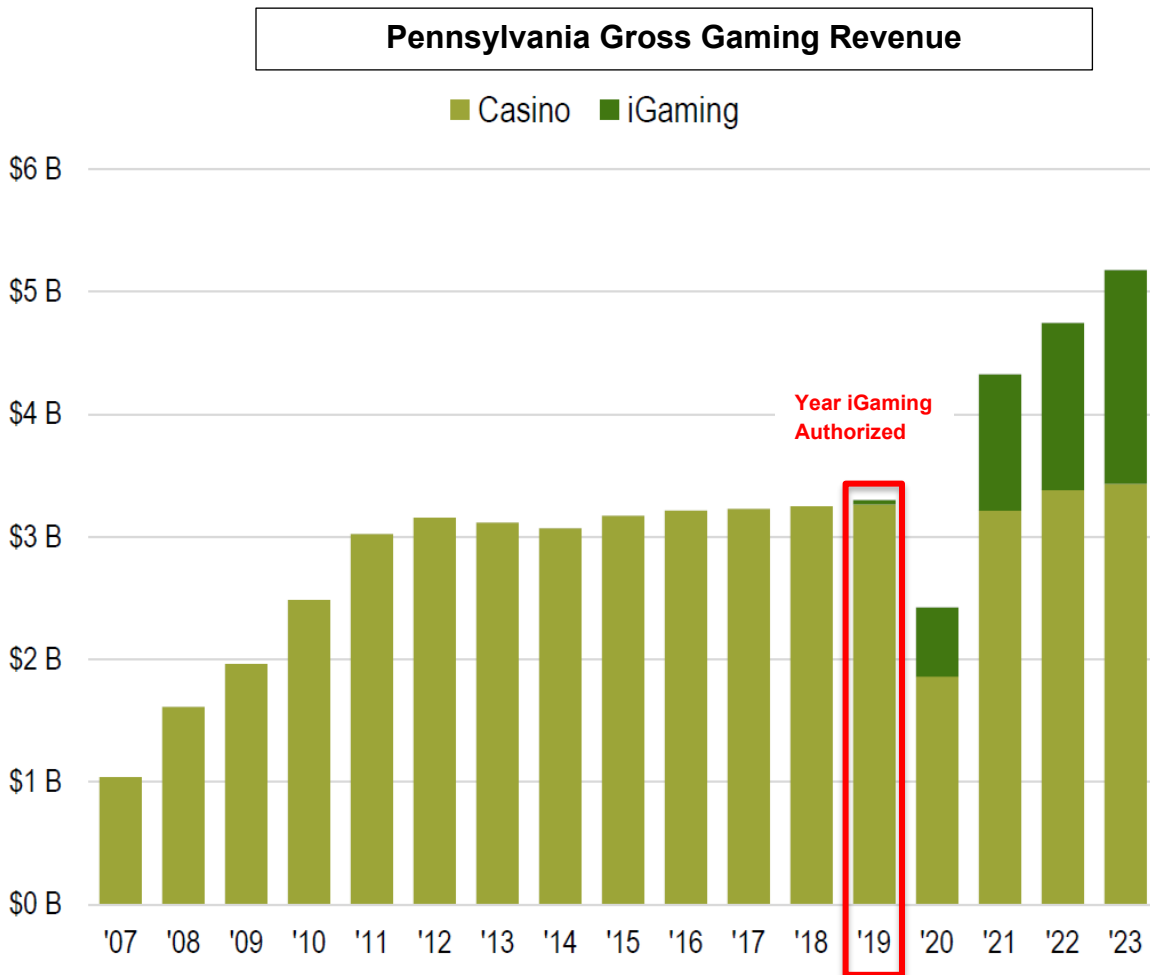
- ***iGaming Attracted a Different Clientele*** - 60% of online casino customers had not been to Borgata in over a year, and 75% had made fewer than two trips to Borgata in the previous year.
- ***iGaming Grew Overall Gaming Revenues*** - And on a combined basis, the addition of online gaming revenue¹ resulted in an incremental revenue increase for Borgata of more than 40% from our land-based play alone in December 2012.

