



MARYLAND DEPARTMENT OF LEGISLATIVE SERVICES

Analysis of the Sports Wagering Industry and Relevant North American Industry Classification System (NAICS) Codes

Prepared for:

Maryland Department of Legislative Services
90 State Circle
Annapolis MD 21401

Prepared by:

Keen Independent Research LLC
701 N 1st Street
Phoenix AZ 85004
303-385-8515
www.keenindependent.com

Final Report
June 2022

**KEEN
INDEPENDENT
RESEARCH**

TABLE OF CONTENTS

SUMMARY REPORT

Introduction	1
Research Methods and Participation	2
Industries of Licensees and Prospective Applicants.....	6
One-Time Spending by Mobile Licensees	8
Ongoing Spending by Mobile Licensees.....	12
One-Time Spending by Facility Licensees	17
Ongoing Spending by Facility Licensees.....	22

APPENDIX A. LITERATURE REVIEW

Economic Impacts of Sports Wagering	A-1
---	-----

APPENDIX B. SPORTS WAGERING IN OTHER STATES

Introduction	B-1
Untethered Mobile Licenses	B-2
Diversity, Equity and Economic Development	B-3
Individual State Cases	B-4

APPENDIX C. QUALITATIVE INFORMATION

Introduction.....	C-1
Expense Forecasting Challenges	C-2
Industry Conditions.....	C-6
Barriers to Entering Mobile Sports Wagering.....	C-10
Barriers to Entering Facility-Based Sports Wagering	C-16
Broadening Industry Participation.....	C-20

SUMMARY REPORT — Introduction

The State of Maryland legalized sports wagering in the spring of 2021. Legislation authorized a set aside category of sports wagering facility licenses for 17 entities. The first organizations to apply for and receive licenses began operating in December 2021. In addition to the 17 designated facilities, Maryland legislation allows for up to 30 more facility licenses and up to 60 mobile licenses.

As Maryland Lottery and Gaming Control Commission (MLGCC) and the Sports Wagering Application Review Commission (SWARC) prepare to grant mobile licenses and expand facility licensing, they seek data to better understand the industries of licensees and spending that has been or may be generated related to sports wagering.

2022 Analysis of the Sports Wagering Industry and Relevant North American Classification System (NAICS) Codes

The State engaged Keen Independent Research LLC (Keen Independent) to collect and analyze actual and forecasted spending related to mobile and sports wagering facility licenses.

Scope of work. Keen Independent’s scope of work included:

- Examining the organizations that have been or may be issued sports wagering licenses, including classification by six-digit NAICS Code if possible; and
- Analyzing the actual and likely spending by license holders and prospective license applicants by NAICS code, including consideration of in-state versus out-of-state spending.

The study entailed:

1. Developing a comprehensive list of NAICS codes involved in the sports and event wagering industry;
2. Analyzing major activities that will be involved in Maryland’s sports and event wagering industry;
3. Developing an estimate of funds likely to be spent in each NAICS code for one-time and ongoing expenses;
4. Estimating the percentage of funds by NAICS code that has or will be spent; and
5. Delivering a report.

SUMMARY REPORT — Research methods and participation

The work included:

- Secondary research on economic impacts of sports wagering;
- Case studies of sports wagering in comparable states;
- Interviews with facility license holders and prospective facility and/or mobile license applicants regarding actual and forecasted sports wagering expenses; and
- Collection and analysis of actual and forecasted spending from launching and operating sports wagering.

Secondary Research and Case Studies

Keen Independent compiled background information for this analysis from secondary research on the economic impacts of legalized sports wagering (see Appendix A) and information on the status and comparability of sports wagering in other states (see Appendix B).

The literature review and examination of sports wagering in other states generated limited results. First, sports wagering is still relatively new in the United States, with legalization only beginning in individual states after 2018. Second, Maryland will issue both mobile and facility licenses but all mobile licenses will be issued separately from facility licenses, which is atypical compared to most other states (see Appendix B).

Interviews

Keen Independent identified and reached out via email and/or phone to leaders associated with 102 organizations that (a) currently hold a license, (b) were designated by legislation for sports wagering licensure or (c) were identified by MLGCC or SWARC as potentially interested in sports wagering. Lists provided to the study team included licensees, prospective applicants, related businesses, suppliers, lottery retailers and others who had provided an email address to stay informed about MLGCC and SWARC activities on sports wagering.

Keen Independent successfully reached and interviewed representatives from 40 of the identified organizations. Interviewees provided background information about their businesses, potential interest in mobile and/or facility licenses, anticipated updates they might need to make to conduct sports wagering and projections of both one-time startup costs and ongoing annual spending if they obtained a license.

Interviewees spoke about general industry conditions and expectations in Maryland, challenges for businesses interested in mobile or facility-based sports wagering and ways that the State might foster broader participation in the industry. Appendix C summarizes this qualitative information. Identifying information about interviewees and details that would reveal individual organizations or their strategies have been excluded from this report consistent with efforts to protect interviewee confidentiality.

SUMMARY REPORT — Research methods and participation

Self-Reported Expenses by NAICS Codes

The focus of this Summary Report is projected spending related to sports wagering licenses.

Current and prospective sports wagering license holders who participated in interviews were asked to self-report sports wagering expenses by NAICS code using standardized Excel spreadsheets. Keen Independent provided spreadsheets and supporting instructions following each completed interview.

Organizations completed separate spreadsheets for mobile and facility-based sports wagering expenses. The expenditure information that organizations submitted was based on actual expenses where applicable and forecasted expenses when spending had yet to occur. They were also asked to differentiate one-time startup costs from ongoing annual expenses, and to distinguish spending in the Maryland region from spending outside the region. The Maryland region was described as Maryland and portions of other states within the Washington, D.C. metropolitan area.

Organizations also reported expected changes in personnel costs to support sports wagering on an annual basis. These economic impacts of sports wagering are reflected in the NAICS code in which jobs will be added.

Player incentives such as free betting offers were excluded from the aggregated results, as were license fees and taxes.



SUMMARY REPORT — Research methods and participation

Expense Forecast Participation

Of the 40 organizations included in the interviews, one was in a related business but not a potential licensee and was therefore not asked to complete a spreadsheet. After receiving spreadsheets, two others indicated they had decided not to pursue licenses.

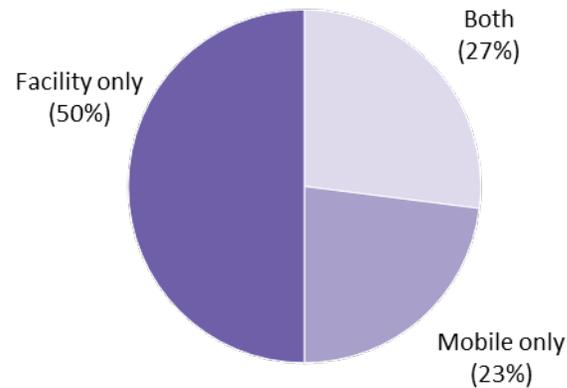
Of the remaining 37 organizations asked to self-report expenditure data, 22 organizations returned data.

Organizations completing expenditure forecasts. Of the 22 organizations returning expense data for the study, six forecasted expenses for both facility and mobile licenses (27%), five projected expenses for mobile licenses only (23%) and 11 forecasted expenses for facility licenses only (50%). Figure 1 shows these results.

Expense forecasts by license type. Some of the 22 participating organizations provided forecasts for both mobile and sports wagering, bringing the total number of forecasts received to 28. Of the 28 expense forecasts received, 11 were for mobile licenses (39%) Seventeen were for facility licenses (61%). Results are provided in Figure 2.

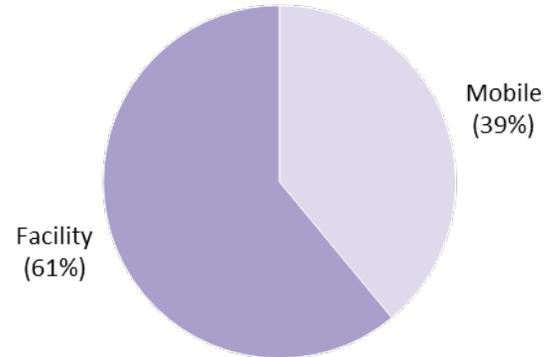
Approximately half of interviewees expressed interest in mobile licenses, either mobile only or both mobile and facility. However, they were less likely to complete a mobile spreadsheet due to difficulty forecasting mobile expenses (see comments in Appendix C).

1. Organizations completing expenditure forecasts by license type



Source: Keen Independent Research.

2. Forecasts by license type



Source: Keen Independent Research.

SUMMARY REPORT — Research methods and participation

Limitations. Note that the projected increase in employment and forecasted spending should not be used as a definitive estimate of total new spending. Some potential licensees never responded to outreach or did not return information about their future spending. It is also possible that at least some of those who provided data will never apply for or receive a license and that some organizations not reached in this study will apply for and obtain licenses. The share of spending in each NAICS code may be more reliable than the total dollars shown.

As discussed in Appendix C, it was difficult for many potential licensees to project their spending as well as distribute that spending between the Maryland region and outside the region given uncertainties about the market and how they would operate. Projections are estimates given the information respondents had as of spring 2022.

SUMMARY REPORT — Industries of licensees and prospective applicants

Keen Independent identified the NAICS codes for 37 organizations that are licensed or wish to pursue a license and were willing and able to provide projected spending.

- About 30 percent (11 organizations) are categorized under the NAICS code for “Other Gambling Industries” (713290), which includes sportsbook operators and off-track betting facilities.
- About 24 percent (9 organizations) are groups designated by Maryland’s sports wagering legislation such as casinos, casino hotels, racetracks and sports teams.
- About 32 percent (12 organizations) are comprised of an assortment of industries with no single concentration. Examples include holding companies, sports bars, liquor stores or technology enterprises.
- About 14 percent (5 organizations) have no identifiable prior NAICS code. Three of these cases were entrepreneurs of wide-ranging backgrounds who expect to form sports wagering businesses that would ultimately be categorized in “Other Gambling Industries.” In two cases, conversations took place with intermediaries representing clients whose identities and identifying information were undisclosed.

3. Interviewees by NAICS code

NAICS codes and descriptions		Count
713290	Other gambling industries	11
721120	Casino hotels	5
551112	Offices of other holding companies	3
447110	Gasoline stations with convenience stores	2
541512	Computer systems design devices	2
711211	Sports teams and clubs	2
722410	Drinking places (alcoholic beverages)	2
445310	Beer, wine and liquor stores	1
711212	Racetracks	1
711510	Independent artists, writers and performers	1
713210	Casino (except casino hotels)	1
713990	All other amusement and recreation industries	1
NA	No prior NAICS available	3
NA	Intermediary to prospective licensee	2
Total		37

Source: Keen Independent Research.

SUMMARY REPORT — Industries of licensees and prospective applicants

NAICS codes of organizations that provided expense forecasts.

Twenty-two of the 37 organizations provided expenditure forecasts. The distribution of the 22 organizations that provided forecasts is similar to the industries represented by the interviewees.

- About 40 percent (9 organizations) are under the NAICS code for “Other Gambling Industries;”
- About 27 percent (6 organizations) are groups designated by Maryland’s sports wagering legislation;
- About 23 percent (5 organizations) are in other industries with no single concentration; and
- About 9 percent (2 organizations) have no prior identifiable NAICS code.

SUMMARY REPORT — One-time spending by mobile licensees

One-Time Expenses for Mobile Sports Wagering

One-time expense forecasts for mobile sports wagering from the organizations submitting projections are reported in aggregate in Figure 4 (see following three pages). Forecasts for each NAICS code are rounded to the nearest \$1,000. Expenses exclude license fees and taxes.

The average one-time expenses forecasted by the 11 reporting organizations was \$930,000. The median was \$350,000.

At the low end, organizations indicated that they expect to spend \$25,000–\$50,000 for mobile sports wagering. At the high end, one-time expense forecasts are in the range of about \$2–5 million.

As shown in Figure 4, the greatest areas of total one-time spending projected for mobile licenses are in construction and IT services and equipment. Notably, construction expenses were reported by only one respondent.

