

TO: The Honorable Anne R. Kaiser, Chair
Members, House Ways and Means Committee
The Honorable Speaker Adrienne A. Jones

FROM: Malik Edwards

DATE: February 25, 2021

RE: **SUPPORT WITH AMENDMENT** – House Bill 940 – *Gaming - Regulation of Fantasy Gaming Competitions and Implementation of Sports Wagering*

Bet on Black, LLC, a Maryland minority-owned company, submits this letter of **support with amendment** for **House Bill 940** because it provides minority business owners an opportunity for equity ownership of a sports wagering license in Maryland.

House Bill 940 establishes the Sports Wagering Application Review Commission, which will issue Class A, Class B, and mobile sports wagering licenses. Class A licenses are restricted to video lottery terminal operators and horse racing licensees. Five (5) Class B licenses will be available to independent operators. A maximum of ten (10) mobile licenses are available. The bill requires a sports wagering licensee to be subject to a minority business (*i.e.*, MBE) participation goal. It also requires the State Lottery and Gaming Control Commission and the Sports Wagering Application Review Commission, in consultation with other government agencies, to evaluate race-neutral programs or methods to address the needs of minority and women applicants and businesses seeking to participate in the sports wagering industry and to adopt regulations to implement remedial measures.

Bet on Black, LLC is very supportive of the main structural aspects of **House Bill 940**, which creates both Class A and B licensing as well as mobile licensing. Though these are concepts we have advocated, we believe the language relating to ensuring minority equity ownership of a license should be further strengthened to mirror the language in **Chapter 598 (2018): Natalie M. LaPrade Medical Cannabis Commission Reform Act**. The Act included language requiring disclosure of minority ownership of the applicant as well as a requirement that the Commission actively seek diversity when awarding licenses.

Moreover, we urge a requirement that an applicant for a sports wagering license identify their Minority Business Enterprise (MBE) partner at the time of application for a license, not sometime after licensure. This prevents bid-shopping and other nefarious procurement practices, which the Office of the Attorney General Contract Litigation Unit, Maryland Department of Transportation Office of Minority Business Enterprise, and/or the Governor's Office of Small, Minority, and Women Business Affairs can explain in extensive detail with historical context. Lastly, the total number of mobile licenses should be raised to equal the total number of Class A and B licenses. About 86% of sports gaming revenue is derived from mobile applications, and a Class B licensee would likely need a mobile license to be meaningfully profitable. Additional proposed amendments are attached to this testimony.

As you consider **House Bill 940**, we hope you recognize the vital importance of ensuring that minority business owners can truly have an equity ownership opportunity in the sports wagering industry. We urge the House Ways and Means Committee to give **House Bill 940** a favorable report following the inclusion of the above and below referenced amendments.

For more information call:
Malik Edwards
malik@betonblackllc.com
(410) 292-7851

Bet on Black, LLC Proposed Amendments

House Bill 940: Gaming - Regulation of Fantasy Gaming Competitions and Implementation of Sports Wagering

Summary:

- Implementation of sports gaming in Maryland should learn from the initial challenges experienced implementing cannabis grower licenses in 2016. The *2018 Cannabis Commission Reform Act* and its corrective provisions is instructive on how sports gaming should be implemented in Maryland. The provisions in that Act should serve as a model for sports gaming legislation to ensure minority equity inclusion.
- Sports gaming license applicants must identify their MBE partner with their application, not after they have already been licensed. This is consistent with Maryland's competitive sealed proposal process in the State Finance and Procurement Article and corresponding regulations, which require identification of an MBE in the proposal. This prevents bid-shopping and other nefarious procurement practices.
- The availability of mobile licenses should be increased from 10 to 12. HB940 defines the casinos and horseracing licensees as Class A applicants. No more than 5 Class B licenses can be issued. About 86% of sports gaming revenue is derived from mobile applications. Assuming that all Class A licensees receive a mobile license, that only leaves 3 remaining for Class B licensees. By raising the number of mobile licenses to 12, all Class B licensees may potentially be awarded a mobile license as well.
- The Class B licensee restriction from being locating within 10-miles of a Class A licensee is overbroad. For example, that would mean a Class B licensee cannot be located anywhere in Baltimore City, southern Baltimore County (Towson), northern Anne Arundel County, and areas surrounding Laurel, which overlaps Howard, Anne Arundel, and Prince George's Counties, due to the locations of Horseshoe Casino, Maryland Live Casino, Laurel Racetrack, and Pimlico Racetrack. It should be reduced to 5-miles.
- An applicant for a license should be required to make a good faith effort to solicit and interview a reasonable number of minority investors. This is consistent with promoting minority equity inclusion in the ownership of sports gaming licenses.

