



Maryland SB 639
Written Testimony of Rich Baldwin
Managing Partner – GGHM Las Vegas

Good afternoon Chair, Vice Chair & Members of the Committee.

My name is Richard Baldwin. I am one of the Managing Partners of our firm GGHM, based out of our Las Vegas, NV office. GGHM is a boutique advisory and consulting firm focused exclusively on the global gaming sector.

GGHM was engaged by Long Shot's in Frederick, MD to perform advisory services related to the potential implementation of Historical Horse Racing machines (HHR's) at select locations in MD. HHR's are electronic gaming devices with outcomes based on previously run horse races.

Our work was performed independent of the owners of Long Shot's and the other MD OTB operators. Our conclusions and opinions are based on our own professional judgement as globally recognized gaming industry experts.

While MD has a long history of other gambling activities like horse racing (dating to the 1700s) and a state lottery that commenced in 1973, the current casino industry was established following a 2008 constitutional amendment to allow 15,000 slot machines at 5 locations. The first facility, Hollywood Casino Perryville opened in September 2010. MD voters subsequently approved "Question 7," which allowed the addition of live table games and a 6th casino license resulting in the last facility to open in 2016, MGM National Harbor. Since inception, the MD land-based casino industry has benefited from a limited license casino market and since 2016, there has been no additional competition or casino supply.

Based on our MD market analysis, there are segments of the MD population across the state that are not being conveniently served by the MD casinos. As gaming experts, it is well understood and documented across the industry that above all else, convenience is the most important consideration for casino customers in deciding the frequency of visitation.

There are several states we could highlight to illustrate the expansion of land-based casino gaming alternatives over time. Virginia is an interesting case study, representing the first state where HHR facilities and casinos were to co-exist. In fact, HHR facilities were operating in the state prior to the casinos. In 2019, VA introduced HHR machines. These are operated primarily at Rosie's Gaming Emporium locations across the state to support the horse racing industry.

Casinos were legalized in 2020 in the following five cities - Bristol, Danville, Portsmouth, Norfolk and Richmond. Hard Rock Hotel & Casino Bristol became VA's first licensed casino, opening a temporary facility in July 2022. Rivers Casino Portsmouth opened as the state's first full-scale, permanent gaming resort in January 2023.



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Today, the VA market consists of approximately 4,800 HHRM's generating approximately \$568M in annual revenue and 4,300 slot machines generating approximately \$722M in annual revenue (prior to the recent opening of the Live! Casino in Petersburg). Total HHRM and slot revenues have continued to grow in the years following their initial opening dates.

It's our opinion and conclusion that the VA tax and employment base would be significantly smaller if the VA gaming market consisted of only HHR facilities or only casinos. We also point out that in Virginia, the effective HHR tax rate is 22%.

Ohio is another good case study. Like MD, Ohio has a long history of legalized gaming in the state with goals of expanding the tax and job base. While racing had existed for a century, legalized pari-mutuel wagering was passed in 1933 and subsequently the Ohio Lottery where sales officially began in 1974.

Land-based gaming in Ohio has subsequently evolved from a century of strict prohibition into a multi-billion dollar industry. Modern casino-style gambling was established by a 2009 constitutional amendment that authorized 4 full-service casinos offering slots, table games, and poker in specific locations: Cleveland, Columbus, Cincinnati, and Toledo.

To help struggling racetracks, "Racinos" were introduced at 7 of the state's racetracks with Scioto Downs being the first to open in 2012. To limit the potential financial impacts on the 4 casinos they were authorized to only operate Video Lottery Terminals ("VLTs", not slot machines) and were to be separately regulated by the Ohio Lottery Commission (not the Ohio Casino Control Commission). While OH lawmakers at the time were cognizant of the potential competitive impacts of Racinos on the Casinos, it was also understood that the tax and job base could be expanded significantly given the limited gaming supply of the 4 casinos and that more locations would expand the geographic reach of the industry. As mentioned above, convenience is the most important consideration for casino customers in deciding the frequency of visitation.

Given the underlying assumptions contemplated in our MD market analysis, we conclude the implementation of HHR's at select locations in MD would increase the overall tax, economic and job base for the state overall, which would be even more concentrated on the local rural MD communities and small business owners in which the HHR's would be domiciled.