SUMMARY REPORT — One-time spending by mobile licensees

4. One-time expense forecasts related to mobile sports wagering (part 1 of 3)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
236220	Commercial and institutional building construction	\$ 3,574	34.8 %	\$ 3,574	41.5 %
541511	Custom computer programming services	1,428	13.9	378	4.4
541512	Computer systems design services	876	8.5	626	7.3
522110	Commercial banking	655	6.4	650	7.6
713290	Other gambling industries	600	5.8	550	6.4
518210	Computing infrastructure providers, data processing, web hosting and related services	510	5.0	500	5.8
334111	Computer servers manufacturing	430	4.2	300	3.5
541430	Graphic design services	207	2.0	207	2.4
511210	Software publishers	203	2.0	178	2.1
541611	Administrative management and general management consulting services	183	1.8	133	1.5
541110	Offices of lawyers	166	1.6	114	1.3
237310	Highway, street and bridge construction	125	1.2	125	1.5
238190	Other foundation, structure and building exterior contractors	116	1.1	116	1.3
337127	Institutional furniture manufacturing	116	1.1	116	1.3
339950	Sign manufacturing	108	1.1	108	1.3
423430	Computer and computer peripheral equipment and software merchant wholesalers	98	1.0	98	1.1
541310	Architectural services	75	0.7	75	0.9
453210	Office supplies and stationery stores	73	0.7	73	0.8
238210	Electrical contractors and other wiring installation contractors	72	0.7	72	0.8
333921	Elevator and moving stairway manufacturing	66	0.6	66	0.8
541810	Advertising agencies	53	0.5	53	0.6
238160	Roofing contractors	51	0.5	51	0.6
443142	Electronics stores	46	0.4	46	0.5

Note: Forecasted construction expenditures in NAICS code 236220 were reported by one organization.

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — One-time spending by mobile licensees

4. One-time expense forecasts related to mobile sports wagering (part 2 of 3)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
238990	All other specialty trade contractors	\$ 42	0.4 %	\$ 42	0.5 %
541830	Media buying agencies	40	0.4	40	0.5
541613	Marketing consulting services	38	0.4	38	0.4
238220	Plumbing, heating and air-conditioning contractors	35	0.3	35	0.4
524126	Direct property and casualty insurance carriers	30	0.3	0	0.0
541870	Advertising material distribution services	30	0.3	30	0.3
423440	Other commercial equipment merchant wholesalers	17	0.2	17	0.2
561621	Security system services	17	0.2	17	0.2
423420	Office equipment merchant wholesalers	16	0.2	16	0.2
323111	Commercial printing	16	0.2	16	0.2
221121	Electric bulk power transmission and control	15	0.1	15	0.2
541211	Offices of certified public accountants	14	0.1	14	0.2
541820	Public relations agencies	12	0.1	12	0.1
424120	Stationery and office supplies merchant wholesalers	10	0.1	10	0.1
522320	Financial transactions processing, reserve and clearinghouse activities	10	0.1	0	0.0
491110	Postal service	10	0.1	10	0.1
561730	Landscaping services	9	0.1	9	0.1
238320	Painting and wall covering contractors	8	0.1	8	0.1
541910	Marketing research and public opinion polling	8	0.1	8	0.1
221210	Natural gas distribution	6	0.1	6	0.1
238350	Finish carpentry contractors	5	0.0	5	0.1
238390	Other building finishing contractors	4	0.0	4	0.1
517311	Wired telecommunications carriers	4	0.0	4	0.1

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — One-time spending by mobile licensees

4. One-time expense forecasts related to mobile sports wagering (part 3 of 3)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
541620	Environmental consulting services	\$ 4	0.0 %	\$ 4	0.0 %
238330	Flooring contractors	4	0.0	4	0.0
324121	Asphalt paving mixture and block manufacturing	4	0.0	4	0.0
238310	Drywall and insulation contractors	4	0.0	4	0.0
333413	Industrial and commercial fan, blower and air purification equipment manufacturing	4	0.0	4	0.0
541922	Commercial photography	4	0.0	4	0.0
517919	All other telecommunications	3	0.0	3	0.0
334290	Other communications equipment manufacturing	3	0.0	3	0.0
423850	Janitorial equipment and supplies merchant wholesalers	3	0.0	3	0.0
532420	Office machinery and equipment rental and leasing	3	0.0	3	0.0
423210	Furniture merchant wholesalers	2	0.0	2	0.0
492110	Couriers and express delivery services	1	0.0	1	0.0
541214	Payroll services	1	0.0	1	0.0
238290	Other building equipment contractors	1	0.0	1	0.0
541330	Engineering services	1	0.0	1	0.0
	Total	\$ 10,265	100.0 %	\$ 8,603	100.0 %

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — Ongoing spending by mobile licensees

Ongoing Expenses for Mobile Sports Wagering

Forecasts of ongoing annual expenses for mobile sports wagering are reported in aggregate in Figure 5. Expenses exclude license fees, taxes and player incentives such as free bet offers. (Note that the table spans four pages.)

The 11 reporting organizations forecast ongoing expenses of \$12.9 million on average. The median was \$1.9 million.

At the low end, organizations indicate that they will spend from about \$250,000–\$600,000 per year for mobile sports wagering. At the high end, ongoing annual expenses are in the \$50–65 million range.

Some of the areas of highest project spending are marketing, advertising and IT related expenses. Processing of financial transactions was another area of relatively high projected spending, but interviewees expected little of that spending to be in Maryland.

The range of expected costs reported for marketing and player acquisition led to a wider distribution of projected ongoing spending for mobile sports wagering than for facility licenses.

In total, the 11 organizations expect to add more than 100 staff positions with salary and benefit expenses of \$17.8 million, about 13 percent of the totals shown in Figure 5.

SUMMARY REPORT — Ongoing spending by mobile licensees

5. Ongoing annual expense forecasts related to mobile sports wagering (part 1 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
541830	Media buying agencies	\$ 44,594	31.5 %	\$ 15,594	15.6 %
541810	Advertising agencies	27,071	19.1	27,071	27.1
541512	Computer systems design services	15,813	11.2	15,441	15.5
522320	Financial transactions processing, reserve and clearinghouse activities	6,995	4.9	161	0.2
713290	Other gambling industries	5,408	3.8	2,807	2.8
561720	Janitorial services	5,352	3.8	5,352	5.4
221121	Electric bulk power transmission and control	5,287	3.7	5,287	5.3
238210	Electrical contractors and other wiring installation contractors	3,150	2.2	3,150	3.2
541110	Offices of lawyers	3,061	2.2	3,046	3.1
515210	Cable and other subscription programming	2,337	1.6	2,337	2.3
541211	Offices of certified public accountants	2,280	1.6	2,270	2.3
518210	Computing infrastructure providers, data processing, web hosting and related services	1,287	0.9	286	0.3
811310	Commercial and industrial machinery and equipment repair and maintenance	1,271	0.9	1,271	1.3
423430	Computer and computer peripheral equipment and software merchant wholesalers	1,052	0.7	1,047	1.0
541214	Payroll services	1,022	0.7	657	0.7
541890	Other services related to advertising	944	0.7	344	0.3
561730	Landscaping services	856	0.6	856	0.9
541611	Administrative management and general management consulting services	804	0.6	354	0.4
532490	Other commercial and industrial machinery and equipment rental and leasing	788	0.6	788	0.8
811213	Communication equipment repair and maintenance	693	0.5	693	0.7
721120	Casino hotels	672	0.5	672	0.7
561612	Security guards and patrol services	615	0.4	615	0.6
522110	Commercial banking	600	0.4	595	0.6

Note: NAICS codes 541512, 551112, 713290, 721120 and 722410 include internal staff salary and benefit expense forecasts. About 90% of code 541512 is personnel costs from one organization.

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — Ongoing spending by mobile licensees

5. Ongoing annual expense forecasts related to mobile sports wagering (part 2 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
238220	Plumbing, heating and air-conditioning contractors	\$ 520	0.4 %	\$ 520	0.5 %
423850	Janitorial equipment and supplies merchant wholesalers	520	0.4	520	0.5
551112	Offices of other holding companies	480	0.3	480	0.5
562111	Solid waste collection	462	0.3	462	0.5
541820	Public relations agencies	456	0.3	456	0.5
423840	Industrial supplies merchant wholesalers	431	0.3	431	0.4
541511	Custom computer programming services	419	0.3	174	0.2
443142	Electronics stores	408	0.3	407	0.4
541850	Outdoor advertising	403	0.3	403	0.4
811212	Computer and office machine repair and maintenance	397	0.3	307	0.3
524126	Direct property and casualty insurance carriers	381	0.3	381	0.4
323111	Commercial printing	303	0.2	303	0.3
424120	Stationery and office supplies merchant wholesalers	282	0.2	280	0.3
517311	Wired telecommunications carriers	242	0.2	241	0.2
561320	Temporary help services	230	0.2	230	0.2
541612	Human resources consulting	221	0.2	221	0.2
531120	Lessors of nonresidential buildings	218	0.2	218	0.2
561311	Employment placement agencies	216	0.2	211	0.2
532289	All other consumer goods rental	192	0.1	192	0.2
541430	Graphic design services	181	0.1	181	0.2
561710	Exterminating and pest control services	179	0.1	179	0.2
722410	Drinking places (alcoholic beverages)	169	0.1	169	0.2
541910	Marketing research and public opinion polling	150	0.1	90	0.1

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — Ongoing spending by mobile licensees

5. Ongoing annual expense forecasts related to mobile sports wagering (part 3 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
238290	Other building equipment contractors	\$ 147	0.1 %	\$ 147	0.1 %
811412	Appliance repair and maintenance	147	0.1	147	0.1
511210	Software publishers	146	0.1	145	0.1
492210	Local messengers and local delivery	131	0.1	131	0.1
621999	All other miscellaneous ambulatory health care services	131	0.1	131	0.1
517312	Wireless telecommunications carriers	130	0.1	12	0.0
325611	Soap and other detergent manufacturing	116	0.1	116	0.1
541330	Engineering services	116	0.1	116	0.1
541922	Commercial photography	108	0.1	108	0.1
541870	Advertising material distribution services	105	0.1	105	0.1
541613	Marketing consulting services	92	0.1	92	0.1
541990	All other professional, scientific and technical services	89	0.1	89	0.1
517919	All other telecommunications	85	0.1	84	0.1
448190	Other clothing stores	79	0.1	79	0.1
532420	Office machinery and equipment rental and leasing	76	0.1	76	0.1
812320	Dry-cleaning and laundry services	74	0.1	74	0.1
711211	Sports teams and clubs	70	0.0	70	0.1
722320	Caterers	51	0.0	51	0.1
541350	Building inspection services	47	0.0	47	0.0
721110	Hotels	45	0.0	45	0.0
492110	Couriers and express delivery services	45	0.0	45	0.0
481111	Scheduled passenger air transportation	40	0.0	10	0.0
561210	Facilities support services	25	0.0	25	0.0

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — Ongoing spending by mobile licensees

5. Ongoing annual expense forecasts related to mobile sports wagering (part 4 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
491110	Postal service	\$ 25	0.0 %	\$ 25	0.0 %
561110	Office administrative services	23	0.0	13	0.0
561621	Security system services	23	0.0	23	0.0
446110	Pharmacies and drugstores	16	0.0	16	0.0
722511	Full-service restaurants	11	0.0	11	0.0
337127	Institutional furniture manufacturing	10	0.0	10	0.0
339950	Sign manufacturing	10	0.0	5	0.0
453210	Office supplies and stationery stores	9	0.0	9	0.0
711510	Independent artists, writers and performers	8	0.0	8	0.0
813910	Business associations	7	0.0	7	0.0
334290	Other communications equipment manufacturing	7	0.0	7	0.0
812930	Parking lots and garages	7	0.0	7	0.0
541860	Direct mail advertising	6	0.0	6	0.0
561790	Other services to buildings and dwellings	5	0.0	5	0.0
485310	Taxi service	5	0.0	5	0.0
485999	All other transit and ground passenger transportation	5	0.0	5	0.0
532111	Passenger car rental	3	0.0	0	0.0
	Total	\$ 141,686	100.0 %	\$ 99,856	100.0 %

Source: Keen Independent Research from information provided by potential mobile license holders.

SUMMARY REPORT — One-time spending by facility licensees

One-Time Expenses for Facility-Based Sports Wagering

Keen Independent collected similar information from current and potential holders of sports wagering facility licenses.

Figure 6 presents one-time expense forecasts for facility-based sports wagering. Expenses exclude license fees and taxes. One-time spending includes some expenditures already made. (The table spans four pages.)

The average one-time expenses for the 17 reporting organizations was \$1.9 million. The median was \$990,000.

At the low end, organizations expect from less than \$100,000 to about \$300,000 in one-time expenses for facility-based sports wagering. At the high end, one-time expenses are in the \$5–10 million range.

Spending in the gambling industry NAICS code along with construction, advertising and IT expenses account for much of the one-time spending projected by interviewees.