We are now experiencing similar results in our current operations in Pennsylvania. It is important to note that our Pennsylvania land-based property has not experienced any job loss as a result of iGaming's launch in 2019.^A Our experience is not unique, in fact recent industry studies and the raw Gross Gaming Revenue reports of states where both brick and mortar and iGaming coexist show similar outcomes.

¹ Including land-based poker

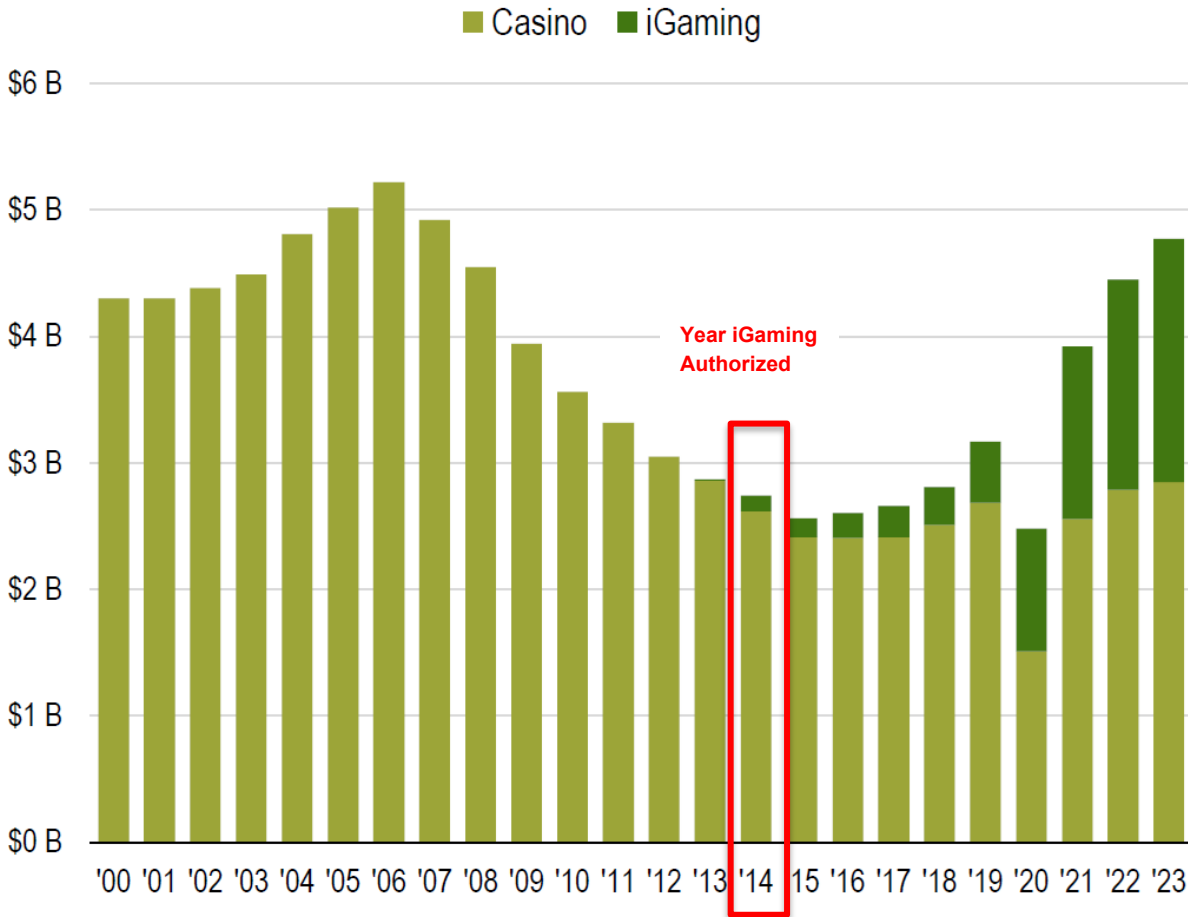
iGaming is Additive to Brick-and-Mortar Revenue – Not Cannibalistic

Pennsylvania Case Study – Pennsylvania’s brick & mortar casino revenue began to plateau in 2012 and remained relatively flat through 2018, the final full year before the addition of iGaming in July 2019. In fact, from 2012 thru 2018, the brick & mortar revenue only increased 3%. However, since the introduction of iGaming, the brick & mortar gaming revenue has increased 6% from 2019 to 2023. In addition, the State had \$1.7B in taxable iGaming revenue. So not only did the brick & mortar casinos show growth, but the State’s gaming tax revenue grew substantially from iGaming.



