

Maryland Authorizes Retail and Online Sports Wagering, Seeks to Boost Industry Diversity

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On April 12, 2021, the Maryland state legislature passed a bill legalizing both retail and online sports betting, which Governor Larry Hogan is expected to sign in the coming days. Maryland's sports betting bill is among the most inclusive to date and is clearly intended to foster competition by reducing barriers to entry for smaller firms and promoting diversity.

Regulatory Framework

Under the new law, the Maryland State Lottery and Gaming Commission (the Commission) is authorized to issue sports wagering facility licenses to the state's casinos, professional sporting venues, horse racetracks, off-track horse race betting facilities and up to 30 additional companies or individuals.

The law also authorizes the Commission to issue up to 60 mobile sportsbook licenses – by far the largest number among states that impose a cap on licensees. Each mobile sportsbook licensee is permitted to partner with a single online betting platform operator, who must in turn obtain an operator license from the Commission. All licenses are valid for five years.

To reduce barriers to entry for smaller firms, the licensing requirements established under the law vary depending on the nature and size of an applicant's business. By way of example, licensing fees range from \$2 million for large casinos and professional sporting venues to \$50,000 for applicants with less than 25 full-time employees or less than \$3 million in gross annual receipts.

The law also imposes a license requirement upon entities/individuals that provide services, maintenance and repairs on sports wagering devices and equipment, and grants the Commission the right to promulgate, by regulation, a license requirement for "person [s] who contract[] with a [sports wagering] licensee" if it determines that such a requirement is "necessary in order to protect the public interest."

Measures Aimed to Boost Diversity in the Sports Betting Industry

Notably, the law incorporates a variety of measures intended to promote diversity in the sports betting industry. The law states expressly that it is the "intent of the General Assembly" that the legislation be implemented in a manner that "maximizes the ability of minorities, women and minority and women-owned businesses to participate in the sports wagering industry." It also establishes a "Small, Minority-Owned, and Women-Owned Business Sports Wagering Fund," and requires that a certain percentage of license fees be deposited into the fund for distribution in accordance with a blueprint established by the Commission.

Moreover, the law directs the Commission's application review board to "seek to achieve racial, ethnic and gender diversity" in awarding sports wagering licenses, and requires all applicants to disclose: (i) the number of minority and women owners of the applicant; (ii) the size of the ownership interest of minority and women stakeholders; (iii) the number of women and minority employees working for the applicant; and (iv) the number of minority- and women-owned businesses with whom the applicant contracts.

Within six months of obtaining a license, all retail and mobile sportsbooks are required to promulgate "reasonable and appropriate" goals and procedures for boosting the number of minority business enterprises with whom it contracts for sports wagering-related services." Thereafter, licensed sportsbooks are required to submit annual reports to the Commission providing updates concerning the number of the licensee's minority and women owners and employees, as well as the number of minority- and women-owned businesses with whom the licensee contracts.

Timeline for Sports Betting Launch

At this juncture, it is still too soon to predict when sports betting will officially launch in Maryland. The timing of the official launch depends largely upon how long it takes the Commission to promulgate sports wagering regulations and initiate the licensing process.

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