SUMMARY REPORT — One-time spending by facility licensees

6. One-time expense forecasts related to facility-based sports wagering (part 1 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
713290	Other gambling industries	\$ 8,834	25.1 %	\$ 8,834	30.1 %
236220	Commercial and institutional building construction	7,200	20.5	5,808	19.8
238210	Electrical contractors and other wiring installation contractors	1,706	4.8	1,706	5.8
541810	Advertising agencies	1,653	4.7	628	2.1
443142	Electronics stores	1,260	3.6	644	2.2
541511	Custom computer programming services	1,115	3.2	115	0.4
339950	Sign manufacturing	1,079	3.1	979	3.3
423430	Computer and computer peripheral equipment and software merchant wholesalers	873	2.5	525	1.8
238290	Other building equipment contractors	786	2.2	786	2.7
541110	Offices of lawyers	760	2.2	760	2.6
238160	Roofing contractors	748	2.1	748	2.5
511210	Software publishers	678	1.9	378	1.3
541310	Architectural services	672	1.9	484	1.6
423210	Furniture merchant wholesalers	575	1.6	406	1.4
238310	Drywall and insulation contractors	539	1.5	539	1.8
518210	Computing infrastructure providers, data processing, web hosting and related services	510	1.4	510	1.7
423440	Other commercial equipment merchant wholesalers	506	1.4	505	1.7
237310	Highway, street and bridge construction	488	1.4	488	1.7
561621	Security system services	437	1.2	372	1.3
541611	Administrative management and general management consulting services	406	1.2	350	1.2
334290	Other communications equipment manufacturing	386	1.1	86	0.3
541512	Computer systems design services	257	0.7	200	0.7
541430	Graphic design services	250	0.7	249	0.8

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — One-time spending by facility licensees

6. One-time expense forecasts related to facility-based sports wagering (part 2 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
238990	All other specialty trade contractors	\$ 245	0.7 %	\$ 245	0.8 %
238220	Plumbing, heating and air-conditioning contractors	210	0.6	210	0.7
238350	Finish carpentry contractors	185	0.5	185	0.6
238330	Flooring contractors	182	0.5	182	0.6
541490	Other specialized design services	181	0.5	181	0.6
238390	Other building finishing contractors	166	0.5	147	0.5
238190	Other foundation, structure and building exterior contractors	157	0.4	157	0.5
541830	Media buying agencies	150	0.4	150	0.5
423420	Office equipment merchant wholesalers	135	0.4	133	0.5
517919	All other telecommunications	106	0.3	106	0.4
517311	Wired telecommunications carriers	105	0.3	105	0.4
541330	Engineering services	94	0.3	87	0.3
238320	Painting and wall covering contractors	93	0.3	93	0.3
423610	Electrical apparatus and equipment, wiring supplies and related wholesalers	87	0.2	61	0.2
448190	Other clothing stores	84	0.2	64	0.2
323111	Commercial printing	75	0.2	75	0.3
333921	Elevator and moving stairway manufacturing	75	0.2	65	0.2
531120	Lessors of nonresidential buildings	75	0.2	75	0.3
453210	Office supplies and stationery stores	71	0.2	21	0.1
337127	Institutional furniture manufacturing	68	0.2	65	0.2
541211	Offices of certified public accountants	64	0.2	44	0.1
541350	Building inspection services	62	0.2	62	0.2
522110	Commercial banking	60	0.2	60	0.2

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — One-time spending by facility licensees

6. One-time expense forecasts related to facility-based sports wagering (part 3 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
541890	Other services related to advertising	\$ 60	0.2 %	\$ 60	0.2 %
561613	Armored car services	60	0.2	60	0.2
541850	Outdoor advertising	58	0.2	58	0.2
541820	Public relations agencies	50	0.1	35	0.1
324121	Asphalt paving mixture and block manufacturing	49	0.1	49	0.2
221121	Electric bulk power transmission and control	45	0.1	45	0.2
541613	Marketing consulting services	38	0.1	38	0.1
541214	Payroll services	35	0.1	35	0.1
561730	Landscaping services	35	0.1	35	0.1
238910	Site preparation contractors	34	0.1	34	0.1
561710	Exterminating and pest control services	30	0.1	30	0.1
424120	Stationery and office supplies merchant wholesalers	29	0.1	5	0.0
541922	Commercial photography	29	0.1	29	0.1
562111	Solid waste collection	25	0.1	25	0.1
561790	Other services to buildings and dwellings	23	0.1	7	0.0
811212	Computer and office machine repair and maintenance	21	0.1	21	0.1
221330	Air conditioning supply	20	0.1	20	0.1
334419	Other electronic component manufacturing	17	0.0	17	0.1
561320	Temporary help services	14	0.0	14	0.0
517312	Wireless telecommunications carriers	10	0.0	10	0.0
561110	Office administrative services	10	0.0	10	0.0
561210	Facilities support services	10	0.0	10	0.0
541910	Marketing research and public opinion polling	10	0.0	9	0.0

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — One-time spending by facility licensees

6. One-time expense forecasts related to facility-based sports wagering (part 4 of 4)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
532420	Office machinery and equipment rental and leasing	\$ 8	0.0 %	\$ 8	0.0 %
541990	All other professional, scientific and technical services	5	0.0	1	0.0
221310	Water supply and irrigation systems	5	0.0	5	0.0
325611	Soap and other detergent manufacturing	5	0.0	5	0.0
423850	Janitorial equipment and supplies merchant wholesalers	5	0.0	5	0.0
515210	Cable and other subscription programming	5	0.0	2	0.0
522320	Financial transactions processing, reserve and clearinghouse activities	5	0.0	5	0.0
541860	Direct mail advertising	5	0.0	5	0.0
561311	Employment placement agencies	3	0.0	3	0.0
541620	Environmental consulting services	2	0.0	2	0.0
811213	Communication equipment repair and maintenance	2	0.0	1	0.0
333413	Industrial and commercial fan, blower and air purification equipment manufacturing	1	0.0	1	0.0
446110	Pharmacies and drugstores	1	0.0	1	0.0
491110	Postal service	0	0.0	0	0.0
492110	Couriers and express delivery services	0	0.0	0	0.0
	Total	\$ 35,208	100.0 %	\$ 29,366	100.0 %

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — Ongoing spending by facility licensees

Ongoing Expenses for Facility-Based Sports Wagering

Ongoing annual expense forecasts for facility-based sports wagering are reported in aggregate in Figure 7 (a five-page table). Projected expenses exclude license fees and taxes.

The 17 reporting organizations forecast ongoing expenses of \$1.3 million on average. The median was \$945,000.

At the low end, organizations indicate that they will spend \$200,000–\$400,000 annually related to facility-based sports wagering. At the high end, ongoing expenses are in the \$2–4 million range.

Two of the reporting organizations did not provide any information regarding expected changes in labor. The 15 organizations that reported labor information expect to add more than 180 positions, with annual salary and benefits expenses projected to be \$8.6 million. Projected salaries and benefits represent 37 percent of the total expenses shown in Figure 7.

Spending in gambling-related NAICS codes, along with IT-related expenses and advertising, account for much of the ongoing expense forecasts. Security services are also among the largest expenses in ongoing facility-based sports wagering.

SUMMARY REPORT — Ongoing spending by facility licensees

7. Ongoing annual expense forecasts related to facility-based sports wagering (part 1 of 5)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
713290	Other gambling industries	\$ 3,569	15.3 %	\$ 2,391	12.0 %
721120	Casino hotels	2,782	12.0	2,782	13.9
541512	Computer systems design services	1,366	5.9	1,366	6.8
541810	Advertising agencies	1,347	5.8	1,347	6.7
561612	Security guards and patrol services	1,300	5.6	1,300	6.5
711212	Racetracks	1,200	5.2	1,200	6.0
711211	Sports teams and clubs	1,003	4.3	1,003	5.0
511210	Software publishers	981	4.2	382	1.9
517919	All other telecommunications	850	3.7	798	4.0
518210	Computing infrastructure providers, data processing, web hosting and related services	564	2.4	348	1.7
515210	Cable and other subscription programming	426	1.8	107	0.5
323111	Commercial printing	404	1.7	380	1.9
517311	Wired telecommunications carriers	383	1.6	233	1.2
522320	Financial transactions processing, reserve and clearinghouse activities	335	1.4	328	1.6
221121	Electric bulk power transmission and control	334	1.4	333	1.7
541830	Media buying agencies	321	1.4	318	1.6
424120	Stationery and office supplies merchant wholesalers	314	1.4	130	0.6
541820	Public relations agencies	277	1.2	277	1.4
532490	Other commercial and industrial machinery and equipment rental and leasing	274	1.2	4	0.0
541511	Custom computer programming services	264	1.1	264	1.3
541110	Offices of lawyers	259	1.1	259	1.3
541611	Administrative management and general management consulting services	243	1.0	207	1.0
531120	Lessors of nonresidential buildings	233	1.0	233	1.2

Note: Codes 541512, 711211, 711212, 713290, 713990, 721120 and 722410 include internal salary and benefit expense forecasts.

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — Ongoing spending by facility licensees

7. Ongoing annual expense forecasts related to facility-based sports wagering (part 2 of 5)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
541211	Offices of certified public accountants	\$ 209	0.9 %	\$ 209	1.0 %
541890	Other services related to advertising	208	0.9	205	1.0
423430	Computer and computer peripheral equipment and software merchant wholesalers	206	0.9	176	0.9
561720	Janitorial services	200	0.9	200	1.0
541850	Outdoor advertising	199	0.9	199	1.0
722410	Drinking places (alcoholic beverages)	169	0.7	169	0.8
561613	Armored car services	167	0.7	167	0.8
423850	Janitorial equipment and supplies merchant wholesalers	153	0.7	152	0.8
443142	Electronics stores	145	0.6	127	0.6
238210	Electrical contractors and other wiring installation contractors	143	0.6	143	0.7
561210	Facilities support services	134	0.6	134	0.7
541910	Marketing research and public opinion polling	131	0.6	91	0.5
811212	Computer and office machine repair and maintenance	124	0.5	124	0.6
238220	Plumbing, heating and air-conditioning contractors	119	0.5	119	0.6
561320	Temporary help services	114	0.5	114	0.6
713990	All other amusement and recreation industries	100	0.4	100	0.5
562111	Solid waste collection	83	0.4	83	0.4
541430	Graphic design services	79	0.3	79	0.4
423210	Furniture merchant wholesalers	66	0.3	26	0.1
522110	Commercial banking	63	0.3	63	0.3
424710	Petroleum bulk stations and terminals	60	0.3	60	0.3
524126	Direct property and casualty insurance carriers	59	0.3	50	0.3
811310	Commercial and industrial machinery and equipment repair and maintenance	59	0.3	18	0.1

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — Ongoing spending by facility licensees

7. Ongoing annual expense forecasts related to facility-based sports wagering (part 3 of 5)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
561730	Landscaping services	\$ 58	0.3 %	\$ 58	0.3 %
532112	Passenger car leasing	58	0.2	58	0.3
541214	Payroll services	58	0.2	55	0.3
561621	Security system services	57	0.2	57	0.3
561311	Employment placement agencies	56	0.2	55	0.3
448190	Other clothing stores	51	0.2	24	0.1
339950	Sign manufacturing	49	0.2	49	0.2
541860	Direct mail advertising	42	0.2	42	0.2
334290	Other communications equipment manufacturing	42	0.2	42	0.2
238330	Flooring contractors	40	0.2	40	0.2
238390	Other building finishing contractors	40	0.2	40	0.2
423440	Other commercial equipment merchant wholesalers	40	0.2	40	0.2
238290	Other building equipment contractors	35	0.2	35	0.2
337127	Institutional furniture manufacturing	35	0.2	35	0.2
811213	Communication equipment repair and maintenance	34	0.1	34	0.2
325611	Soap and other detergent manufacturing	33	0.1	33	0.2
481111	Scheduled passenger air transportation	30	0.1	0	0.0
453210	Office supplies and stationery stores	27	0.1	27	0.1
517312	Wireless telecommunications carriers	25	0.1	24	0.1
721110	Hotels	24	0.1	24	0.1
541922	Commercial photography	23	0.1	23	0.1
541990	All other professional, scientific and technical services	23	0.1	23	0.1
561110	Office administrative services	23	0.1	23	0.1

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — Ongoing spending by facility licensees

7. Ongoing annual expense forecasts related to facility-based sports wagering (part 4 of 5)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
541613	Marketing consulting services	\$ 22	0.1 %	\$ 22	0.1 %
221330	Air conditioning supply	20	0.1	20	0.1
541310	Architectural services	20	0.1	20	0.1
541870	Advertising material distribution services	19	0.1	19	0.1
532420	Office machinery and equipment rental and leasing	17	0.1	17	0.1
561790	Other services to buildings and dwellings	17	0.1	17	0.1
722511	Full-service restaurants	17	0.1	17	0.1
561710	Exterminating and pest control services	16	0.1	16	0.1
236220	Commercial and institutional building construction	15	0.1	15	0.1
238350	Finish carpentry contractors	15	0.1	15	0.1
423420	Office equipment merchant wholesalers	15	0.1	15	0.1
492110	Couriers and express delivery services	13	0.1	13	0.1
541612	Human resources consulting	11	0.0	11	0.1
541490	Other specialized design services	11	0.0	11	0.1
333921	Elevator and moving stairway manufacturing	10	0.0	10	0.1
541330	Engineering services	10	0.0	10	0.1
541350	Building inspection services	10	0.0	10	0.1
423610	Electrical apparatus and equipment, wiring supplies and related equipment wholesalers	9	0.0	9	0.0
444130	Hardware stores	9	0.0	9	0.0
722320	Caterers	9	0.0	9	0.0
812930	Parking lots and garages	9	0.0	9	0.0
238320	Painting and wall covering contractors	9	0.0	9	0.0
813910	Business associations	9	0.0	9	0.0

Source: Keen Independent Research from information provided by current or potential facility license holders.

