

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1459

(Calvert County Delegation)

Environment and Transportation

Budget and Taxation

Calvert County – Youth Recreational Opportunities Fund and Distribution From
 Admissions and Amusement Tax Revenues

This bill makes permanent the distribution of revenue attributable to a 4% tax rate from the State admissions and amusement (A&A) tax on electronic bingo and electronic tip jars in Calvert County to the Calvert County Youth Recreational Opportunities Fund (CCYROF), instead of requiring those revenues be distributed to the Calvert County Board of Education beginning in fiscal 2020 for school renovation and renewal projects. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Special fund revenues and expenditures within CCYROF increase by \$1.21 million in FY 2020 and by \$1.25 million in FY 2023.

| (in dollars) | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|----------------|---------|-------------|-------------|-------------|-------------|
| SF Revenue | \$0 | \$1,212,000 | \$1,224,100 | \$1,236,400 | \$1,248,700 |
| SF Expenditure | \$0 | \$1,212,000 | \$1,224,100 | \$1,236,400 | \$1,248,700 |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

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

Local Effect: Revenues to Calvert County from CCYROF increase by \$1.21 million in FY 2020 and by \$1.25 million in FY 2023. Revenues to the Calvert County Board of Education decrease by corresponding amounts.

Small Business Effect: None.

Analysis

Bill Summary: Money from CCYROF first must be used for the sole purpose of completing the development of Ward Farm Recreation and Nature Park; once development of the park is complete, the Calvert County Commissioners must adopt a plan to expand youth recreational opportunities at additional locations. By July 1, 2019, and annually thereafter, the Calvert County Commissioners must report to the Calvert County Delegation of the General Assembly on specified items relating to the bill.

Current Law: A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine that is operated for commercial purposes. The State tax rate may not exceed a rate that when combined with the rate of any local tax will exceed 35%.

For fiscal 2019 through 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the Maryland E-Innovation Initiative Fund, and revenues attributable to a rate of 5% are distributed to the Maryland State Arts Council (up to an aggregate amount of \$1.0 million in each fiscal year) and the remainder is distributed to the Special Fund for Preservation of Cultural Arts in Maryland (POCA). After fiscal 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the general fund, and revenues attributable to a rate of 5% are distributed to POCA. From the revenue attributable to a tax rate of 5% that is distributed to POCA, beginning in fiscal 2019, \$250,000 must be distributed annually to the Arts Council of Anne Arundel County.

The tax rate in Anne Arundel County is 25%, distributed as described above. In Calvert County, the total State A&A tax rate on specified machines is 33%. In fiscal 2014 through 2019, revenues attributable to the additional State A&A tax rate in Calvert County are distributed as follows:

- 1.5% to the Boys and Girls Club of the Town of North Beach in the amount of \$50,000, with the remainder to the Town of North Beach;
- 2.5% to the Town of Chesapeake Beach; and
- 4.0% to CCYROF.

Beginning in fiscal 2020, distributions are unaltered, except that the revenues attributable to a State tax rate of 4.0% no longer go to CCYROF but are instead distributed to the Calvert County Board of Education for school renovation and renewal projects.

Background: There are currently 460 instant bingo machines in Calvert County. State A&A tax revenues totaled \$13.3 million in fiscal 2017, of which \$8.9 million was from instant bingo machines in Calvert County.

CCYROF is a special, nonlapsing fund used for projects that advance youth recreational opportunities in Calvert County. The Department of Natural Resources uses CCYROF to reimburse Calvert County for the cost of acquiring two adjacent parcels totaling 223 acres. Calvert County is in the process of completing the plan for the development of the property, known as Ward Farm Recreation and Nature Park. Future development may include athletic fields, concession and maintenance facilities, and other recreational opportunities such as natural area hiking, equestrian trails, fishing, and environmental education.

State Fiscal Effect: As a result of allowing CCYROF to continue to receive revenues attributable to a 4% State A&A tax rate in Calvert County after fiscal 2019, special fund revenues to CCYROF increase by \$1.21 million in fiscal 2020. It is assumed that revenues grow by 1% annually thereafter. Funds within CCYROF are to be used for the development of Ward Farm Recreation and Nature Park in Calvert County, so special fund expenditures from CCYROF increase by equivalent amounts beginning in fiscal 2020.

Local Fiscal Effect: Revenues to Calvert County from CCYROF increase by \$1.21 million in fiscal 2020 and by \$1.25 million in fiscal 2023. Revenues to the Calvert County Board of Education decrease by corresponding amounts. Beginning in fiscal 2019, money from CCYROF must be used for the sole purpose of completing the development of Ward Farm Recreation and Nature Park until the development is complete. Once it is complete, the Calvert County Commissioners must adopt a plan to expand youth recreational opportunities at additional locations.

Additional Information

Prior Introductions: A similar bill, SB 352 of 2017, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: None designated; however, SB 961 (Calvert County Senators – Budget and Taxation) is identical.

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

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