

**Maryland House Committee on Ways and Means**  
**Regulation of Sports Betting**  
**Testimony of the iDevelopment and Economic Association**  
**(iDEA Growth)**

Chairwoman Kaiser and members of the Committee, thank you for the opportunity to provide testimony on behalf of the iDevelopment and Economic Association (IDEA Growth). We thank Delegates Ebersole and Patterson for their thoughtful proposals, and we support the objectives of these bills, though we believe they could be improved by certain incremental changes.

IDEA Growth was founded to advocate for responsible policies that will spur economic growth and protect consumers. Our members represent all sectors of the sports betting industry and are licensed and regulated in the U.S. and jurisdictions throughout the world. iDEA Growth members are involved in every level of the sports betting ecosystem, including operations, development, technology and payment processing.

We applaud the committee for considering proposals to license and regulate sports betting and by the fact that HB225 embraces internet and mobile betting. We encourage a minor amendment to HB169 so that mobile betting is explicitly authorized under a future ballot referendum.

Mobile and internet-based betting are not just the future, they are the *now*. Today in New Jersey internet betting comprises of more 80 percent<sup>1</sup> of all wagers placed and a recent panel of industry experts predicts that in the U.S. 90 percent<sup>2</sup> of all wagers will soon be coming from a phone or a laptop. It is important to remember that Maryland's regulated sportsbooks biggest competitors will not be their fellow regulated sportsbooks, but the illegal market that operates primarily online and currently has a firm grip on Maryland consumers.

All legislation in this area needs to be understood in the context of competing with the illegal offshore market. That is why it is exceedingly important to create a regulatory environment that attracts consumers.

We believe the most successful regulatory programs are those that cultivate as free and open a market as possible, subject to appropriate gaming regulation. We are pleased that both bills broaden the scope of the entities can be licensed in Maryland. But this is only the first step in a truly competitive market. The next step is allowing for these master licensees to offer multiple unique online sportsbooks brands (often referred to as skins) as a way to increase competition, and ultimately increase tax revenue delivered to the state of Maryland.

<sup>1</sup> New Jersey Division of Gaming Enforcement, *DGE Announces December 2019 Total Gaming Revenue Results*, January 14, 2020.

<sup>2</sup> *Associated Press*, [Panel: 90% of US sport bets could be online in 5 to 10 years](#), June 13, 2019

Language in Section 9-1E-09 of House Bill 225 suggests that a “Sports Wagering Licensee” could offer two “Online Sports Wagering” platforms. This would automatically elevate the competitive market in a meaningful way. It ensures choice for Maryland consumers and fosters innovation amongst operators. All of this is good news for a state that is looking to sports betting as a new revenue opportunity.

Research conducted by Eilers & Krejcik Gaming clearly demonstrates the value of a multi-brand model.<sup>3</sup> In summary the research shows that when licensed operators can offer multiple brands it provides:

- Master license holders with additional ways to generate revenue and share fees/costs with their brand partners.
- States a way to increase tax and license fee revenue and promote a competitive marketplace.
- Consumers with additional options that will compete for their business through innovations and pricing that will make the illegal market an unattractive alternative.

#### Key Reasons Why States Are Considering Multiple-Skin Models<sup>4</sup>

<b>Market Size</b>	<b>A greater number of available online gambling brands can result in a larger overall market in revenue terms.</b>
<b>Tax Revenue</b>	<b>A larger overall market can result in a larger base of taxable revenue.</b>
<b>License Fee Revenue</b>	<b>The imposition of license fees not only on master license holders, but also on partner brands, can provide states with additional sources of revenue.</b>
<b>Competition</b>	<b>A greater number of available online gambling brands can increase competition in a market, which create benefits for consumers including better product variety and quality, and better product prices and promotions.</b>
<b>Competitive Balance</b>	<b>A multiple-skin model can increase revenue parity between larger and smaller operators in a market.</b>

<sup>3</sup> Eilers and Krejcik Gaming; *Analysis: How The Multiple-Brand Model Impacts State-Regulated Online Gambling Markets*; February 2019

<sup>4</sup> Ibid; Fig. 1-2

New Jersey has been instructive on the value of multiple brands. According to Eilers research<sup>5</sup> this model has boosted revenues in the New Jersey internet gaming market by **50 percent**. It also has generated more than **\$80 million** in additional local marketing dollars spent in the state and increased the number of new customers by nearly **100,000**.

The evidence is clear that more competition will bring more revenue to the state that will help pay for education, or other critical needs.

Two final points for consideration are the tax rate and licensing fees. Under HB225 the proposed tax rate of 20% is higher than what most states have embraced and will make it more difficult for licensed operators to compete with the unlicensed market. At some point, high AGR tax rates are self-defeating in that the state finds itself taking an increasing share of a decreasing market. We would advocate a tax rate in the range of 10% as better serving the interest of creating a robust market and still yielding considerable revenue for state government.

The license fees are equally troubling. A \$2,500,000.00 initial fee, plus a \$250,000.00 annual renewal would represent one of the highest costs for market entry in the U.S. It will put Maryland's industry at a disadvantage when compared to a state like West Virginia that has a far more reasonable fee (\$100,000.00 over 5 years!). And, of course, it would give illegal operators an additional advantage since they pay ZERO in fees or taxes to the state of Maryland. We urge you to consider a reduction in both the initial fee and the annual renewal payment.

With all of these things said, we applaud the legislature's interest in creating a sports betting market which provides Marylanders with access to licensed, regulated sports wagering with strong consumer protections. We look forward to working with you to establish the framework for a robust and competitive market that sparks economic growth, investment and tax revenues.

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<sup>5</sup> Ibid