SUMMARY REPORT — Ongoing spending by facility licensees

7. Ongoing annual expense forecasts related to facility-based sports wagering (part 5 of 5)

NAICS Code	Description	Total expenditures		Maryland region expenditures	
		Dollars (\$1,000s)	Percent	Dollars (\$1,000s)	Percent
423840	Industrial supplies merchant wholesalers	\$ 8	0.0 %	\$ 8	0.0 %
238310	Drywall and insulation contractors	8	0.0	8	0.0
811412	Appliance repair and maintenance	6	0.0	6	0.0
237310	Highway, street and bridge construction	6	0.0	6	0.0
446110	Pharmacies and drugstores	5	0.0	5	0.0
221310	Water supply and irrigation systems	5	0.0	5	0.0
532111	Passenger car rental	3	0.0	0	0.0
812320	Dry-cleaning and laundry services	3	0.0	3	0.0
491110	Postal service	2	0.0	2	0.0
334419	Other electronic component manufacturing	2	0.0	2	0.0
333413	Industrial and commercial fan, blower and air purification equipment manufacturing	1	0.0	1	0.0
	Total	\$ 23,279	100.0 %	\$ 19,994	100.0 %

Source: Keen Independent Research from information provided by current or potential facility license holders.

APPENDIX A. Literature Review — Economic impacts of sports wagering

To better understand the impact of mobile and facility-based sports betting on local economies, Keen Independent provides a summary of existing research in this document with a particular focus on the Maryland marketplace.

This analysis is divided into three sections:

- Current context;
- Direct economic impact; and
- Indirect and induced economic effects.



Source: Wikimedia Commons. (2010). "Odds boards in a Las Vegas Sportsbook." Retrieved March 25, 2022, from https://en.wikipedia.org/wiki/Sports_betting#/media/File:LasVegas_sportsbook.jpg

A. Literature Review — Economic impacts of sports wagering

Current Context

In 2018, the Supreme Court of the U.S. overturned the Professional and Amateur Sports Protection Act (PASPA), giving states the right to determine if and how to license legal sports wagering operations. Since then, 32 states and Washington D.C. have legalized sports wagering.¹ At the time of this report (spring 2022), recent additions include Ohio and Maine.² Each of these states must contend with the integration of sports wagering into existing facility-based gambling businesses and the enforcement of wagering laws in mobile betting.

Majority affirmative votes by Maryland voters in the 2020 state elections led to the legalization of sports wagering in Maryland. In the spring of 2021, legislation codified legal sports betting with the Sports Wagering Law (Maryland Annotated Code at State Government Article, §§ 9-1E-01, et seq.) and the signing of said law by Governor Hogan. Operations began shortly after, with facility-based sportsbooks opening in December 2021.³

Licensing. When signed, the Sports Wagering Law designated 17 entities as able to apply for sports wagering facility licenses. The law provides the State with the ability to issue up to 30 additional facility licenses and up to 60 mobile licenses, which must be applied for separately.

Of the 17 entities designated by legislation, nine have applied for and been awarded facility mobile licenses as of spring 2022. Each facility license has a term of five years and can be renewed thereafter.

¹ Rovell, D. (2022, March 25). "Where is Sports Betting Legal? Projections for All 50 States." Action Network. Retrieved March 25, 2022, from <https://www.actionnetwork.com/news/legal-sports-betting-united-states-projections>

² Hoffman, A. (2022, April; 29). "Ohio Sports Betting." Gaming Today. Retrieved May 4, 2022 from <https://www.gamingtoday.com/ohio/>; Sharp, D. (2022, May 2). "Gov. Mills Signs Bill Giving Tribes Control of Mobile Sports Betting in Maine." News Center Maine, Retrieved May 4, 2022, from

<https://www.newscentermaine.com/article/news/politics/maine-politics/gov-janet-mills-signs-bill-giving-tribes-control-of-mobile-sports-betting-in-maine-gambling-online/97-e86a340a-39ed-4a4c-adb9-24d0c068cf8c>

³ State of Maryland. (n.d.) "Maryland Sports Wagering." Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/maryland-sports-wagering/>

A. Literature Review — Economic impacts of sports wagering

Facility-related licenses. As of the writing of this review, the State has awarded sports wagering licenses to a handful of operators, facilities and contractors. They are as follows:

- Approved sports wagering operators:⁴
 - American Wagering, Inc.;
 - Betfair Interactive US LLC;
 - BetMGM, LLC;
 - Churchill Downs Interactive Gaming, LLC; and
 - Penn Sports Interactive, LLC.
- Approved sports wagering facilities:⁵
 - CBAC Borrower, LLC;
 - MGM National Harbor, LLC;
 - Old Bay Gaming and Racing, LLC;
 - Penn Cecil Maryland, LLC; and
 - PPE Casino Resorts Maryland, LLC.

- Approved sports wagering contractors:⁶
 - NeoGames Solutions, LLC;
 - Swish Analytics Maryland, Inc.;
 - The United Tote Company;
 - Maryland Sports Wagering Contractors;
 - Genius Sports Media, Inc.;
 - Novomatic Americas Sales LLC;
 - NYX Digital Gaming (USA), LLC;
 - Sportradar Solutions, LLC;
 - SportsContentCo, LLC; and
 - Sports Information Services Limited.

Mobile licenses. As of this report’s publication, no mobile sports wagering licenses have been awarded in Maryland.

⁴ State of Maryland. (n.d.) “Sports Wagering Licensing.” Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/maryland-sports-wagering/sports-wagering-licensing/>

⁵ Ibid.

⁶ State of Maryland. (n.d.) “Sports Wagering Licensing.” Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/maryland-sports-wagering/sports-wagering-licensing/>

A. Literature Review — Economic impacts of sports wagering

There are national operators likely interested in obtaining mobile licenses from the State when the process begins. They include:

- FanDuel;
- DraftKings;
- Caesars;
- BetMGM;
- BetRivers;
- FOX Bet;
- Betway;
- WynnBET;
- PointsBet;
- SI;
- theScore Bet; and
- Betfred.⁷

Tethered and untethered mobile licenses. Some sports betting operations in other countries, such as the United Kingdom and Canada, as well as the states of Maine, Illinois and Ohio, currently utilize or plan to implement mobile licensing untethered to facility licenses.

“Tethering” is the act of tying mobile betting licenses to facility-based gaming operations and is the common protocol in the U.S.⁸

“Untethering” is the opposite and offers an open mobile gaming market.

Proponents of untethered mobile licensing argue in favor of “a liberal betting system” with ample competition.⁹ Without the requirement of a facility-based gaming operation, proponents expect the local marketplace to open to a broader variety of mobile sports companies to apply for licensing, particularly those who are new and/or may have more innovative technologies and practices.

The Keen Independent study team was unable to find economic impact information specific to untethered licensing.

⁷ Sports Handle. (2022, March 2). “The 12 Best Mobile Sports Betting Apps in the US.” Retrieved March 26, 2022, from <http://sportshandle.com/mobile-sportsbooks/>

⁸ Waters, M. (2021, May 3). “Maine Sports Betting: To Tether Or Not To Tether Mobile Licenses?” *Legal Sports Report*. Retrieved April 19, 2022, from

<https://www.legalsportsreport.com/51220/mobile-licenses-tether-maine-sports-betting/>

⁹ Mantini, J. (2019, June 19). “Untethered Betting in Maine Gets Initial Approval.” *US Betting Report*. Retrieved April 19, 2022, from <https://usbettingreport.com/news/untethered-betting-in-maine-gets-initial-approval/>

A. Literature Review — Economic impacts of sports wagering

Direct Economic Impact

This section explores the direct economic impact of sports wagering. Direct impacts are proceeds generated solely from mobile or on-site sports wagering and operations. This includes state taxes on gaming revenues, money spent building new facilities, license application fees, new wagering equipment (i.e., VLTs and wagering kiosks), facility furnishings and remodeling and more.

Pre-legislation direct economic impacts.¹⁰ In 2020, Maryland Lottery and Gaming provided Keen Independent with a collection of written testimony regarding Senate Bill 4, the predecessor of the Sports Wagering Law. Statements came from a wide range of community members, such as the Baltimore Teachers Union, local casinos and the board of the Maryland Association of Counties. These testimonies aided the Keen Independent study team’s understanding of the direct impacts gaming had already had on the local Maryland economy.

The following is a summary of the economic highlights of the 2020 testimonies. Noted in parentheses are the individuals and organizations who provided the testimony:

- Over \$3 billion has been spent on the construction of casinos in Maryland (VLT Licensees).
- The construction of each new gaming facility can cost several hundred million dollars, contributing to the local construction market, such as the Horseshoe Casino in Baltimore City, which cost \$400 million (R. Conroy).



Source: Wikimedia Commons. (2003). "Slot Machines..." retrieved March 26, 2022, from https://en.wikipedia.org/wiki/Casino_game#/media/File:Vegas_slots.JPG

- Maryland casinos employ over 15,000 individuals directly (VLT Licensees).
- In the past, casinos have provided \$3.3 billion to the Education Trust Fund, and \$4.4 billion in overall taxes to the State of Maryland (VLT Licensees).
- Casinos support local communities via “impact grants.” Horseshoe Casino, for instance, provides \$7.5 million per year to this grant (R. Conroy).

¹⁰ Maryland Senate (2020). SB4 Bill Hearing, Written Testimony. Collection of testimony provided by Maryland Lottery and Gaming.

A. Literature Review — Economic impacts of sports wagering

- Gaming facilities encourage the construction of auxiliary entertainment and food service venues, consequently creating new jobs. Horseshoe Casino, for example, constructed a \$15 million outdoor gaming area, spent \$1.4 million renovating their food service hall and had plans for a golfing facility and concert venue (R. Conroy).

Post-legislation direct economic impacts. Since passage of the Sports Wagering Law, the State and local economy has benefited directly from sports wagering.

State of Maryland sports wagering taxes and other revenue. As in all wagering operations, sports betting produces taxable revenues and other opportunities to fund public agencies or programs. The State of Maryland Sports Wagering Tax (a 15% tax applied to gross revenue from sports betting) has produced \$1.24 million in taxes for the State from December 2021 through February 2022.¹¹

Neighboring states and jurisdictions to Maryland have also legalized sports betting.¹² Market competition and other types of entertainment and amusement in these different states impact sports wagers' decisions on where to place their bets and therefore impact taxes generated in Maryland.

Sports wagering tax revenue is distributed to the Blueprint for Maryland's Future Fund, a special fund established to support Maryland public schools.¹³ In addition, unclaimed winning wagers are distributed to the Problem Gaming Fund.¹⁴ A percentage of license application fees is directed to the Small, Minority-owned and Women-owned Business Sports Wagering Assistance Fund.¹⁵

¹¹ State of Maryland. (2022) "Sportsbook Facilities Contribute \$469,000 to the State in First Month of Operations." Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/sportsbook-facilities-contribute-469000-to-the-state-in-first-month-of-operations/>.

State of Maryland. (2022) "Sportsbook Facilities Contribute \$644,098 to the State in First Full Month of Operations." Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/sportsbook-facilities-contribute-644098-to-the-state-in-first-full-month-of-operations>.

State of Maryland. (2022) "Sportsbook Facilities Contribute \$134,628 to State February." Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/sportsbook-facilities-contribute-134628-to-the-state-during-february/>.

¹² Smiley, B. (2022, March 16). "Maryland Sports Betting—Future Mobile and Retail Sportsbooks, Info and FAQ." Sportshandle.com. Retrieved March 25, 2022, from <https://sportshandle.com/maryland/>

¹³ State of Maryland. (n.d.) "Maryland Sports Wagering." Maryland State Lottery and Gaming Control Agency. Retrieved March 24, 2022, from <https://www.mdgaming.com/maryland-sports-wagering/>

¹⁴ State Government Article, § 9-1E-12.

¹⁵ State Government Article, . § 9-1E-07(d).

