

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 962

(Delegate Anderson, *et al.*) (By Request - Baltimore City Administration)

Economic Matters

Education, Health, and Environmental Affairs

Baltimore City - Alcoholic Beverages - Video Lottery Facility and Video Lottery Concessionaire Licenses

This bill establishes a Class BWL-VLF (Video Lottery Facility) and a Class BWL-VLC (Video Lottery Concessionaire) beer, wine, and liquor license in Baltimore City. The BWL-VLF and BWL-VLC licenses authorize the sale of beer, wine, and liquor for consumption anywhere within the VLT facility or on the grounds controlled by the BWL-VLF licensee.

The Class BWL-VLF and BWL-VLC licenses authorize (1) music and dancing; and (2) the sale and providing of beer, wine, and liquor for consumption throughout the VLT facility and grounds controlled by the BWL-VLF licensee during the days and hours that the VLT facility is open for business. The annual license fee is \$15,000 for a BWL-VLF license and \$5,000 for a BWL-VLC license.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City license fee revenues increase by as much as \$40,000 annually, depending on the number of BWL-VLC licenses awarded, beginning in FY 2014. Baltimore City expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The BWL-VLF licensee may sell beer, wine, and liquor on the premises of the VLT facility; the BWL-VLC licensee may sell beer, wine, and liquor on the premises of the concessionaire. The BWL-VLF license may be issued to the individual or entity owning the VLT facility licensed to operate in Baltimore City. An applicant for the BWL-VLF license need not meet any location, voting, or residency requirements. One or more Class BWL-VLC licenses may be issued for the VLT facility.

Current Law: Subject to certain limitations, the Board of Liquor License Commissioners for Baltimore City may issue a Class B beer, wine, and liquor license for use in a restaurant. For Baltimore City, there is no authorized alcoholic beverages license specific to a VLT facility or to a concessionaire to sell beer, wine, or liquor for consumption within a VLT facility.

VLT Program

During the 2007 special session, the General Assembly adopted two pieces of legislation pertaining to VLT gambling – Chapter 4 (Senate Bill 3) and Chapter 5 (House Bill 4). Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified restrictions. The constitutional amendment provided that (1) a maximum of five VLT facility licenses may be awarded within specified areas of the State; (2) no more than one facility license may be awarded in any county or Baltimore City; (3) a maximum of 15,000 VLTs may be authorized; and (4) VLT facilities must comply with any applicable planning and zoning laws of a local jurisdiction. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Chapter 624 of 2010 and Chapter 240 of 2011 made several changes to the VLT program implemented by Chapter 4.

Under Chapter 4, VLT facility operation licenses are awarded by the Video Lottery Facility Location Commission. The State Lottery Commission oversees VLT operations, and owns/leases VLTs and a central monitor and control system. Except for provisions related to the offering of food and beverages at facilities, the commission is required to ensure VLT licensees comply with the regulatory framework of the VLT program.

Chapter 4 allows for a maximum of 15,000 VLTs, distributed as follows: 4,750 VLTs in Anne Arundel County; 3,750 VLTs in Baltimore City; 2,500 VLTs in Worcester County; 2,500 VLTs in Cecil County; and 1,500 VLTs in Allegany County (Rocky Gap State Park). Chapter 240 of 2011 reduced the maximum allocation at Rocky Gap State Park to 1,000 VLTs.

VLT Licensee Requirements

Under Chapter 4, a video lottery operation licensee may not provide food or alcoholic beverages to an individual at no cost, with the exception of hors d'oeuvres, pretzels, cheese or crackers as allowed under § 12-106 of Article 2B. Food or alcoholic beverages offered by a video lottery operation licensee may be offered only at prices that are determined by the county alcoholic beverages licensing authority to be commensurate with the price of similar types of food and alcoholic beverages at restaurants in the county in which the video lottery facility is located.

A video lottery operation licensee must ensure that intoxicated individuals are not allowed to play video lottery terminals and are not allowed in areas of the video lottery facility where video lottery terminals are located. The Code of Maryland Regulations requires security operating procedures that ensure that intoxicated individuals are prohibited from entering the video lottery facility, or if necessary, immediately removed from the facility.

A VLT facility may operate daily from 8 a.m. to 2 a.m. and may extend operations until 4 a.m. on Saturday and Sunday.

Background: The Location Commission has awarded video lottery operation licenses for VLT facility locations in Anne Arundel, Cecil, and Worcester counties. Penn Cecil in Cecil County opened in late September 2010 with 1,500 VLTs and Ocean Downs in Worcester County opened in January 2011 and currently is operating 800 VLTs. Power Plant Entertainment Casino Resorts, LLC was awarded a license in December 2009 to operate a 4,750 VLT facility adjacent to Arundel Mills Mall in Anne Arundel County, contingent upon local zoning approval. County officials subsequently approved zoning legislation, but the legislation was petitioned to a local voter referendum at the November 2010 election. Anne Arundel County voters approved the legislation, allowing the VLT facility to go forward. Phase one of that facility is currently scheduled to open with approximately 3,000 VLTs in June 2012, with the full complement of 4,750 VLTs in operation by October 2012.

After licenses for the proposed VLT facilities in Allegany County and Baltimore City were not awarded in previous rounds of bidding, the Location Commission issued new Requests for Proposals (RFP) for those licenses earlier this year. On September 23, 2011, the Location Commission received three proposals for Allegany County and two proposals for Baltimore City. However, one proposal for Baltimore City and two proposals for Allegany County were subsequently rejected by the Location Commission for failing to meet requirements contained in the RFPs. The Location Commission plans to make final decisions on the remaining proposals sometime in early 2012.

Alcoholic Beverages Licenses for VLT Facilities

In Cecil County, in which a VLT facility currently operates, there is a Class EF (entertainment facility) license which authorizes the holder to sell beer, wine, and liquor by the drink and by the bottle, from one or more outlets in the entertainment facility, for consumption anywhere within the entertainment facility, during the days and hours the facility is open for business. The holder of a Class EF license may not sell alcoholic beverages for off-sale consumption. The annual license fee is \$7,500.

The Worcester County VLT facility is located at the Ocean Downs Racetrack. The racetrack license in Worcester County allows for the sale of beer, wine, and liquor within the confines of the racing park, for a fee of \$1,500 each year, which entitles the holder to sell at one or more locations within its park.

The Anne Arundel County Board of License Commissioners may issue an EF on-sale license and an entertainment concessionaire (EC) on-sale license. The EF license permits the sale of beer, wine, and liquor within the VLT facility licensed to operate in Anne Arundel County. The EC license permits the sale of beer, wine, and liquor at a concession adjacent to the VLT facility. The EF annual license fee is \$15,000; the EC annual license fee is \$5,000.

Local Revenues: The Department of Legislative Services assumes the Baltimore City VLT facility will be open for operations no sooner than fiscal 2014 and that as many as five establishments may be eligible for a BWL-VLC license. Annual license fee revenues for Baltimore City increase annually, as early as fiscal 2014, by as much as \$40,000. This includes the annual \$15,000 fee for the BWL-VLF license and \$5,000 for each BWL-VLC license.

Additional Information

Prior Introductions: None.

Cross File: SB 883 (Senator Jones-Rodwell)(By Request - Baltimore City Administration) - Education, Health, and Environmental Affairs.

Information Source(s): Baltimore City, Comptroller's Office, Maryland State Lottery Agency, Department of Legislative Services

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