

Maryland Lottery and Gaming Control Agency

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DATE: February 10, 2025
BILL NO: Senate Bill 470
BILL TITLE: Fantasy Competitions - Alterations and Voluntary Exclusion Requirements
COMMITTEE: Budget and Taxation
POSITION: Opposition

The Maryland Lottery and Gaming Control Agency (“MLGCA” or “Agency”) provides the following Letter of Opposition regarding Senate Bill 470, Fantasy Competitions - Alterations and Voluntary Exclusion Requirements

Bill Summary:

SB 470 is sports wagering being presented under the guise of fantasy competition and as such is attempting to bypass licensing requirements, fees, background checks for employees, bond requirements, and applicable tax rates while also allowing 18 year olds to engage in sports wagering.

Background:

SB 470 proposes changes to the definition of “Fantasy Competition” that would specify that a participant owns, manages, or coaches an imaginary team or teams, where participants compete against other participants (more commonly known as head-to-head), or where a single participant competes against a statistical measurement established by the fantasy competition operator (more commonly known as over/under or wagering against the house). These two new types of “competitions” are nearly identical to two definitions of sports wagers in COMAR 36.10.01.02 - sports wagering regulations.

Allowing a participant to play against a statistical measurement set by the operator changes the current structure of fantasy competitions significantly, blurring the lines between fantasy competitions and sports wagering.

The application fee for a mobile sports wagering license is \$500,000 under State Government (SG) Article §9-1E-06 and the license is valid for five years. The registration fee for fantasy competition is just \$100 annually. The Maryland Lottery and Gaming Control Agency (Agency) has proposed regulations that would increase this to \$1,000.

Sports wagering was an expansion of commercial gaming in the State, so it was subject to approval by referendum. Sports wagering is authorized under SG Title 9, Subtitle 1E and regulated under COMAR 36.10 and 36.11, and is subject to regulatory oversight, licensing requirements, and fee structures that are separate and quite different from the requirements for fantasy competitions authorized under SG Title 9, Subtitle 1D.

Authorizing fantasy competitions to conduct sports wagering under this bill would have both a fiscal and operational impact on the Agency, and on sports wagering licensees, and would cause confusion for both fantasy competition players and sports wagering bettors.

If enacted, fantasy competition would ultimately mirror sports wagering, so it would allow individuals under 21 to actually participate in sports wagering.

SB 470 would remove the provisions of Title 12 of the Criminal Law Article from SG §9-1D-02 and would specify that a fantasy competition would not constitute betting, wagering, or gambling for any purpose provided a person does not operate a kiosk or machine that offers fantasy competition to the public in a place of business physically located in the State. This significantly broadens the types of permissible fantasy competitions.

SB 470 repeals and reenacts with amendments §9-1D-05 of the State Government Article. This section would require each fantasy competition operator to develop and maintain a program to mitigate and curtail compulsive play and provide language about obtaining assistance with real-money gaming problems.

Rationale:

As stated, SB 470 is a thinly veiled attempt to create a sports wagering option under the fantasy competition regulations. Allowing this change would result in:

1. Significant financial losses to the State. The cost of a sports wagering license is \$500,000 and the cost of a fantasy competition registration is \$100. The Maryland Lottery and Gaming Control Agency (Agency) has proposed regulations that would increase the registration fee to \$1,000, but this is still de minimis.
2. There are myriad differences between how sports wagering employees are backgrounded and licensed, as opposed to fantasy competitions, which have no employee licensing requirements.
3. Operators of fantasy competitions are simply required to register with the Agency and are subject to a fee as described in State Government Article § 9-1D.
4. Sports wagering licensees are required to pay an application fee, submit to background checks, employ a minimum number of employees, submit to inspection of any system, kiosk or machine, submit audited financial statements, provide bonds, etc. Below is a breakdown of some of the requirements and timelines.

Permit, License, or Certificate Title	License or Registration	Description of the application process	Estimated time to process (approval/denial)	Fees and bond requirements
Fantasy Competition	Under SG, Title 1, Subtitle 1D, before offering services in connection with a fantasy competition to players	Fantasy competition operators register with the Gaming Division and submit required documentation via	2 weeks or longer depending on responsiveness to request for information and	\$100 annual registration fee. Tax rate - 15%

	physically located in Maryland, a fantasy competition operator shall register with the Commission.	email	number and types of contest being offered.	No bond requirement
Mobile Sports Wagering Licensee	Under SG Title 1, Subtitle 1E, an applicant for a Mobile Sports Wagering License must be found qualified by MLGCC, awarded a license by the Sports Wagering Application Review Commission (SWARC), and then issued the mobile sports wagering license by MLGCC; only then is it authorized to conduct and operate mobile/online sports wagering in conformance with Maryland's Sports Wagering Law and COMAR Title 36, Subtitles 10 and 11.	Must submit 2 separate applications: To MLGCC, for background investigations and licensing requirements for the applicant and all employees involved in sports wagering approval. To SWARC, for review and approval of business plans, ownership interests, etc.	3-6 months	\$500,000 application fee for a mobile sports wagering license.. \$1,500,000 bond. Tax rate - 15%

Fantasy competition and sports wagering are currently subject to the same tax rate. However, the tax structures for fantasy competition and sports wagering differ significantly in the methods used to calculate and apply taxes on revenue.

- Fantasy competition tax is paid quarterly and calculated by allocating the state's share of total entry fees to the adjusted revenue (entry fees minus prizes) and applying the State's tax rate to that proportion.
- As a result, the State's share is contingent upon the operations and revenue generated in other jurisdictions that authorize a fantasy competition.
- Sports wagering tax is paid monthly and calculated by subtracting total payouts to bettors from total wagers placed in the State, and then applying the State's tax rate to the resulting gross gaming revenue.
- The Agency is not able to project what the change to revenues would be without knowing the number of fantasy competition operators that would take advantage of this change, any fees that may be authorized if the licensing structure were to change, as well as any changes that may be made by sports wagering operators who may choose to focus solely on the hybrid being proposed.

Currently, there are specific delineations between fantasy competitions and sports wagering requirements. Many of the significant controls and regulations on sports wagering licensees are not in place for fantasy competition operators. The controls and regulations that would be avoided by this change include:

- Strict know your customer requirements,

- Stricter controls and monitoring of geolocation tools,
- Advertising restrictions,
- Requirements for RG messaging, and
- Fantasy competitions allow 18 year old players.

For the reasons stated above, the MLGCA asks for an UNFAVORABLE vote on SB 470.