

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1416 (Delegate Turner)
Rules and Executive Nominations

Joint Committee on Gaming Oversight - Local Government Use of Casino
Revenue - Report

This bill requires the Joint Committee on Gaming Oversight to study the use of and restrictions on revenue from video lottery terminals (VLTs) and table games that is received by local governments. The committee must make recommendations regarding changes that will make restrictions on the local governments' use of the revenue more consistent across jurisdictions. The committee must report its findings and recommendations to the Governor and the General Assembly by December 1, 2019. **The bill takes effect July 1, 2019, and terminates on June 30, 2020.**

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: From the VLT proceeds at each video lottery facility, generally 5.5% of the proceeds are distributed as local impact grants to local governments in which a video lottery facility is operating.

Generally, all or a portion of the local impact grants from VLT revenues must go to the local jurisdictions with video lottery facilities to be used for infrastructure improvements;

facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements in the communities in immediate proximity to the video lottery facilities. In Allegany County, the grants may also be used to pay down debt incurred by the county in the construction and related costs for the golf course, lodge, and other improvements in Rocky Gap State Park, and at least 20% of the local impact grants must be used for capital projects for municipalities and nonprofit organizations in the county. In Baltimore City, 50% of the local impact grants must be distributed directly to the South Baltimore Gateway District Management Authority. In Prince George's County, 40% of its local impact grants, not to exceed \$15 million annually, must be used to address infrastructure needs related to Maryland Route 210 in Prince George's County, and \$125,000 of local impact grants must be used in communities within 2.5 miles northeast of the video lottery facility in Prince George's County.

A local development council (LDC) must be established in each area where a video lottery facility is located. An LDC generally consists of 15 members appointed by the chief executive of the county in which the LDC is located, in consultation with the senators and delegates who represent the communities surrounding the facility and the respective county councils, city councils, or county commissioners. Prior to spending local impact grant funds, a county or municipality must develop, in consultation with the LDC, a multi-year plan for services and improvements to be used with local impact grant funds. A county or municipality must submit the plan to the LDC for review and comment before adopting the plan or spending grant funds.

From table game proceeds at each video lottery facility, 5% of the proceeds are distributed to local governments in which a video lottery facility is operating. Revenues from table game proceeds distributed to Baltimore City must be used equally to fund school construction projects and for the maintenance, operation, and construction of recreational facilities. Otherwise, there are no restrictions on the use of these funds from table game proceeds.

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

Additional Information

Prior Introductions: None.

Cross File: SB 808 (Senators Patterson and Benson) - Budget and Taxation.

Information Source(s): Maryland Association of Counties; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - March 13, 2019
mag/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 2019 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	822	19
Ocean Downs	Worcester	January 2011	892	18
Maryland Live!	Anne Arundel	June 2012	3,825	198
Rocky Gap Casino	Allegany	May 2013	665	17
Horseshoe Casino	Baltimore City	August 2014	2,194	158
MGM National Harbor	Prince George’s	December 2016	3,137	198

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 2020 through 2024 are shown in **Exhibit 2**. A total of \$1.78 billion in gross gaming revenues is projected in fiscal 2020, including \$528.8 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 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
VLTs Distribution					
Education Trust Fund	\$430.1	\$419.6	\$425.7	\$429.5	\$433.8
Lottery Operations	11.2	11.4	11.5	11.6	11.8
Purse Dedication Account	65.6	66.5	67.5	68.1	70.5
Racetrack Renewal Account	10.7	10.9	11.0	11.1	11.8
Local Impact Grants	60.8	61.7	62.6	63.1	64.6
Business Investment	0.0	16.7	16.9	17.1	17.6
Licenses	542.2	550.0	557.9	562.9	565.0
Total VLTs	\$1,120.6	\$1,136.7	\$1,153.1	\$1,163.4	\$1,175.1
Table Games Distribution					
Education Trust Fund	\$98.7	\$100.2	\$101.7	\$102.6	\$103.6
Local Impact Grants	32.9	33.4	33.9	34.2	34.5
Licenses	526.4	534.3	542.4	547.2	552.7
Total Table Games	\$658.0	\$667.9	\$677.9	\$684.0	\$690.9
Total VLTs and Table Games	\$1,778.5	\$1,804.6	\$1,831.0	\$1,847.5	\$1,866.0
Total Education Trust Fund	\$528.8	\$519.8	\$527.4	\$532.1	\$537.4

VLT: video lottery terminal

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