

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 118 (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 so that the video lottery operation licensee in Cecil County receives an additional 5% of VLT proceeds from the Cecil County facility, provided that 2% of the VLT proceeds annually is spent on specified marketing, advertising, and promotional costs and capital improvements at the facility. The increased distribution of proceeds would begin on July 1, 2017.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase due to a decrease in special fund revenues to the Education Trust Fund (ETF) of approximately \$3.02 million in FY 2018, increasing to \$3.18 million by FY 2022 as a result of increasing the percentage of VLT proceeds distributed to a video lottery operation licensee in Cecil County.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	(\$3.02)	(\$3.05)	(\$3.09)	(\$3.14)	(\$3.18)
GF Expenditure	\$3.02	\$3.05	\$3.09	\$3.14	\$3.18
SF Expenditure	(\$3.02)	(\$3.05)	(\$3.09)	(\$3.14)	(\$3.18)
Net Effect	(\$3.02)	(\$3.05)	(\$3.09)	(\$3.14)	(\$3.18)

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

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;
- 6% to the Purse Dedication Account;
- 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 for VLT ownership costs;
- 33% to the video lottery operation licensee (the amount stated in the accepted video lottery operation license application); and
- 46% (the remainder) to ETF.

Under current law, 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 beginning on July 1, 2019. Thus, the Cecil County video lottery operation licensee currently receives 39% of VLT proceeds from the Cecil County facility, and it may receive an additional 5 percentage points beginning on July 1, 2019, if approved by SLGCC.

Background: Exhibit 1 shows the percentage of VLT revenues that are currently distributed to each video lottery operation licensee. Appendix – Maryland Gaming provides detailed background on gaming in Maryland.

Exhibit 1
Video Lottery Operation Licensee's Share of VLT Revenues
Current Law

Allegany County	50%
Anne Arundel County	49%
Baltimore City	46%
Prince George's County	44%
Worcester County	43%
Cecil County	39%

VLT = video lottery terminal

Source: Department of Legislative Services

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 \$3.02 million in fiscal 2018 and by \$3.18 million in fiscal 2022, as shown in **Exhibit 2**. The distribution of VLT proceeds to the Cecil County video lottery operation licensee increases by \$3.02 million in fiscal 2018 and by \$3.18 million in fiscal 2022.

Exhibit 2
Revenue Effect of Increasing the VLT Distribution to the Cecil County Licensee
Fiscal 2018-2022
(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Cecil County Licensee	\$3.02	\$3.05	\$3.09	\$3.14	\$3.18
ETF	(\$3.02)	(\$3.05)	(\$3.09)	(\$3.14)	(\$3.18)

VLT = video lottery terminal

ETF = Education Trust Fund

Source: Board of Revenue Estimates; Department of Legislative Services

Additional Information

Prior Introductions: SB 733 of 2016 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 761, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2017
mm/jrb

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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
