

Maryland Lottery and Gaming Control Agency

Wes Moore, Governor • John Martin, Director



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DATE: March 7, 2025
BILL NO: House Bill 1140
BILL TITLE: Gaming - Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets
COMMITTEE: Ways and Means
POSITION: Support

The Maryland Lottery and Gaming Control Agency (Agency) provides the following Letter of Support regarding House Bill 1140, Gaming - Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets

Bill Summary:

House Bill (HB) 1140 proposes adding §12-115 under the Criminal Law Article including definitions and prohibitions on the operation, conducting, or promotion of online sweepstakes games in the State. Hb 1140 also sets criminal penalties and authorizes the Agency to deny a license application or revoke a license.

HB 1140 also proposes the addition of subsection (G) to State Government Article § 9-1A-07. This subsection defines “illegal interactive gaming market” and “interactive game content”; requires completion of a disclosure; and allows for the Agency to deny or revoke a license.

Finally, HB 1140 adds SG § 9-1A-08.1 prohibiting the Commission from issuing a license to a person or entity that knowingly accepts revenue from prohibited sources. The Commission would have the authority to deny or revoke the license of any entity in violation of this section.

Background:

Illegal online sweepstakes games consist of online games that award the player with credits and awards that can eventually be converted to cash. Online gaming, frequently referred to as iGaming, is currently prohibited in Maryland. Despite online gaming being illegal, many Marylanders participate in these illegal games because the developers excel at presenting a product that appears to be fun, is initially presented as having no risk to the player, and there are no warnings to the user that they are engaging in illegal, unregulated gaming that will ultimately allow for cash deposits to be accepted and cash prizes to be awarded.

In January, the Agency’s Director briefed the Ways and Means Committee, and the matter of illegal gaming was discussed. Illegal and unregulated gaming occurs when operators, manufacturers, and payment processors of gaming devices bypass licensing and regulatory requirements. These illegal operators are often headquartered and operating in countries with lax or non-existent gaming regulations. Illegal gaming occurs because these “bad actors” are offering players similar types of gaming opportunities that mirror legal, regulated gaming. It has

been estimated by the American Gaming Association (AGA) that Americans spend approximately \$551 billion annually on illegal gaming.

At the state level, the AGA has projected that states lose approximately \$13.3 billion annually in tax revenues. Another group, The Innovation Group (2023)¹ estimated the illegal online casino market in Maryland generated approximately \$197 million of untaxed revenue. Maryland has been able to divert some funds from illegal gaming by offering online/mobile sports wagering, a regulated product with customer protections, but illegal operators persist in marketing and advertising to Marylanders.

Rationale:

HB 1140 would take steps toward stopping access to illegal sweepstakes operators. Providing additional legislative language prohibiting illegal gaming in the State is a step towards placing restrictions around the illegal gaming market in Maryland, not only to players but also operators, manufacturers, and payment processors.

HB 1140 includes language that would provide the Agency the ability to deny or revoke an individual's license should they be found to be participating in the newly defined "illegal interactive gaming market" and by providing "illegal interactive game content." These new definitions, along with the establishment of criminal penalties provide additional resources in the attempt to combat the illegal gaming market that are not currently available to the Agency.

For these reasons, the Agency supports HB 1140 and respectfully requests that you consider this information as you debate HB 1140.

^{1,5} The Innovation Group. iGaming in Maryland.
https://dlslibrary.state.md.us/publications/JCR/2023/2023_49-50.pdf Published November 2023.