

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 733 (Cecil County Senators)
 Budget and Taxation

Cecil County - Video Lottery Terminals - Distribution of Proceeds

This bill alters the distribution of video lottery terminal (VLT) proceeds beginning July 1, 2016, so that the video lottery operation licensee in Cecil County receives 38% of VLT proceeds (instead of 33%), provided that 2% of the VLT proceeds annually is spent on specified marketing, advertising, and promotional costs and capital improvements at the Cecil County video lottery facility.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase due to a decrease in special fund revenues to the Education Trust Fund (ETF) of approximately \$3.24 million in FY 2017, increasing to \$3.34 million by FY 2021 as a result of increasing the percentage of VLT proceeds distributed to a video lottery operation licensee in Cecil County by 5 percentage points.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SF Revenue	\$0	(\$3.24)	(\$3.21)	(\$3.24)	(\$3.29)
GF Expenditure	\$0	\$3.24	\$3.21	\$3.24	\$3.29
SF Expenditure	\$0	(\$3.24)	(\$3.21)	(\$3.24)	(\$3.29)
Net Effect	\$0.00	(\$3.24)	(\$3.21)	(\$3.24)	(\$3.29)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The distribution of gross VLT proceeds from the facility in Cecil County is as follows:

- 1% to the State Lottery and Gaming Control Agency;
- 5.5% to local impact grants;
- 7% to the Purse Dedication Account (PDA);
- 1% to the Racetrack Facility Renewal Account;
- 1.5% to the Small, Minority, and Women-Owned Businesses Account;
- 6% to the video lottery operation licensee if the video lottery operation licensee owns or leases each VLT device and the associated equipment and software (the Cecil County video lottery facility is required to own or lease its VLT devices after March 31, 2015);
- 33% to the video lottery operation licensee (the amount stated in the accepted video lottery operation license application); and
- 45% (the remainder) to ETF.

After the video lottery operation license for the facility in Prince George's County is issued, the distribution of VLT proceeds from Cecil County changes so that 6%, instead of 7% goes to PDA. As a result, VLT proceeds to ETF increase by 1%.

If a video lottery operation license is awarded to a video lottery facility in Prince George's County, the State Lottery and Gaming Control Commission (SLGCC) may increase the distribution of VLT proceeds to the Cecil County video lottery operation licensee by up to 5 percentage points of the VLT proceeds from the Cecil County video lottery facility.

Thus, the Cecil County video lottery operation licensee currently receives 39% of VLT proceeds from Cecil County, and it may receive an additional 5 percentage points once the Prince George's County video lottery operation license is awarded, if SLGCC elects to do so.

Background: Appendix – Maryland Gaming provides detailed background on gaming in Maryland.

State Fiscal Effect: ETF revenues are currently budgeted for the State foundation program, the State's largest education aid formula. Thus, any decrease in ETF revenues increases general fund appropriations for the State foundation program by an equal amount. ETF revenues decrease by approximately \$3.24 million in fiscal 2017 and by \$3.34 million in fiscal 2021, as shown in **Exhibit 1**. The distribution of VLT proceeds to the Cecil

County video lottery operation licensee increases by \$3.24 million in fiscal 2017 and by \$3.34 million in fiscal 2021.

Exhibit 1
Revenue Effect of Increasing the VLT Distribution to the Cecil County Licensee
Fiscal 2017-2021
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Cecil County Licensee	\$3.24	\$3.21	\$3.24	\$3.29	\$3.34
ETF	(\$3.24)	(\$3.21)	(\$3.24)	(\$3.29)	(\$3.34)

Source: Board of Revenue Estimates

Additional Information

Prior Introductions: None.

Cross File: HB 761 (Cecil County Delegation) - Ways and Means.

Information Source(s): Cecil County, Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2016
md/rhh

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Appendix – Maryland Gaming

The State of Maryland has authorized and awarded six video lottery operation licenses in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties with a maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. Five casinos are currently operating in Maryland, with the sixth casino, MGM National Harbor, LLC, expected to open in fiscal 2017. The opening date and the number of VLTs and table games for each facility as of January 2016 are shown in **Exhibit 1**.

Exhibit 1 Number of VLTs and Table Games in Maryland

<u>Casino</u>	<u>County</u>	<u>Opening Date</u>	<u>VLTs</u>	<u>Table Games</u>
Hollywood Casino	Cecil	September 2010	850	22
Ocean Downs	Worcester	January 2011	800	-
Maryland Live!	Anne Arundel	June 2012	3,994	206
Rocky Gap Casino	Allegany	May 2013	631	18
Horseshoe Casino	Baltimore City	August 2014	2,202	178
MGM National Harbor	Prince George's	January 2017*	3,600*	140*

*Projected

Source: Department of Legislative Services; State Lottery and Gaming Control Agency

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2017 through 2021 are shown in **Exhibit 2**. In total, \$1.38 billion in gross gaming revenues is projected in fiscal 2017, including \$458.8 million to be distributed to the Education Trust Fund (ETF).

Exhibit 2
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
VLTs Distribution					
Education Trust Fund	\$382.8	\$453.9	\$460.1	\$467.0	\$474.0
Lottery Operations	9.7	11.9	12.0	12.2	12.4
Purse Dedication Account	58.0	67.4	68.3	69.3	70.4
Racetrack Renewal Account	8.9	11.1	11.2	11.4	11.6
Local Impact Grants	50.2	61.9	62.8	63.7	64.7
Business Investment	13.7	16.9	17.1	17.4	17.6
Licenses	408.4	523.1	530.0	537.9	546.0
Total VLTs	\$931.6	\$1,146.1	\$1,161.5	\$1,178.9	\$1,196.6
Table Games Distribution					
Education Trust Fund	\$76.0	\$79.7	\$80.7	\$81.9	\$83.1
Local Impact Grants	12.7	26.6	26.9	27.3	27.7
Licensee	355.0	424.9	430.3	436.8	443.3
Total Table Games	\$443.7	\$531.1	\$537.9	\$545.9	\$554.1
Total VLT and Table Games	\$1,375.4	\$1,677.3	\$1,699.4	\$1,724.9	\$1,750.7
Total Education Trust Fund	\$458.8	\$533.6	\$540.8	\$548.9	\$557.1

Source: Department of Legislative Services; Board of Revenue Estimates; Department of Budget and Management
