

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 270

(Senator Jones-Rodwell)(By Request - Baltimore City
Administration)

Budget and Taxation

Baltimore City - School Facilities - Funding

This bill amends Article II of the Baltimore City Charter to authorize the use of revenues from the city's beverage container tax, video lottery facility, or other revenues dedicated to the construction of school facilities in the city to pay the interest and principal on debt issued for school construction-related purposes.

Fiscal Summary

State Effect: None. The bill applies only to Baltimore City. The bill does not by itself increase the number of Baltimore City school construction projects submitted to the Interagency Committee on School Construction (IAC) for funding approval, so there is no effect on IAC's workload.

Local Effect: No effect on Baltimore City revenues or expenditures. The bill authorizes, but does not require, the city to dedicate existing or projected revenues to pay the debt service for school construction projects.

Small Business Effect: None.

Analysis

Bill Summary: Revenues and receipts from the beverage container tax, video lottery facility, or other dedicated revenues may be irrevocably pledged to the payment of interest and principal on the debt, either directly or through a fund established for that purpose. However, use of those revenues to pay principal and interest on school

construction debt is also subject to annual appropriation by the Mayor and City Council of Baltimore.

Current Law/Background: Only the General Assembly can amend Article II of the city's charter.

Beverage Container Tax

Baltimore City enacted a two-cent per beverage container tax on wholesale distributors in June 2010. The tax was due to terminate in June 2013, but the termination date was repealed in June 2012 and the tax was raised to five cents per container beginning July 1, 2013. The law exempts dairy products, nondairy milk substitutes, any beverage containing at least 10% natural fruit juice, and any beverage container of two liters or larger. Revenues under the two-cent tax totaled approximately \$4.7 million in fiscal 2011. When the tax is raised to five cents, it is expected to generate approximately \$10.0 million beginning in fiscal 2014.

Video Lottery Facility

Chapter 1 of the 2012 second special session authorizes (1) a sixth video lottery facility in the State, to be located in Prince George's County; (2) allows video lottery facilities to offer table games; and (3) redistributes revenues from gaming, among other changes. Enactment of the gaming expansion was contingent on a public referendum, which passed at the November 2012 general election. Under Chapter 1 and the original 2007 special session law (Chapters 4 and 5), 5.5% of video lottery terminal (VLT) revenues is distributed in the form of impact grants to local governments, of which 18% goes through fiscal 2032 to Baltimore City via the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft (\$1 million annually). The remaining 82% is distributed to local governments where video lottery facilities are located. Under current law, the 82% distribution is apportioned to local governments based upon the revenues generated by the facility in the county. The bill divides equally among Baltimore City and Anne Arundel and Prince George's counties their combined share of the 82% distribution, except that the share to Baltimore City and to Anne Arundel County may not be less than in the fiscal year prior to issuance of the Prince George's County license.

Prior to the issuance of a Prince George's County video lottery facility operation license, 80% of table game revenues are distributed to licensees and 20% of table game revenues are distributed to the State's Education Trust Fund (ETF). Upon issuance of a Prince George's County license, licensees continue to receive 80% of table game revenues, 15% is distributed to ETF, and 5% is distributed to local jurisdictions where a

video lottery facility is located. Proceeds distributed to Baltimore City must be used equally to fund school construction projects and maintenance, operation, and construction of recreational facilities.

On July 31, 2012, CBAC Gaming, LLC was awarded a video lottery operation license for a facility with 3,750 VLTs in Baltimore City. The facility is expected to open in mid-2014. Based on current projections and excluding the 18% for the Pimlico Community Development Authority, Baltimore City will receive \$15.5 million in local impact grants from gaming in fiscal 2015, \$17.8 million in fiscal 2016, and \$22.5 million in fiscal 2017, which includes an estimated \$4.5 million from the first proceeds generated by table games. The total local impact grant is projected to increase to \$23.5 million in fiscal 2018, including approximately \$5.0 million from table games. Baltimore City has pledged a portion of local gaming revenues to school construction.

Additional Information

Prior Introductions: None.

Cross File: HB 194 (Delegate Anderson)(By Request - Baltimore City Administration) - Appropriations.

Information Source(s): Baltimore City, Public School Construction Program, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2013
ncs/rhh

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