A. Literature Review — Economic impacts of sports wagering

Sports wagering tax rates also may impact the attractiveness of starting betting operations within Maryland. While Pennsylvania and Delaware have higher tax rates than Maryland (36% and 50%, respectively), Washington D.C. and West Virginia have tax rates of 10 percent.¹⁶

Despite this potential pull from other states, Maryland is home to several professional and college-associated teams, such as the National Football League’s Baltimore Ravens and Washington Commanders; Major League Baseball’s Baltimore Orioles; and the University of Maryland’s NCAA Division I Terrapins. Industry analysts predict that local enthusiasm for these teams can lead the state to become “one of the more lucrative per capita markets in the U.S.”¹⁷

Casino revenues. Within the first month of legal sports betting, casinos within the state earned over \$15 million from sports wagers. This amounted to 8.6 percent of all Maryland casinos’ overall revenue (from all gaming) of \$172.9 million in December 2021.¹⁸ Casinos have continued to generate significant revenue from sports wagering.

Potential additional direct economic impacts. In addition to previously explored direct economic impacts, research has found that when sports wagering is paired with other gaming operations in a facility, there is a positive long-term economic impact. Sports bets tend to be single-game plays. The most popular sports bets are on football, basketball and baseball games that last between one to three-and-a-half hours. Although sports wagers generate comparatively less profit than video lottery terminals (VLTs) and table games, which have quick play turnover, gaming operations benefit by engaging patrons in these and other activities while waiting for their sports bets to pay off.¹⁹

¹⁶ Boesen, Y. (2022, Feb. 9). “Large Spread in tax Treatment of Sports Betting Operators.” Tax Foundation. Retrieved March 25, 2022, from <https://taxfoundation.org/sports-betting-tax-treatment/>

¹⁷ Smiley, B. (2022, March 16). “Maryland Sports Betting—Future Mobile and Retail Sportsbooks, Info and FAQ.” Sportshandle.com. Retrieved March 25, 2022, from <https://sportshandle.com/maryland/>

¹⁸ Barker, J. (2022, Jan.). “Sports Betting in Maryland Tops \$16 Million in First Month as Casinos Approach Revenue Records.” *The Baltimore Sun*. Retrieved March 26, 2022, from <https://www.baltimoresun.com/maryland/bs-md-sports-betting-first-month-20220110-usp7et3ef5fjdnq4usqholkzu-story.html>

¹⁹ Walker, D. (2018). “How Will Legal Sports Betting Do in Arkansas?” Retrieved March 25, 2022, from <http://walker.d.people.cofc.edu/pubs/2018/Arkansas%20DIST%2011-27-18.pdf>

A. Literature Review — Economic impacts of sports wagering

The addition of sports wagering to a casino’s repertoire produces a “modest additional employment [to the local workforce] at the venues offering the sportsbooks.” Little additional labor is needed to input and process sports bets or service sports clientele, particularly if venues use self-service kiosks and mobile apps. Workforce increase may be seen tangentially in mobile sports wagering companies, such as DraftKings, which may hire more individuals to meet growing client demand. These employment opportunities are likely in other states (e.g., DraftKings is headquartered in Boston, MA).²⁰

Including sports wagering in a state’s legalized gaming allows the state to capture residents who were originally travelling out of state to wager. Residents’ wagering revenues thus stay in state. If organized and marketed well, a state’s new sports wagering facilities may “cannibalize” the market of surrounding states, a gaming industry term for the takeover and funneling of consumers from another state to one’s own market.²¹

Revenues from mobile sports betting. As mentioned earlier, Maryland has legalized mobile licenses, but it has not awarded any mobile licenses at the time of this report. If mobile licenses are approved, analysts estimate that mobile sports betting in Maryland can generate \$217 million in revenue annually. At a 15 percent tax rate, the State would collect roughly \$33 million annually from this amount.²²

²⁰ Ibid.

²¹ Walker, D. (2018). “How Will Legal Sports Betting Do in Arkansas?” Retrieved March 25, 2022, from <http://walkerd.people.cofc.edu/pubs/2018/Arkansas%20DIST%2011-27-18.pdf>

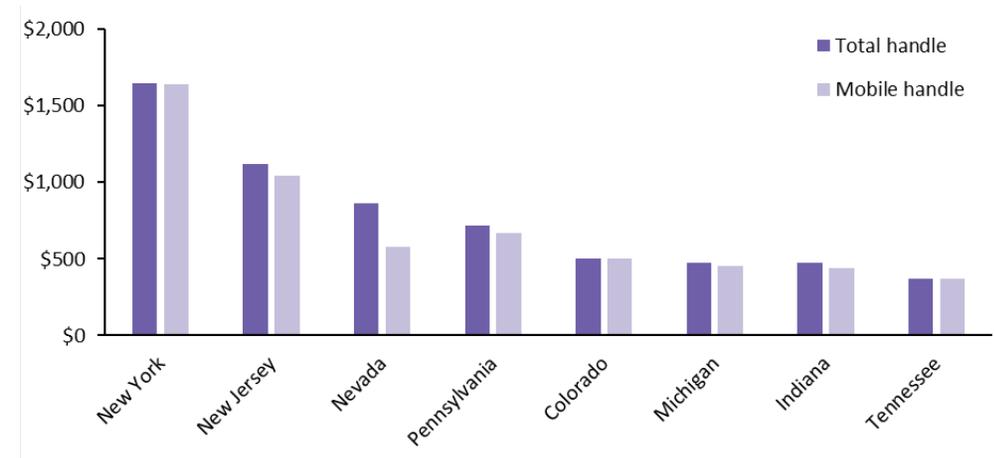
²² Gerlacher, C. (n.d.). “Maryland’s Mobile Sports Betting Apps Could Generate \$217 Million in Annual Revenue.” Maryland Sharp. Retrieved March 26, 2022, from <https://www.marylandsharp.com/revenue/>

A. Literature Review — Economic impacts of sports wagering

Researchers predict that once Maryland approves mobile licensees, 85 percent of sports betting will be conducted through mobile apps.²³

Such dominance of mobile betting is common in other state markets. Analysts estimate that at least 90 percent of sports bets in states with legalized mobile sports wagering are placed via personal smartphone or computer. Figure A-1 provides a comparative graph from *Gaming Today*, which compares the amount of betting handles to mobile bets in ten states for the month of March 2022.²⁴ For reference, a betting handle refers to the total dollars wagered.

A-1. Total and mobile betting (in millions) comparison, March 2022



Source: Spaen, B. (2022, March 11). "US Sports Betting Revenue." *Gaming Today*. Retrieved March 30, 2022, from <https://www.gamingtoday.com/revenue/>

²³ Ibid.

²⁴ Spaen, B. (2022, March 11). "US Sports Betting Revenue." *Gaming Today*. Retrieved March 30, 2022, from <https://www.gamingtoday.com/revenue/>

A. Literature Review — Economic impacts of sports wagering

Indirect Economic Impact

This section explores the indirect and induced economic impact of sports wagering identified in the literature review.

- Indirect impact are economic effects of third-party goods and services associated with sports wagering facilities or wagering itself (e.g., restaurants, utilities, maintenance, legal and financial services); and
- Induced impacts are the effects on the local economy by individuals employed by wagering establishments (or associated business) as they spend their earnings on rent, food and more.

Economic impact of legalized sports betting.²⁵ In 2017, Oxford Economics released a report estimating the total potential economic impact of sports wagering on every state. While the report did not provide information about specific sectors, it notes that the following third-party sectors experience positive indirect impacts from sports wagering:

- Food and beverage;
- Utilities;
- Maintenance, repair and cleaning services; and
- Legal, marketing and other financial services.

Additionally, Oxford Economics predicted that sports wagering organizations will positively impact the sports media sector, as well as invest in companies within this industry.

²⁵ Oxford Economics. (2017, May). "Economic Impact of Legalized Sports Betting." American Gaming Association. Retrieved March 25, 2022, from

<https://www.americangaming.org/wp-content/uploads/2018/12/AGA-Oxford-Sports-Betting-Economic-Impact-Report1-1.pdf>

A. Literature Review — Economic impacts of sports wagering

The Oxford Economics report also offered job creation estimates for every state based on the availability of sports wagering (ranked as limited/moderate/convenient) and state tax rates. Maryland meets Oxford Economics’ definition of a high tax rate state.²⁶

Oxford Economics defined availability as follows:

- Limited: facility-based sports wagering at casinos;
- Moderate: facility-based sports wagering at casinos and additional locations but no mobile betting; and
- Convenient: mobile and facility-based sports wagering which includes casinos and additional locations.

In Figure A-2, Oxford Economics provides estimates of the job impacts in Maryland based on three different scenarios for the availability of future wagering. “Indirect and induced” jobs include employment at operations that serve gaming facilities and businesses that benefit from increased overall spending in the state.

Figure A-3 shows Oxford Economics’ estimates of the additional total, direct, indirect and induced impacts of sports wagering on overall wages paid in Maryland.

Oxford Economics did not provide specific data on which sectors will see increases in employment. The organization also has not published an updated report on this information, nor has the American Gaming Association.

A-2. Projected job creation in Maryland

	Direct employment	Indirect and induced employment	Total employment
Limited availability	399	608	1,008
Moderate availability	939	1,246	2,184
Convenient availability	1,350	2,014	3,363

Note: Figure A-2 shows the forecasted direct, indirect and induced, and total job creation by sports wagering availability based on a high tax rate. Maryland’s sports wagering will meet the definition of convenient availability after mobile sports wagering launches.

Source: Oxford Economics.

A-3. Projected wage impact in Maryland, in millions

	Direct impact on wages (\$1,000,000s)	Indirect and induced impact on wages (\$1,000,000s)	Total impact on wages (\$1,000,000s)
Limited availability	\$ 20.9	\$ 36.6	\$ 57.5
Moderate availability	45.2	74.3	119.5
Convenient availability	70.2	120.1	190.3

Note: Figure A-3 shows the forecasted impact of sports wagering on direct, indirect and induced, and total wages, in millions, by sports wagering availability based on a high tax rate. Maryland’s sports wagering will meet the definition of convenient availability after mobile sports wagering launches.

Source: Oxford Economics.

²⁶ Note: A base tax rate is 10 percent of gross gaming revenues (GGR) plus the federal handle tax; a low tax rate is 6.75 percent of GGR plus the federal handle tax; and a high tax rate is 15 percent or more of GGR plus the federal handle tax.

A. Literature Review — Economic impacts of sports wagering

Economic benefits experienced by professional sports leagues. In 2018, the Nielsen Company estimated that legal sports wagering operations will nationally increase major sports leagues’ revenues by \$4.2 billion.

- Major League Baseball teams, like the Baltimore Orioles, are estimated to see an 11.1 percent increase in revenues generated from media rights, 6.8 percent increase in sponsorship revenues, 3.4 percent increase in merchandise sales and a 12.2 percent increase in ticket sales due to sports wagering.
- National Football League teams, like the Baltimore Ravens and Washington Commanders, can expect to see a 17.9 percent increase in revenues generated from media rights, 7.6 percent increase in sponsorship revenues, 2.1 percent increase in merchandise sales and a 6.5 percent increase in ticket sales from sports wagering.²⁷

Nielsen noted that partnerships between sports teams and local gaming industries result in increased indirect and induced economic benefits.²⁸

²⁷ The Nielsen Company. (2018). “How Much Do Leagues Stand to Gain from legal Sports Betting.” American Gaming Association. Retrieved March 26, 2022, from

<https://www.americangaming.org/wp-content/uploads/2018/10/Nielsen-Research-All-4-Leagues-FINAL.pdf>

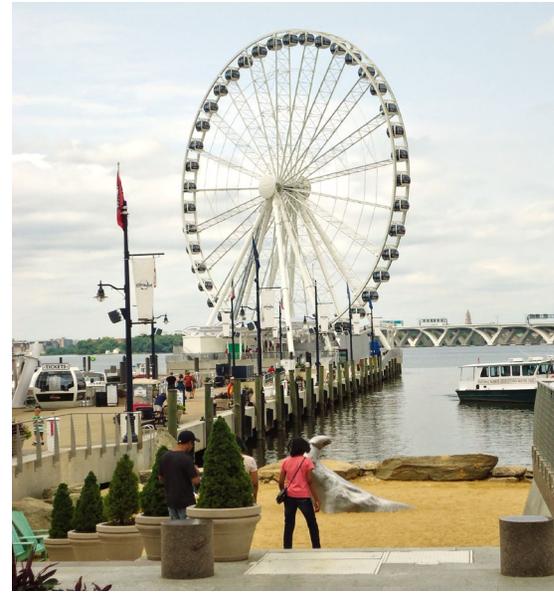
²⁸ Ibid.

A. Literature Review — Economic impacts of sports wagering

Impact of sports betting on tourism. Since Maryland tourism data on post-sports betting legalization are limited, this literature review utilizes data from New Jersey and Tennessee to serve as examples of the potential indirect impact on tourism of sports wagering.

