



Testimony Before Maryland General Assembly – Ways and Means Committee  
House Bill 940  
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Chairperson Kaiser, Members of the Committee:

My name is Sarah Koch and I am a Senior Director of Legal and Government Affairs at DraftKings Inc. (“DraftKings”). I appreciate the opportunity to testify before this distinguished body today on HB 940. I’d like to thank the committee and the sponsor of this bill, Speaker Jones, for their dedication to advancing sports betting legislation and supporting the participation of minority businesses within the framework.

DraftKings is a sports entertainment company currently offering sports betting in some form in 14 states. We are a regulated fantasy sports operator in Maryland and are proud to have been one of the major backers behind Maryland’s ballot measure campaign to legalize sports wagering last year, which ultimately led to a strong 67% approval vote by Marylanders. We appreciate the opportunity to participate in today’s hearing to discuss the importance of Maryland embracing a competitive, fully mobile sports wagering market.

Sports wagering is already taking place in Maryland on a massive scale, with an estimated 1.3 million Marylanders betting over \$2 billion in illegal wagers each year.<sup>1</sup> Nearly all the sports wagers in Maryland are placed online through offshore websites in the robust illegal market. Across the country, states are bringing this activity into a legal, regulated market. Nearly half the country has already passed sports wagering laws to date, including Maryland’s neighbors Delaware, Pennsylvania, West Virginia, the District of Columbia as well as Virginia, which has both enacted legislation and gone live with its competitive mobile sports betting framework in the past year.

Creating a competitive market will be crucial to the success of regulated sports wagering in Maryland and this legislation takes the important step of authorizing up to 10 mobile operators. To fully reap the benefits of legalizing sports wagering, any legislation that proposes a cap on number of license holders should also include a floor – provided that there are a sufficient number of qualifying applicants – to ensure a variety of products and operators to attract customers away

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<sup>1</sup> See <https://www.americangaming.org/wp-content/uploads/2018/12/AGA-Oxford-Sports-Betting-Economic-Impact-Report1-1.pdf> (noting that approximately 28% of U.S. adults currently bet on sports).

from the illegal market. More operators mean not only better products and customer engagement, it also means more local advertising revenue and more revenue for the state.

It's worth highlighting that legal operators are not just competing with other legitimate entities, they must also remain competitive with pricing from illegal, offshore sportsbooks that do not face the same taxation and regulatory costs. Barriers to market entry, such as high taxes and fees, cut into an operator's profit and reduces their ability to offer competitive pricing, a significant factor for consumers when making the decision on where to spend their money. Given that nearly all states have settled on a sports wagering tax rate between 6 – 15%, we respectfully ask the Committee to consider instituting a reasonable tax rate that is consistent with the nation's trend and encourages competition and growth while allowing operators to compete with illegal offshore operators and achieving the important objective of generating revenue for education in Maryland.

Finally, it should be noted that the more quickly sports betting goes live in Maryland, the more revenue can be generated for education in the state. DraftKings supports adding timeframes to the legislation to ensure that the process moves efficiently toward the licensing and launching of operators in this new market.

Thank you for the opportunity to testify today. I am happy to answer any questions.