

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1138
 Ways and Means

(Delegate Ali, *et al.*)

Budget and Taxation

Baltimore City - Table Games Proceeds - Distribution and Recreational Facilities

This bill alters the distribution of table game proceeds distributed to Baltimore City as local impact grants so that 49%, instead of 50%, of the proceeds must be used to fund school construction projects; 49%, instead of 50%, of the proceeds must be used to fund the maintenance, operation, and construction of recreational facilities; and 2% of the proceeds must be paid to the Small, Minority, and Women-Owned Businesses Account (SMWOBA) to be used for lending, investing, management fees, marketing, and other related expenses for eligible businesses in Baltimore City. The bill also requires that table game proceeds distributed to Baltimore City as local impact grants that must be used to fund the maintenance, operation, and construction of recreational facilities be supplemental to any existing expenses or obligations related to recreational facilities and may not take the place of funding that otherwise would be appropriated for recreational facilities.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Special fund revenues and expenditures of SMWOBA increase by \$143,400 in FY 2018 and by \$151,300 in FY 2022. The Department of Commerce (Commerce) can administer the additional funds to SMWOBA with existing resources.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$143,400	\$144,700	\$146,900	\$149,100	\$151,300
SF Expenditure	\$143,400	\$144,700	\$146,900	\$149,100	\$151,300
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local impact grants to Baltimore City decrease by \$143,400 in FY 2018 and by \$151,300 in FY 2022. Approximately \$3.5 million of Baltimore City local impact

grants beginning in FY 2018 may not be used to take the place of local funding that would otherwise be appropriated for recreational facilities.

Small Business Effect: Minimal. Qualified small, minority, and women-owned businesses in Baltimore City benefit from increased SMWOBA funds to be used for lending, investing, management fees, marketing, and other related expenses.

Analysis

Current Law: Video lottery operation licensees receive 80% of table game revenues, 15% is distributed to the Education Trust Fund, 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 for the maintenance, operation, and construction of recreational facilities.

Generally, 1.5% of VLT proceeds at each video lottery facility must be distributed to SMWOBA. The Board of Public Works (BPW) must make grants from the account to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. BPW must ensure that fund managers allocate at least 50% of available funds to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities. BPW was required to develop criteria to define eligible fund managers (entities with significant financial or investment experience) to whom BPW would make grants, and who in turn would use those grant funds to provide investment capital and loans to businesses. BPW must set the maximum amount of grant money that fund managers may use to pay for administrative, actuarial, legal, and technical services.

Background: Appendix – Maryland Gaming provides more information on gaming in Maryland.

Exhibit 1 shows the estimated local impact grants to be distributed from table game proceeds to Baltimore City in fiscal 2018 through 2022.

Exhibit 1
Baltimore City Local Impact Grants from Table Game Proceeds
Fiscal 2018-2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
School Construction	\$3,585,736	\$3,617,729	\$3,671,995	\$3,727,075	\$3,782,981
Recreational Facilities	3,585,736	3,617,729	3,671,995	3,727,075	3,782,981
Total	\$7,171,472	\$7,235,458	\$7,343,989	\$7,454,149	\$7,565,962

Source: Board of Revenue Estimates; Department of Legislative Services

State Fiscal Effect: The bill requires 2% of table game proceeds distributed to Baltimore City as local impact grants to be distributed to SMWOBA. Thus, special fund revenues and expenditures of SMWOBA increase by \$143,429 in fiscal 2018 and by \$151,319 in fiscal 2022, as shown in **Exhibit 2**.

Exhibit 2
Baltimore City Local Impact Grants from Table Game Proceeds
Under the Bill
Fiscal 2018-2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
School Construction	\$3,514,021	\$3,545,374	\$3,598,555	\$3,652,533	\$3,707,321
Recreational Facilities	3,514,021	3,545,374	3,598,555	3,652,533	3,707,321
SMWOBA	143,429	144,709	146,880	149,083	151,319
Total	\$7,171,472	\$7,235,458	\$7,343,989	\$7,454,149	\$7,565,962

SMWOBA: Small, Minority, and Women-Owned Businesses Account

Source: Board of Revenue Estimates; Department of Legislative Services

Local Fiscal Effect: Local impact grants to Baltimore City decrease by \$143,429 in fiscal 2018 and by \$151,319 in fiscal 2022. Approximately \$3.5 million of Baltimore City local impact grants beginning in FY 2018 may not be used to take the place of local funding that would otherwise be appropriated for recreational facilities.

Additional Information

Prior Introductions: A similar bill, HB 1330 of 2016, passed the House and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: SB 1152 (Senator Oaks) – Budget and Taxation.

Information Source(s): Baltimore City; Comptroller’s Office; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

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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. The opening date and the number of VLTs and table games for each facility as of January 2017 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	20
Ocean Downs	Worcester	January 2011	800	-
Maryland Live!	Anne Arundel	June 2012	3,906	209
Rocky Gap Casino	Allegany	May 2013	662	17
Horseshoe Casino	Baltimore City	August 2014	2,202	179
MGM National Harbor	Prince George's	December 2016	3,237	165

VLT: video lottery terminal

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

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2018 through 2022 are shown in **Exhibit 2**. A total of \$1.79 billion in gross gaming revenues is projected in fiscal 2018, including \$546.7 million to be distributed to the Education Trust Fund.

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

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
VLTs Distribution					
Education Trust Fund	\$447.9	\$454.1	\$460.9	\$467.8	\$474.8
Lottery Operations	11.8	11.9	12.1	12.3	12.5
Purse Dedication Account	66.4	67.3	68.3	69.3	70.3
Racetrack Renewal Account	10.9	11.0	11.2	11.3	11.5
Local Impact Grants	61.0	61.9	62.8	63.7	64.7
Business Investment	16.6	16.9	17.1	17.4	17.6
Licenses	517.8	524.8	532.6	540.6	548.7
Total VLTs	\$1,132.4	\$1,147.8	\$1,165.0	\$1,182.5	\$1,200.3
Table Games Distribution					
Education Trust Fund	\$98.8	\$100.0	\$101.5	\$103.0	\$104.6
Local Impact Grants	32.9	33.3	33.8	34.3	34.9
Licenses	526.8	533.4	541.4	549.5	557.7
Total Table Games	\$658.5	\$666.7	\$676.7	\$686.9	\$697.2
Total VLTs and Table Games	\$1,790.9	\$1,814.5	\$1,841.8	\$1,869.4	\$1,897.4
Total Education Trust Fund	\$546.7	\$554.1	\$562.4	\$570.9	\$579.4

VLT: video lottery terminal

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