

Maryland Senate Committee on Budget and Taxation **Regulation of Sports Betting**

Testimony of the iDevelopment and Economic Association (iDEA Growth)

Chairman Guzzone and members of the Committee, thank you for the opportunity to provide testimony on behalf of iDEA Growth. We were pleased to participate in the Sports Betting Workgroup meetings led by Senator Zucker earlier this year and we are honored to contribute to today's virtual hearing.

By way of background, iDEA Growth was founded to advocate for responsible internet gaming policies that will spur economic growth and protect consumers. Our membership -- 30 companies and growing -- represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States. iDEA Growth is uniquely positioned to provide a 360-degree perspective into every sports betting policy issue this committee will consider.

A lot has changed since the Senate passed legislation last year. Notably, the people of Maryland have spoken and on November 3rd, they overwhelmingly endorsed the concept on legal sports betting in the state. Another significant change is that Virginia has launched its mobile sports betting market, which is set to grow significantly over the next several months. Also, another neighboring state, Pennsylvania has seen their online sports betting market nearly double in terms of operators and revenues since this time last year.

It goes without saying that mobile and internet-based betting are not just the future, they are the *now*. Throughout the U.S. internet betting comprises nearly 80 percent of all wagers placed and a recent panel of industry experts predicts that 90 percent of all wagers will soon be coming from a phone or a laptop.

Not only does Maryland need to consider the legal options available just across its borders, Maryland's regulated sportsbooks biggest competitors will be the illegal market that operates primarily online and currently has a firm grip on Maryland consumers.

These illegal operators provide little in the way of consumer protections, have a deleterious impact on the state's legal gaming industry, and deprive Maryland from needed tax revenues.

All legislation in this area needs to be understood in the context of competing with the illegal offshore market. Regulation is about migrating customers away from this illegal market and providing them with an industry that is accountable to regulators and consumers in Maryland.

The most successful regulatory programs are those that cultivate a market that is as open and competitive as possible, subject to appropriate gaming regulation. iDEA Growth members' experience in the U.S. and around the world has shown that competition is vital to developing a thriving industry that maximizes customer engagement and tax revenue.

HB 940 does seek to create a competitive balance, and we applaud the House for adding more licenses to each category. Yet, we recommend that the Senate go even further and should amend the bill so there are at least as many online licenses available as there are Class A and B retail-only licenses. Another consideration for the Senate would be to remove the cap on mobile licenses entirely, and give the state and its consumers the benefit of a truly competitive mobile market place.

HB 940 emphasizes providing opportunities for Maryland's minority and woman-owned business community to be part of the sports betting industry. This laudable goal can only be achieved when these groups can be part of the fastest growing segment of the industry – mobile sports betting. To be clear, we are not suggesting that anyone who wants to launch a sportsbook in Maryland, should be allowed to do so. All mobile licensees and their online sports betting platform partners need to be thoroughly vetted for integrity, character and financial stability. Experience matters and running a sportsbook is a complex business with considerable regulatory and compliance obligations. Undoubtedly, Maryland will succeed when qualified operators and platforms are part of its mobile sports betting future.

Further, when Marylanders overwhelmingly approved sports betting last November, they voted for a ballot initiative that sought to maximize revenues for the state's education needs. In order to make good on this promise, there must be an emphasis on creating a system that will deliver the most revenues to the state, while at the same time being inclusive of Maryland's minority and women-owned businesses and the existing land-based gaming and racing industry. Creating more mobile competition is critical to achieving this goal.

Increasing the number of potential mobile operators isn't just good for Maryland consumers and businesses, it means more money to the state in the way of up-front licensing fees and long-term tax revenues.

For instance, the state of Colorado, with less population than Maryland, launched sports betting in May of 2020. As of today, Colorado residents have access to 18 mobile sportsbooks and it is expected that 6 to 8 more will become available by the first half of this year. Most significantly, is the fact that sports wagering handle has grown for 9 straight months as more competition has come into the market.

Indiana, a state that is similarly sized as Maryland, has a law which allows for up to 30 online sportsbook brands that can be made available to consumers. Today, there are 9 online brands competing in the market and several more are expected to launch in the coming weeks. As

competition grows in Indiana, so does tax revenues. The state took in nearly three times as much tax revenue from sports betting in January 2021 than it did during January 2020.

New Jersey has been the centerpiece for how online betting competition can drive economic growth. Just look at September / October sports betting revenue numbers for the past 3 years:

- In 2018, with 8 competitors New Jersey produced \$35.6 million in sportsbook revenue, resulting in \$2.8m in state tax revenue.
- In 2019, there were 18 online brands available and they brought in \$84.3 million for the industry and \$8.9m for the state.
- In 2020, as the market swelled to 21 competitors, New Jersey operators hauled in \$103.6m and in the state came away with \$12.4 million in taxes in just two months!

The evidence is clear that more competition will bring more revenue to the state; revenue that will help pay for education or other critical needs. We urge this committee to support changes to the bill that will ensure competition for mobile sports betting for the minority and women-owned business communities and for Maryland's land-based gaming and racing entities.

In conclusion, we want recommend that Maryland lawmakers begin exploring the benefits of authorizing and regulating other forms of internet gaming, such as poker and casino games (iGaming). Three of Maryland's neighboring states – Delaware, Pennsylvania and West Virginia – have already embraced internet gaming as a way to fully protect consumers from unregulated websites, modernize the gaming industry and increase revenues for their states. Regulation of iGaming has been hugely successful on all fronts in these states and iDEA Growth looks forward to being a resource on this topic as Maryland examines its competitive gaming future.

Thank you for the opportunity to testify. iDEA Growth is eager to work with all Maryland lawmakers and stakeholders to establish a robust and competitive industry that sparks economic growth, investment, and tax revenues for the state.