New Jersey. Eleven months after the legalization of sports wagering, third-party businesses in Atlantic City, New Jersey, saw their sales increase by 40 percent. Tourism in the State of New Jersey also grew by 7.4 percent during this period.²⁹

Tennessee. Prior to the November 2020 launch of sports wagering in Tennessee, state fiscal analysis anticipated that 3.5 million people from outside Tennessee, about three percent of annual leisure tourists, would place sports bets averaging \$30 each.³⁰ This analysis also noted the \$60 million generated per day by tourists in Tennessee. The forecast did not consider increased tourism for the primary purpose of sports wagering.



Source: Wikimedia Commons (2014). “Ferris Wheel at National Harbor in Maryland Plus View of Potomac River.” Retrieved March 28, 2022, from https://commons.wikimedia.org/wiki/File:Ferris_wheel_at_National_Harbor_in_Maryland_plus_view_of_Potomac_River.JPG

²⁹ Kelly, J. (2019, June 20). “Sports wagering exceeded all our expectations.” The Current. Retrieved September 10, 2020, from https://pressofatlanticcity.com/currents_gazettes/mainland/sports-wagering-exceeded-all-our-expectations-tourism-today/article_c9e8360d-adb4-5b64-baa4-65887fa9062e.html

³⁰ Pempus, B. (2019, August 8). “Tennessee Tourism at Record Levels Ahead of Sports Betting Launch.” TNBets. Retrieved September 10, 2020, from <https://www.tnbets.com/tennessee-tourism-record-levels-sports-betting-launch/>

A. Literature Review — Economic impacts of sports wagering

Tennessee’s sports wagering industry has outpaced pre-launch forecasts, but the role of tourism in Tennessee’s sports wagering industry is unknown. The state set records for largest first-month handle and quickest state to hit \$1 billion in sports wagers and attained \$2 billion in wagers placed within its first year.³¹ For the 12 months ending December 2021, Tennessee sports wagers totaled \$2.7 billion generating \$39 million in tax revenue.³²

In response to Keen Independent inquiries about whether Tennessee had evaluated the impact of sports wagering on tourism, both Mary Beth Thomas, Executive Director of the Tennessee Sports Wagering Advisory Council, and Ashley Fuqua, Legislative Liaison and Assistant General Counsel for the Tennessee Department of Tourist Development, reported that they are unaware of any evaluation of tourism and sports wagering in Tennessee.

³¹ Gallagher, Michael. (2021, October 26). “Tennessee Nearing \$2B in Sports Wagering in First Year.” Nashville Post. Retrieved June 9, 2022, from https://www.nashvillepost.com/sports/sports_business/tennessee-nearing-2b-in-sports-wagering-in-first-year/article_2314f4d6-3692-11ec-8958-97d5a853af9d.html

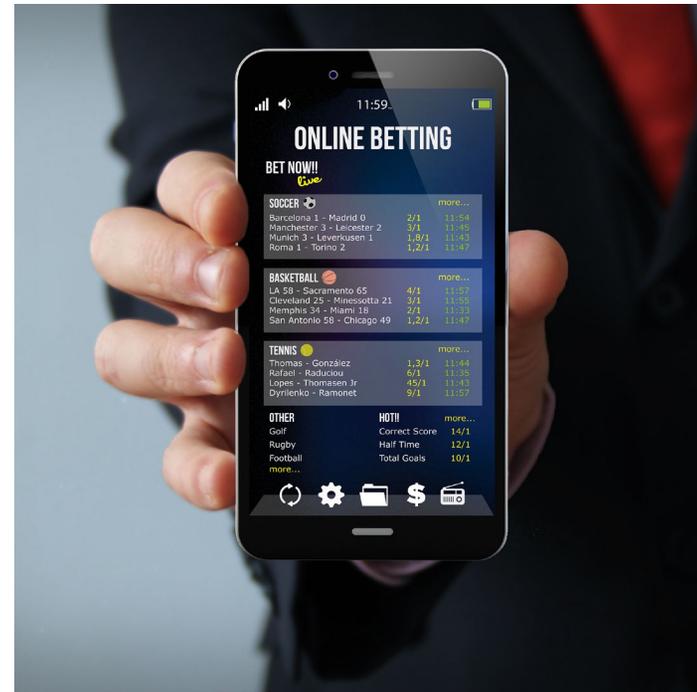
³² PlayTenn Staff. (2022, January 21, updated 2022, February 17). “Tennessee Sportsbooks Stay Hot in December with \$340 Million in Wagers.” PlayTenn. Retrieved June 9, 2022. from <https://www.playtenn.com/tennessee-sports-betting-december-2021-record/>

APPENDIX B. Sports wagering in other states — Introduction

The study team reviewed the status of sports wagering legalization and licensing in 50 states and the District of Columbia as of late April/early May 2022. In addition to untethered licensing, the study team evaluated efforts in fostering diversity, equity and economic development in local communities through sports wagering regulations.

The information in this appendix is organized as follows:

- Untethered mobile licenses;
- Diversity, equity and economic development; and
- Individual state cases.



B. Sports wagering in other states — Untethered mobile licenses

The Keen Independent study team reviewed individual state pages for all 50 states and the District of Columbia in Legal Sports Report,¹ an online source that tracks news related to the legal sports wagering industry in the United States. The study team also consulted individual state regulatory webpages for licensing details.

Offering mobile licenses untethered to facility licenses for sports wagering is unusual in the United States. Eighty-five percent of the locations where sports betting is currently legal in the United States (excluding Maryland) require that mobile licenses be tethered to facility licenses or are offering only mobile licenses or only facility licenses:

- Seven states offer facility licenses only;
- Sixteen states have mobile licenses tethered to facility licenses;
- Five states offer mobile licenses only;
- The District of Columbia offers facility licenses only and has a state-run mobile app;
- Wyoming offers mobile licenses only (other than four tribal casinos, which may offer both mobile and facility-based sports wagering);
- Ohio may offer some mobile licenses untethered to facility licenses;
- Illinois offers mobile untethered to facility licenses; and
- Maine offers facility licenses untethered to mobile, which are controlled exclusively by federally recognized tribes.

¹ See for example “Maine Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/maine/>

B. Sports wagering in other states — Diversity, equity and economic development

Sports wagering licenses have been issued in a small number of cases with requirements related to diversity and equity. This is done to benefit American Indian tribes in several cases, and in Ohio, will be administered to foster economic development in the state.

Diversity Requirements

The Keen Independent study team identified four instances (excluding Maryland) where equity-related requirements for sports betting licensure exist. Specifically, the governments of Illinois, Virginia, Pennsylvania and Washington D.C. have sports wagering legislation with varying degrees of requirements related to equity and diversity. These requirements, which are described in the Individual State Cases section of this appendix in greater detail, range from requiring regulators to encourage sports wagering license applications from minority- and woman-owned businesses to setting minimum requirements for expenditures with disadvantaged business enterprises. At the time of this analysis in spring 2022, Keen Independent was not made aware of any legal challenges to these equity-related requirements.

American Indian Tribal Benefits

Sports wagering licenses have been granted to tribes by legislation in nine states. In a tenth state, New Mexico, tribes have self-interpreted that sports betting is legal in tribal casinos under existing tribal-state compacts, and began offering sports wagering without additional negotiation with the state government or authorization.²

Two states have attempted but failed to grant sports wagering to tribes. In Florida, sports wagering stalled after a court struck down an agreement that would have given the Seminole tribe control of sports betting.³ Oklahoma legislation that would have given tribes control of sports wagering failed to pass.⁴

Economic Development in Ohio

Ohio sports wagering legislation passed in December 2021 requires that facility applicants “conduct significant economic activity” in the state, and that mobile applicants demonstrate a clear economic benefit to the local economy.⁵ Applicants will be evaluated against a number of “economic development factors” described in the next section of this appendix.

² “New Mexico Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/NM/>

³ “Florida Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/florida/>

⁴ “Oklahoma Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/oklahoma/>

⁵ “Ohio Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/ohio/>

B. Sports wagering in other states — Individual state cases

Based on review of state sports wagering statuses, the following states and the District of Columbia were analyzed by the study team for sports wagering licensing, equity efforts and economic development practices comparable to Maryland. The following is a summary of findings.

It is important to note that although some state sports wagering and licensing approaches share similarities to that of Maryland, none are substantially comparable. Ohio may eventually implement sports wagering with parallels to Maryland, but it is still defining its rules and regulations at this time.

Illinois

Illinois offers untethered licensing and has diversity requirements in sports wagering.⁶

The state has allowed three mobile licenses that are not dependent on holding a facility license. The small number of licenses and high cost of entry (\$20 million licensing fee) differentiate Illinois' process from Maryland's. As of the writing of this report, only one operator, BetMGM, has obtained a mobile license in Illinois.

Illinois' diversity requirement in sports wagering is minimal. The commission issuing licenses is required to encourage applications from minority- and woman-owned businesses.

Maine

Maine is also quite different from Maryland in both the number and focus for mobile sports wagering licenses.⁷ In May 2022, the State passed legislation giving control of mobile sports wagering exclusively to the Wabanaki Nations. As a result, Maine's three federally recognized tribes may collaborate with sportsbook operators or build their own wagering platforms.

Maine will also allow 10 facility licenses for casinos, racetracks and off-tracking betting facilities.

⁶ Shirley, B. (2022, April 29) "Illinois Sports Betting" Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/illinois/>

⁷ Waters. M. (2022, May 2). "Legal Maine Sports Betting Coming as Mills Signs Bill." Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/69269/legal-maine-sports-betting-mills-signs-bill/>

B. Sports wagering in other states — Individual state cases

Ohio

Ohio passed sports wagering legislation in December 2021 but has not yet begun licensing.⁸ Legislation allows for the possibility that some of its 25 mobile licenses may be untethered.

Ohio applicants for facility licenses must demonstrate that they “conduct significant economic activity” in the state. Evaluation of applications will include “economic development factors,” such as:

- Current or intended physical presence;
- Expenditures for physical infrastructure;
- Length of time in business;
- Total amount of taxable income currently paid or to be paid to employees;
- Current or intended local and statewide economic involvement; and
- Current or intended contributions, including toward tourism.⁹

Ohio is still developing licensing implementation plans.

Pennsylvania

Pennsylvania regulations require applicants to submit a diversity plan.¹⁰ Licensees must also submit an annual diversity compliance report.

Virginia

Virginia’s sports wagering policies regarding diversity and equity focus on investors.¹¹ Evaluation of sports wagering applicants will include whether applicants have made serious, good faith efforts to solicit and interview a reasonable number of investors who are African American, Asian American, Hispanic American and American Indian.

⁸ McQuillan, S. (2022, March 16). “Ohio Sports Betting Rules Advance, Launch Still on Track for End of Year.” Action Network. Retrieved May 4, 2022, from <https://www.actionnetwork.com/legal-online-sports-betting/ohio-sports-betting-rules-advance-launch-on-track-for-end-of-year>

⁹ Ohio Casino Control Commission (2022, March 16) Meeting Minutes. Retrieved May 4, 2022, from <https://casinocontrol.ohio.gov/Portals/0/Linked%20minutes/2022/March%2016%20OCC%20Minutes.pdf?ver=E56oawRvW5SY19VFoOtYSA%3d%3d>

¹⁰ Cohen, M. “States Focus on Diversity in Sports Betting.” Sports Litigation Alert. Retrieved May 4, 2022, from https://sportslitigationalert.com/states-focus-on-diversity-in-sports-betting/?utm_source=rss&utm_medium=rss&utm_campaign=states-focus-on-diversity-in-sports-betting

¹¹ Ibid.

B. Sports wagering in other states — Individual state cases

Washington, D.C.

Washington, D.C. sports wagering licensure includes Disadvantaged Business Enterprise requirements.¹²

Like Ohio, the District of Columbia regulations are designed to bolster local businesses. However, the District of Columbia sports wagering requirements also specify expectations for support of Small Business Enterprises (SBEs) and Disadvantaged Business Enterprises (DBEs). Specifically, 35 percent or more of expenditures must be with Certified Business Enterprises (CBEs), businesses that are headquartered in the District and have been certified by the Department of Small and Local Business Development. Applicants that are joint ventures must be majority CBE and be certified as a SBEs, DBEs or Resident-Owned Businesses. Alternatively, applicants may seek a waiver.

Mobile sports wagering district-wide may only be offered by the District-run app. Up to five mobile licenses other than the lottery app may be issued in D.C. that are restricted to a two-block radius around their corresponding physical sites.