New Jersey Case Study - Prior to the introduction of iGaming, New Jersey was experiencing a downward trend in brick & mortar casino revenue due in large part to the expansion of legalized gaming in neighboring states. However, after the launch of iGaming in November 2013, brick & mortar casino revenue began to rebound, while total taxable gaming revenue returned to pre-expansion levels. For example, in the 7 years prior to the launch of iGaming in New Jersey, brick & mortar casino revenue had a compound annual growth rate (CAGR) of **-8.2%**. However, over the past 8 years with iGaming that trend has reversed, and New Jersey's brick & mortar casinos had a CAGR of 2.1%, while adding another \$1.9B in iGaming revenue.

New Jersey Gross Gaming Revenue



23 Licenses is an Appropriate Number Operators to Serve Maryland's \$1Billion iGaming Market

We suggest 23 iGaming skins and licenses: Maryland's six brick and mortar casinos would each be granted 3 skins and an additional 5 licenses to be granted through a competitive process. Having a robust number of skins and licenses will spur competition among market participants, which will maximize tax revenue for Maryland and yield a better iGaming experience for the public. Moreover, it would provide eleven more opportunities for minority business owners to enter the iGaming industry.

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 marketing reach of brick and mortar casinos by providing access to multiple data bases and establishing a competitive marketplace. Additionally, if the bill is amended to allow for a combined 23 licenses, skins, or sublicenses, it would increase the number of opportunities for disadvantaged and/or minority business owners by 11. Moreover, fewer skins would suggest less revenue potential when you compare revenue per skin in states with higher numbers of skins against those with lower number of skins.

iGaming Metrics by State (2023)

State	Start Year	iGaming Revenue	No. of Skins	Revenue Per Skin
States with a Greater Than 15 Skins:				
New Jersey	2013	\$1.9 B	33	\$58 M
Pennsylvania	2019	\$1.7 B	19	\$92 M
Michigan	2021	\$1.7 B	16	\$108 M
States with a Fewer Than 15 Skins:				
Connecticut*	2021	\$335 M	2	\$167 M
West Virginia	2020	\$157 M	11	\$14 M
Delaware	2013	\$14 M	3	\$5 M

*Operated under tribal gaming compacts.

A Tax Rate That is Under 30% Would Create a Healthy iGaming Segment of Maryland's Gaming Industry

Moreover, a sound tax policy is critical to the success of iGaming. The current proposed tax rate is higher than many other states, which limits marketing reinvestment and market growth. We recommend a gaming tax of no more than 30% to help accomplish this goal. By way of comparison:

- New Jersey's tax rate is 17.5%², and
- Michigan has sliding scale from 20% to 28%, based on adjusted gross gaming revenue.³

We also recommend the tax deduction for free play and promotional credits be capped after year one at 40%, with a \$10,000,000 annual limit. There is a substantial, ongoing marketing investment required to attract and retain players. These incentives are required to help grow the overall revenue for the state.

We also support various proposed initiatives to address local stakeholder issues:

- (1) Meaningful minority business participation, including the 5% partnership requirement
- (2) Protecting jobs at Maryland's brick-and-mortar casinos
- (3) Expanding protections against problem gambling

² American Gaming Association's Gaming Regulations and Statutory Requirements, New Jersey, Exhibit C, p.5.

³ American Gaming Association's Gaming Regulations and Statutory Requirements, New Jersey, Exhibit D, p.7.

Appendix/Notes

- A) The Eilers & Krejcik February 2019 Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets data indicates only 7% of customers participate in both land-based and online casino games. The minimal crossover is a big reason cannibalization has not been observed. Land-based casino revenues will (actually) increase as operators leverage iGaming platforms as a marketing tool to drive visitation with a new or wider set of patrons.