Proposed Amendment Text:

Page 16, Line 28: Strike "and", Insert "(2) An applicant for a sports wagering license under this subtitle shall submit with the application for licensure an affidavit attesting to:

- (i) The number of minority and women owners of the applicant;
- (ii) The ownership interest of any minority and women owners of the applicant;
- (iii) The number of minority and women employees of the applicant; and
- (iv) Any other information considered necessary by the Commission; and"

Page 30, Line 17: Insert 9-1E-14(F)(3) Shall:

1. To the extent permitted by federal and State law, actively seek to achieve racial, ethnic, gender, and geographic diversity when awarding sports wagering facility licenses and mobile sports wagering licenses; and
 2. Encourage applicants who qualify as a minority business enterprise, as defined in § 14-301 of the State Finance and Procurement Article, or who are small, minority, or women-owned business entities to apply for sports wagering facility licenses and mobile sports wagering licenses.
- (ii) Beginning June 1, 2021, a sports wagering licensee shall report annually to the Commission on:
1. The number of minority and women owners of the sports wagering license;
 2. The ownership interest of any minority and women owners of the sports wagering license; and

3. The number of minority and women employees of the sports wagering license.

Page 17, Line 1: Strike “licensee”, insert “applicant”

Page 14, Line 21: Strike in its entirety. Insert “Waive some or all of the requirements of this subtitle, except the requirements under Section 9-1E-15(F)(2).”

Page 15, Line 14: Strike “10”, insert “12”

Page 30, Line 13: Strike “10”, insert “12”

Page 15, Line 25: Strike “10-mile”, insert “5-mile”

Page 31, Line 11-14: Strike in its entirety lines 11-14. Insert “An applicant shall take the following steps before being awarded a license by the Sports Wagering Application Review Commission:”

Model Language from Maryland Health General Article:

Chapter 598 (2018): Natalie M. LaPrade Medical Cannabis Commission Reform Act

**MD Code, Health - General, § 13-3305.3
§ 13-3305.3. Affidavit regarding women and minorities**

A person that applies for licensure under this subtitle shall submit with the application for licensure an affidavit attesting to:

- (1) The number of minority and women owners of the applicant;
- (2) The ownership interest of any minority and women owners of the applicant;
- (3) The number of minority and women employees of the applicant; and
- (4) Any other information considered necessary by the Commission.

**MD Code, Health - General, § 13-3306
§ 13-3306. License required for medical marijuana growers to operate in State**

In general

(a)

- (9) (i) The Commission shall:
 1. To the extent permitted by federal and State law, actively seek to achieve racial, ethnic, gender, and geographic diversity when licensing medical cannabis growers; and
 2. Encourage applicants who qualify as a minority business enterprise, as defined in § 14-301 of the State Finance and Procurement Article, or who are small, minority, or women-owned business entities to apply for licensure as medical cannabis growers.
- (ii) Beginning June 1, 2018, a grower licensed under this subtitle to operate as a medical cannabis grower shall report annually to the Commission on:
 1. The number of minority and women owners of the grower;
 2. The ownership interest of any minority and women owners of the grower; and
 3. The number of minority and women employees of the grower.