

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 470 (Senator West)
Budget and Taxation

Expansion of Commercial Gaming - Referendum - Sports Wagering

This bill, which is subject to voter referendum, establishes that the General Assembly may authorize, by law, that the State Lottery and Gaming Control Commission may issue a license to offer sports wagering in the State to a video lottery operation licensee or a licensee for thoroughbred racing or harness racing. The bill also provides the General Assembly's intent that, if the voter referendum is approved, State revenues generated by sports wagering be used for dedicated purposes, including public education. **The bill takes effect July 1, 2019, contingent on passage of a referendum by voters in the next general election.**

Fiscal Summary

State Effect: None. If the bill is approved at referendum, legislation would still be needed to implement sports wagering.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 5 of the 2007 special session amended the Maryland Constitution so that after November 15, 2008, the General Assembly may only authorize additional forms or expansion of commercial gaming if approved through a referendum by a majority of the voters in a general election.

Wagering on a contest, event, game, or match between individuals or teams sponsored by a professional league or association or hosted by a college or university is illegal in Maryland.

Chapter 346 of 2012 exempts a specified “fantasy competition” from prohibitions against betting, wagering, and gambling in State law. The law defines “fantasy competition” as any online fantasy or simulated game or contest such as fantasy sports in which (1) participants own, manage, or coach imaginary teams; (2) all prizes and awards offered to winning participants are established and made known to participants in advance of the game or contest; and (3) the winning outcome of the game or contest reflects the relative skill of the participants and is determined by statistics generated by actual individuals.

Background: The federal Professional Amateur Sports Protection Act (PASPA) made betting on sports illegal under federal law but exempted certain types of sports betting in states that authorized it before PASPA or within a year after PASPA became effective. As a result, Delaware, Montana, Nevada, and Oregon could offer betting on sporting events, although only Delaware and Nevada did so. However, betting in Delaware was limited to a professional football sports lottery, which consisted of parlays and selected-off-the-board wagers, not single-game wagers.

A recent U.S. Supreme Court ruling in *Murphy v. National Collegiate Athletic Association* struck down the federal ban on sports betting and, as a result, there has been a rush of legislative activity in states hoping to capture a new source of gaming revenue.

Less than one month after the *Murphy* decision, Delaware became the first state outside of Nevada to offer single-game sports betting. On the heels of Delaware, New Jersey’s sports betting operations went live on June 14, 2018, and betting began in Mississippi and West Virginia coinciding with the start of the regular professional football season that September. New Mexico, Pennsylvania, and Rhode Island also started offering sports betting in 2018. The District of Columbia passed legislation in January 2019, pending Congressional approval, which authorizes online and in-person sports betting.

Department of Legislative Services (DLS) notes that sports betting revenues in Nevada are approximately 2% of Nevada’s total gaming revenues. Thus, if sports betting revenues in Maryland total 2% of Maryland’s gaming revenues, gross revenues after payouts to bettors could increase by \$35.6 million in fiscal 2020. Assuming that the current table games tax rate of 20% is applied, the State share of gross revenues in fiscal 2020 would be \$7.1 million. However, authorizing mobile sports betting could significantly increase revenues. Oxford Economics, a global economics forecasting firm, estimates that sports betting revenues would more than quadruple if sports betting became conveniently available at casinos, racetracks, lottery retailers, and online in Maryland. Likewise, Global Market Advisors, a consulting firm with a focus on the gaming industry, estimates that

sports betting revenues could increase tenfold. New Jersey reported \$184 million in total wagers for the month of September 2018, 56% of which (\$104 million) was generated from online and mobile betting. Accordingly, DLS estimates that gross revenues could increase by \$71.1 million in fiscal 2020, totaling 4% of Maryland's gaming revenues, if sports betting is authorized both online and at Maryland casinos and racetracks. Assuming a 20% tax rate, the State share of revenues in fiscal 2020 would be \$14.2 million.

Additional Information

Prior Introductions: HB 1014 of 2018, a similar bill as amended by the House Ways and Means Committee, passed the House and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: HB 739 (Delegate Mangione, *et al.*) - Ways and Means.

Information Source(s): Maryland State Board of Elections; Maryland State Lottery and Gaming Control Agency; ESPN; Oxford Economics; Global Market Advisors; Department of Legislative Services

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