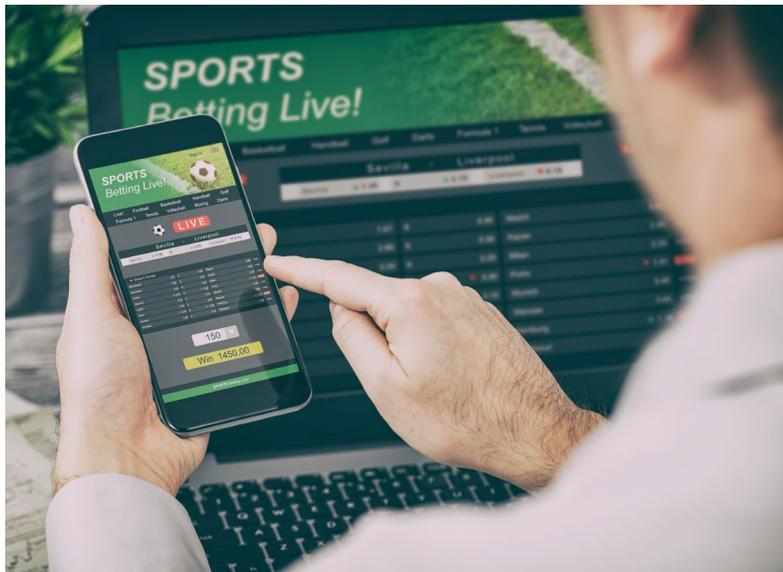
Like Maryland, the District offers a class of facility licenses for smaller businesses such as bars and restaurants. However, facility licensing is gaining little traction. Although the number of Class B facility licenses in D.C. for businesses such as bars and restaurants is unlimited, only one has been issued and is operating at this time and only one additional application is pending.

¹² “DC Sports Betting.” Legal Sports Report. Retrieved May 4, 2022, from <https://www.legalsportsreport.com/dc/>

APPENDIX C. Qualitative Information — Introduction

The Keen Independent study team interviewed representatives from organizations licensed as sports wagering facilities and organizations that have applied or may apply for facility or mobile licenses in Maryland. In total, the study team conducted 40 interviews. Interviews took place from late March to late April 2022.

The interviews were intended to gather context and initial information to understand expense forecasts prepared by these organizations. Interviewees also spoke more generally about conditions related to the sports wagering industry in Maryland. Appendix C provides a synthesis of qualitative information emerging from interviews.



This appendix summarizes common themes relevant to the current status and prospects for sports wagering in Maryland from the perspective of current and potential licensees. The results are organized into the following areas:

- Expense forecasting challenges;
- Industry conditions;
- Barriers to entering mobile sports wagering;
- Barriers to entering facility-based sports wagering; and
- Broadening sports wagering industry participation.

In some cases, participants also emailed comments on these topics.

Identifying information about interviewees and details that would reveal individual organizations or their strategies have been excluded from this report consistent with efforts to protect interviewee confidentiality.

Throughout this appendix, examples of comments are provided on the right side of each page.

Keen independent uses language in this analysis to match Maryland’s license options: mobile and facility. Throughout this appendix, quotes from interviewees will frequently use common industry language to refer to sports wagering facility-based operations or licenses as “retail.”

C. Qualitative Information — Expense forecasting challenges

Interviewees reported that forecasting expenses is challenging at this time and frequently cited the following reasons:

- Uncertainty about Maryland’s forthcoming regulations;
- Lack of awareness about decisions Maryland has already made; and
- Dependence on sports wagering operators.

In some cases, difficulty forecasting expenses due to the degree of uncertainty involved caused interviewees to decline to answer or provide expense estimates.

Further discussion of each of the topics listed above follows in this section of the appendix. Examples of comments are provided on the right side of each page.

C. Qualitative Information — Expense forecasting challenges

Uncertainty about Maryland's Regulations

As of spring 2022, the Sports Wagering Application Review Commission has not issued complete regulations, application and evaluation criteria. As a result, some interviewees explained that they are not confident they will pursue a license and most interviewees reported that they lack important information that will impact their expense forecasts.

For some prospective licensees, the level of guesswork required was too great for them to be comfortable forecasting expenses at this time, causing them to decline to complete expense spreadsheets.

We don't have the final regulations, so [what our expenses will be] is tough to answer. I don't know if they [State of Maryland] will come back with things that might change the situation dramatically. For example, if they require customer support in Maryland, we'd have to have a staff in Maryland. Only one state currently does that.

There's not enough information from Maryland yet to know if we will apply or not. Without parameters, we can't know for sure right now. We don't know how we will have to integrate with Maryland lottery and what level of conformity they'll need, for example

What will the regs require and will they be prohibitive?

If the fee and number of licenses all work out for us financially, we are still highly interested. We need to know how many licenses and jurisdictional restrictions. We need to be sure we don't stand it up and then 15 more come in and operate in our space and absorb our market share.

Whether or not we'll pursue retail will depend on the regulations.

C. Qualitative Information — Expense forecasting challenges

Lack of Awareness of Decisions Maryland has Made

Interviewees ranged widely in their knowledge of the current status of sports wagering in Maryland.

While some aspects of Maryland's rules and regulations are yet to be decided, others have been established, including fee structure, geographic boundaries around designated license holders and the permissibility of operator partnerships. However, several interviewees were unaware of these decisions.

Inaccurate information and lack of awareness were particularly notable among lottery retailers, many of whom were unaware of communications from MLGCC indicating that Maryland will not operate sports wagering with State-provided infrastructure and a commission-based revenue program for retailers (like under the lottery).

We don't know what we will need to spend. That's why we are attending the [MLGCC lottery retailer] May 6th meeting. We are looking for details on what it takes to run sports wagering, what investment we'll have to make.

I wouldn't expect to use a partner for the retail operation. I'm not aware it is an option. I would do that though if it is an option.

I didn't know if we could go outside [for a betting technology platform] or if we have to use Maryland's own programs.

We'll work with a platform provider most likely if Maryland doesn't provide it. Maryland gave the terminals to do the lottery. We would ideally like that to be the case here too.

C. Qualitative Information — Expense forecasting challenges

Dependence on Operators

Most local license holders reported that they expect to partner with an established sportsbook operator. They indicated that agreements with operators will determine both the revenue share and expense split.

In some cases, prospective applicants stated that they will rely entirely on the operator to determine the expense budget and were unable to report this information as a result. In other cases, prospective applicants were in early or sensitive stages of negotiation with operators or even operating under non-disclosure agreements, which hampered their ability to share expense forecasts.

Mobile is too hard of an exercise. It's just really hard to force operators who don't have a guaranteed license in hand to go through this [forecasting] process with us.

One local group explained that most preparation and expense will be the responsibility of the operator partner. Not a lot will fall on us for activity and expense.

Our operator will incur the costs. They will pay us, but they run it.

Mobile will hinge more on the partner than on us. There's extensive work to get the license and ready the app. That's all the partner.

We will rely on our partner for the online business. It's more intricate than retail with things like the Wire Act and security set up.

We have to sit down with our gaming partner first thing and let them take control. We will rely heavily on the instruction and tutelage from our partner.

One operator reported, We'll walk the licensee through everything they'll need from day one – staffing, marketing, etc. We'll hold hands from the day they apply.

We expect to bring in an operator and maybe be involved in day to day, but we prefer not to be and to just help advertise and let the experts do it.

Since we do not have a sportsbook operator under contract yet, they were not willing to respond. We have a non-disclosure agreement so we cannot divulge it.

C. Qualitative Information — Industry conditions

Many interviewees shared common expectations for the sports wagering industry in Maryland. Key topics included:

- The forthcoming dominance of mobile sports wagering;
- Capital-intensive start-up requirements; and
- The highly competitive and costly nature of acquiring players and gaining first-to-market advantage.

The following pages of this appendix summarize this input. Examples of comments are provided on the right side of each page.



C. Qualitative Information — Industry conditions

Forthcoming Mobile Dominance

When mobile sports wagering begins, interviewees widely expect mobile to capture most of the sports wagering market. Interviewees expect facility-based sports wagering to be a substantially smaller portion of total sports wagering activity.

As discussed later, interviewees explained that this expectation significantly impacts the ability of prospective licensees to secure operator partnerships and to be confident that facility-based sports wagering will be profitable.

Once mobile starts, retail is likely to be one-tenth of the market. We expect the state to go 90 percent mobile so everything on retail will be almost irrelevant.

We expect 90-95 percent of revenue to go to mobile sports wagering.

Look at every other market in the country. The minimum is 60-65 percent going to mobile in places where players have to go into physical locations to do in person registration. You can anticipate mobile being 85-90 percent in Maryland since you don't have to go in person to sign up.

C. Qualitative Information — Industry conditions

Capital-Intensive Start Up

Interviewees who were actively preparing for sports wagering were aware that mobile license fees and required reserves alone require applicants to have \$1 million in hand before they are even operational.

According to interviewees, working with a partner that has an existing betting platform, industry expertise and financial resources is the typical way entities new to sports wagering expect to enter the industry.

Some interviewees spoke of the cost of the non-refundable application fee as an impediment to all but the very well-capitalized large operators and reported hoping that Maryland might refund the fee to unsuccessful applicants after deducting processing costs.

It will easily cost \$1 million before you start operations.

It's not economically possible to do this if we can't find an operator to work with us.

Class B licenses are \$50,000 and that's nonrefundable if you don't get it. The class A licenses were guaranteed to get it. That fee should be refundable after processing fees and background check expenses.

A \$500,000 fee for mobile is prohibitive. That fee is already saying this is not for small businesses. And, it's nonrefundable.

C. Qualitative Information — Industry conditions

Player Acquisition and First-to-Market Advantage

Most interviewees spoke about player acquisition as critical to success in sports wagering and noted that early entrants to the mobile market will gain an important advantage in capturing players.

Many smaller and new prospective licensees described the competitive and costly nature of player acquisition. However, they reported that they do not expect to be able to spend to compete with major operators on marketing, so they are considering various business strategies to find a pathway to profit. These strategies are not described here because they are closely guarded by interviewees to preserve competitive advantage.

Market share is the holy grail and speed to market is critical in that.

There is a big expense to acquire players — it's a land grab at the beginning of the regulated period.

Once Maryland is going, it will be highly competitive. There is significant advertising at the launch of mobile and there will be massive efforts to acquire market share with sportsbooks offering lucrative deals to win the players.

Look at other jurisdictions and the massive expense that sportsbooks have to gain market share.

A customer wants one wallet, one platform.

The average gamer downloads three to five [betting] apps to their phone and the battle will be which one they use for the big events. We can compete with the smaller ones, but not with FanDuel and DraftKings. It will be a fight to be one of the apps they download.

C. Qualitative Information — Barriers to entering mobile sports wagering

Most interviewees described barriers related to mobile sports wagering, including those related to the competitive environment and some specific to the licensing approach in Maryland.

Competitive environment factors include:

- Dependence on the largest competitors — established sportsbook operators — for partnerships;
- Advantages of economies of scale; and
- Advance spending and heavy marketing expenses in the early stages as companies compete for players.

Licensing-related factors include:

- The number of licenses; and
- Uncertainty about timing.

The following pages of this appendix present interviewees' insights on these topics. Examples of comments are provided on the right side of each page.

C. Qualitative Information — Barriers to entering mobile sports wagering

Dependence on Sportsbook Operator Partnerships

Interviewees described the industry as dominated by established sports betting companies that are formidable competitors to businesses seeking to enter the field. However, these large sports betting companies are also the entities on which new prospective applicants must depend to provide their sports betting platforms. New prospective licensees reported that this is a challenge.

Most prospective licensees new to sports wagering stated that they must depend on established operating partners to access infrastructure, expertise and financial capacity.

According to both prospective licensees and established operators, large operators currently have little if any incentive to partner with smaller potential applicants because they prefer to apply for licenses of their own if Maryland regulations will allow.

Operation of a mobile license without an online partner is entirely cost prohibitive.

We wouldn't do it [enter sports wagering] without a [sportsbook] partner, because of the expense.

Why spend \$1 million-plus to work with a small business when they [the large operator] can just enter the market themselves?

C. Qualitative Information — Barriers to entering mobile sports wagering

Advantages of Economies of Scale

Established operators reported that expanding to an additional state is not cost-intensive for expenses other than marketing. Infrastructure costs, for example, are smaller for established operators because they made those investments in previous states and therefore benefit from economies of scale. They also reported that they can absorb many activities into existing operations without adding incremental costs.

Starting from scratch is seen by nearly all interviewees to be considerably more costly.

A large operator explained that there isn't a lot of start up spending to add another state because the spending they've already done elsewhere is what prepares them for Maryland. *We've essentially been spending since 2019 because we are live in other states.*

... as you add states, it's not a 1 to 1 multiple.

Becoming a first-time operator is disproportionately more expensive than expanding to one more state.

C. Qualitative Information — Barriers to entering mobile sports wagering

Advance Spending and Early Marketing

Well-capitalized large operators reported that they will spend before they know with certainty they will be licensed. Large operators also reported that they have the experience and infrastructures to mobilize rapidly, a key factor in being first-to-market and gaining an early player acquisition advantage in a new state.

Smaller businesses, already stretched by start-up costs, often reported that they will carefully conserve resources, so they don't burn through their capital before they've launched.

Large operators spoke of the ways they have already invested in anticipation of mobile sports wagering in Maryland. For example, one operator that entered a partnership on a facility license described that as an investment made to gain early advantage for mobile licensing before they knew Maryland would not bundle facility and mobile licenses. Another reported that equipment orders have already been placed so they can act fast when Maryland opens. A third large operator reported that they are already spending on brand marketing in the region.

Some interviewees explained that they expect it to take at least a few years before the marketing to capture the Maryland mobile market will level off and for investment in player acquisition to show a positive return.

We have a go to market plan that, in effect, essentially kicked off with ordering different equipment to be ready to act fast.

We are already marketing in state from a brand perspective. We are spending already.

We'd try to get spending ahead of the license. We learned from our [prior] experience.

Once the regulations are out, we'll be able to better assess the probability of being granted a license. If it seems high and the barriers aren't insurmountable, once we are comfortable, we'll start with the expenditure outlays to be able to launch as soon as the license is in place. There's some risk in that ...

We don't know what the criteria will be. As soon as the applications are out, we can start investing to be ready because it's crucial to be ready on day one.

You spend in advance of the license in a targeted fashion.

[We] won't start [spending] until we know we are getting it.

The real cost is to acquire customers, that's where the real money is. It will be ongoing until the attrition in competition starts to happen, then the spending can level off and you try to recover the revenue you spent fighting the fight.... Usually, players are pretty sticky once they've signed up. In the early stage, you give them incentives to move. [Organizations] are going to give free money to bet with and sign-up bonuses. It's going to be a lot of money and you aren't going to see the return on that for a few years.

C. Qualitative Information — Barriers to entering mobile sports wagering

Number of Potential Mobile Licenses

Interviewees reported that caution about competing for mobile market share is reinforced by the potential number of licenses in Maryland. They indicated that their fears about the number of potential licenses are exacerbated by their expectation that most potential newer applicants will not have the capital to compete with the large sports wagering operators.

It will be an arms race with the number of licenses in Maryland. There will only be a few left standing at the end.

It will cost a lot to stay alive when the big companies don't really care about sports wagering, they just want player acquisition.

In a field of 60, there will be a lot of losers.

Seventy percent of the market will go to the heavy hitters. Ten to 20 other companies will be fighting for the other 30 percent of market share.

The slower you get to market, the less revenue you generate, and the more crowded the field, the smaller the revenue pie slice which is why having 60 licenses is somewhat insane. The market can't handle that many – there would be a whole lot of losers in that field, particularly any that come in late.

Whether it is 60 licenses or five, the state comes out the same, but for us, the more dilution, the less market share there is to grab.

C. Qualitative Information — Barriers to entering mobile sports wagering

Uncertain Timing

Newer entrants to the industry reported that they will want to carefully manage expenditures as they enter a capital-intensive and highly competitive business. However, their uncertainty around Maryland's timing makes this challenging.

Some existing facility license holders reported that uncertain timing caused them to spend more in advance of becoming operational than they had planned. They also indicated that uncertainty around timing negatively affected their ability to market their launch.

Some interviewees spoke of having a uniform starting line for those business that are getting licenses to counteract the disadvantages related to uncertain timing.

We trained staff for almost two months, so we carried personnel expenses. It was only partly by design; it was more related to the uncertainty of the timing of SWARC awarding the license.

Our initial marketing campaign wasn't launched as we would have liked due to the lack of clarity on timing and therefore lack of lead time from SWARC.

Some other states have done a uniform starting line. That's our preference. No one gets an unfair advantage as long as no one is unreasonably delaying. Acquisition piece is highly competitive right out of the gate so anyone who gets days or weeks of advantage will put others at significant disadvantage. An even start lets the best company and product win.

We didn't get a lot of advance notice on when we could start. It was chaotic. We didn't market ahead of time.

C. Qualitative Information — Barriers to entering facility-based sports wagering

Although they saw licensing costs for facility-based sports wagering as more accessible than for mobile in Maryland, interviewees reported that the barriers are considerable in this segment of the sports wagering industry as well.

Interviewees described the following conditions:

- Lack of operator interest in facility partnerships;
- A narrow path to profit in facility-based sports wagering;
- An even narrower path to profit when capital investments are required; and
- Limited opportunities for indirect profit through foot traffic and customer conversion.

These interviewee perceptions are described in the following pages of this appendix. Examples of comments are provided on the right side of each page.

C. Qualitative Information — Barriers to entering facility-based sports wagering

Lack of Operator Interest in Facility-Based Partnerships

Given interviewees' expectation for mobile to dominate sports wagering in Maryland like they have seen in other states, large operators unsurprisingly reported that they are primarily looking to mobile licensing at this point.

Smaller prospective licensees said that they will depend on large operator partnerships. However, they reported difficulty gaining interest from potential partners for facility-based sports wagering because large operators are focusing on mobile.

A large operator reported, At this point, I don't think we will partner with any other retail operations. When [we] agreed with [a local facility] to operate sports wagering, it was to gain access to mobile which accounts for 90 percent of sports wagering revenue. [Mobile licenses tied to retail] is not how Maryland ended up.

If we are jumping in, we want the full gamut and would only do retail if we are also able to do mobile.

After months of attempting to connect with operators, we have been unsuccessful in finding an operator willing to invest in the retail space rather than just waiting for mobile.

Operators won't talk to us.

[Operator] deals depend on our ability to win the mobile license.

None of the [operators] really want retail; the only reason they are interested at all is they ... believe the 17 named retail locations will get a first mover opportunity for mobile.

They separated the [retail and mobile] licenses in Maryland so we are fighting against all of these other groups for partners. Our goal would be to partner with an operator for mobile.

D.C. had planned to have several class B licenses. They thought there would be a lot of applications, but the economics didn't work that way. For private operators providing all the funding, risk, tools etc., the amount they'd make was too small.

C. Qualitative Information — Barriers to entering facility-based sports wagering

Narrow Path to Facility-Based Profit

Interviewees explained that if 85-95 percent of the market moves to mobile, the remaining market share for facility-based sports wagering is slim. As a result, they perceive that significantly investing in facility-based sports wagering will be risky.

An Even Narrower Path when Capital Investments are Required

The perceived small amount of market share that will remain in facility-based sports wagering was described as a concern. For some organizations, that concern is magnified when substantial capital investment could be necessary (e.g., to outfit a sportsbook lounge or create a separate physical space to comply with age minimums that differ for sports wagering than their main business). There would not be enough profit to justify the costs of making physical changes to existing businesses once mobile sports wagering dominates the state, according to some interviewees.

Some interviewees reported that this concern could be alleviated if Maryland's prohibition on gaming in non-age-restricted areas could be modified. They would like businesses to be able to integrate self-service betting terminals (SSBTs) or sports wagering kiosks throughout their existing facilities.

If you just look at the retail sportsbook itself and we could maintain this into the future, we'd be happy. But with a 90 percent cut in volume after mobile starts, it wouldn't make sense on a standalone basis.

As a retail operation, I can't make sports wagering work even with the infrastructure in place. There just isn't enough volume to make that work without mobile connected.

It's not feasible to build [retail] sports books. We have little restaurants. If you need a 21 and older area, we may not think that makes sense or it could hurt the restaurant. If Maryland would enable the ability to have kiosks spread through the restaurant, that would limit the costs. If they can be flexible, then we could do this without renovation.

We are just not in a position to spend 100,000 or \$1 million to outfit to a sportsbook. The 21 and older is the thing I've heard. If we can just integrate sports wagering, that will be the only way to compete. We need sensitivity to the class Bs.

Sports wagering revenue is a long-term play — it won't return capx in the first couple of years.

We worked with our partner to provide the expense and income forecast and once they ran it, it just didn't make sense to put that much in up front [to construction].

If [Maryland] wants a credible opportunity for minority-owned businesses and local businesses to drive tax dollars, they need to allow self-service betting terminals.

C. Qualitative Information — Barriers to entering facility-based sports wagering

Limited Opportunities for Indirect Profit from Foot Traffic and Customer Conversion

Some businesses reported that they are counting on sports wagering to contribute to foot traffic or customer acquisition for another aspect of their business. Operating facility-based sports wagering at a low profit or even a loss was reported to be tolerable when the core business has high profit margins and the indirect profit generated outside of sports wagering via customer acquisition is sizable.

However, many interviewees explained that they do not see enough of a reason for players to come into their physical locations for sports wagering once mobile starts. Some interviewees noted that organizations in jurisdictions that require players to sign up or redeem winnings in person at a physical location may be better able to make this “foot traffic” strategy work than will be the case in Maryland.

Our approach is making it additive for the core base we have.

We are definite on pursuing mobile. Retail is less revenue, it's just a customer acquisition mechanism [for other activities besides sports wagering].

Retail is a small part of the market and not really a profitable part. It rounds out the offering — establishes brand presence and you can upsell other things ... but the numbers have to pencil out.

From experience, we know we aren't going to get rich off this [retail]. It's still more the gained advantage of the marketing and if we can get extra foot traffic. The bread and butter would be if it drives foot traffic. That would make it worth a little more expense and risk on us. Even if MLGCC and SWARC don't structure it to force people to come in to sign up, it is still potentially viable if we gain the names in sign up. If we can market to them for [other purposes] and we can monetize that, it still benefits us with little cost.

From the beginning we've said we don't see sports wagering as real revenue and profit opportunity. It's a new tool to drive people into the facility and see [customers] we've never seen before and capture them for other [activities].

Las Vegas builds enormous sportsbooks. We saw over the past three years as mobile became more stable and robust, foot traffic decreased. But in Las Vegas, to fund or pull-down winnings on mobile, you have to go into a licensed establishment. Maryland won't do that, so you won't get the foot traffic and opportunity to convert [customers].

C. Qualitative Information — Broadening industry participation

Interviewees indicated that they are awaiting information about how Maryland will implement sports wagering. Interviewees ranging from major operators to new prospective applicants speculated about how Maryland's requirements may play out related to small businesses and minority- and woman-owned businesses.

Prospective licensees new to the industry reported being eager to see if Maryland's approach may make sports wagering feasible for them.

Established sports wagering operators also spoke about changes they are prepared to make pending decisions from Maryland.

This section includes:

- Perspectives from hopeful new entrants to the industry; and
- Perspectives from established operators.

Examples of comments are provided in each section.

C. Qualitative Information — Broadening industry participation

Perspectives from Hopeful New Entrants to the Industry

Potential new entrants to the industry, some of whom are small and minority- or woman-owned businesses, reported that they are eager for strategies that will give them an opportunity to compete. Interviewees spoke about how daunting it is for small businesses to gain a foothold in the industry.

Some interviewees also spoke about the challenge for minority-owned businesses and for women to access capital.

Unless we get ‘an even playing field,’ we will not be able to compete with the huge billion-dollar companies.

Unless they [license MBEs] early, they [State of Maryland] are creating a scenario where it would be hard to profit.

Getting an advantage for a mobile license if you are working with a class B license holder would make us more attractive to operators.

The big established players aren’t going to partner with a small entity unless they are forced to.

We have to partner with a platform provider. This is a new industry, so there is no reason [for legislators] not to stick to their guns and hold platform providers’ feet to the fire. No one has the experience yet, so there shouldn’t be excuses for letting the existing players have the upper hand If we can come up with the funds, they should require larger companies to share in the equity of the operations.

Unless and until the state finds creative ways for minorities and women to be included, the access to equity is too expensive or simply impossible to acquire. Without equity, there is little to no chance to obtain debt. It’s the old saying, ‘You have to be a member to join’ ... and all of the applications were taken long ago.

The industry isn’t friendly to women. I work in [another field that is predominately men], and women are even more of a minority in the gaming world. It’s not an easy path. I met with execs from another [sportsbook], they are not getting the applicants. It’s all men or women in a partnership with mostly men. The barriers are high for women. This space is intimidating to enter. We don’t have access to capital in the same way. We don’t come from high paying jobs. We are not viewed as having the knowledge or interest in this field even though women like sports too.

It will be difficult for an MBE to partner in a financially viable way with a national heavy hitter Typically, they pay a small affiliate fee You need a joint venture and an MBE with their own infrastructure to run a big part of the operation.

C. Qualitative Information — Broadening industry participation

Perspectives from Large Operators

Large sports wagering operators indicated that they are waiting to see what Maryland will require regarding minority-owned businesses.

Some stated that they are prepared to make significant changes if necessary to gain access to Maryland's mobile sports wagering industry. For example, some interviewees spoke of changing their ownership structures if doing so will help them secure a mobile license.

There could be some impact on our ownership structure depending on what happens with this analysis and SWARC.

The ability to be first to market has been hugely valuable in other states, so we'll consider opportunities to work with other MBEs [for mobile] if that ensures we can get to market first ... there is language in the statute that some sort of relationship with an MBE will be advantaged.

We are waiting to see what Maryland requires and starting to look at options like changing our ownership structure if sharing equity or working with minority- or woman-owned businesses is required.