

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1430
Ways and Means

(Delegates Hornberger and Buckel)

Budget and Taxation

Video Lottery Operator - Reconciliation of Proceeds - Uncollectible Debt

This bill alters the definition of video lottery terminal (VLT) and table game proceeds so that, consistent with regulations adopted by the State Lottery and Gaming Control Commission (SLGCC), a video lottery operator may reduce the amount of proceeds for up to seven days by the amount of a counter check deemed uncollectible. A video lottery operator may reduce the amount notwithstanding the forgiveness of the uncollectible counter check, in whole or in part, based on a good faith belief that the player's business could be retained in good standing. A counter check is a negotiable instrument accepted after June 30, 2020, by a video lottery operator as a promise by a player to repay a line of credit of at least \$250,000. A video lottery operator must report at least quarterly to specified committees of the General Assembly, if applicable, relating to the uncollectible counter check or forgiven debt and whether the player was a first-time debtor of the operator. **The bill takes effect July 1, 2020 and terminates June 30, 2022.**

Fiscal Summary

State Effect: Special fund revenues and expenditures may decrease in FY 2021 and 2022 to the extent that counter checks are deemed uncollectible. General fund expenditures increase in FY 2021 and 2022 to the extent that Education Trust Fund (ETF) revenues and expenditures decrease.

Local Effect: To the extent that gaming revenues decrease as a result of counter checks deemed uncollectible, local impact grants decrease in FY 2021 and 2022.

Small Business Effect: Minimal.

Analysis

Current Law: Proceeds are the amounts bet through VLTs and table games that are not returned to successful players. Proceeds do not include money given away by a video lottery operation licensee as free promotional play and used by players to bet in a VLT or at a table game. After the first fiscal year of operations, the exclusion of money for promotional play may not exceed a percentage of VLT and table game proceeds in the prior fiscal year as set by SLGCC in regulations. If a video lottery operation licensee returns to successful players more than the amount of money bet through VLTs or table games on a given day, the licensee may subtract that amount from the proceeds of up to seven following days.

Background: Nevada allows casinos to deduct uncollectible debt from gross gaming revenues under specified circumstances.

A video lottery operation licensee can go through the courts to collect a debt. Under the Courts and Judicial Proceedings Article, a “money judgment” is a judgment that a specified amount of money is immediately payable to the judgment creditor. A money judgment constitutes a lien on the debtor’s interest in real or personal property located where the judgment was rendered. A judgment may be executed by a writ. A sheriff or constable may then seize the legal or equitable interest of the debtor in real or personal property. A writ of execution on a money judgment does not become a lien on the personal property of the debtor until an actual levy is made. The lien then extends only to the property included in the levy. Statute specifies several items that are exempt from execution on a money judgment, including money payable or paid in accordance with an agreement or court order for alimony to the same extent that wages are exempt from attachment under the Commercial Law Article.

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

State Fiscal Effect: The bill enables video lottery operation licensees to write off bad debts against their gaming proceeds, thereby reducing gaming revenues. Thus, special fund revenues and expenditures may decrease in fiscal 2021 and 2022. 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 through fiscal 2022. However, pursuant to Chapter 357 of 2018, 100% of ETF revenues must be used for supplemental education funding beginning in fiscal 2023. Thus, general fund expenditures increase in fiscal 2021 and 2022 to the extent that ETF revenues and expenditures decrease.

Additional Information

Prior Introductions: None.

Designated 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 - February 20, 2020
rh/jrb Third Reader - March 18, 2020
Revised - Amendment(s) - March 18, 2020

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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 November 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	821	21
Ocean Downs	Worcester	January 2011	892	18
Maryland Live!	Anne Arundel	June 2012	3,737	195
Rocky Gap Casino	Allegany	May 2013	665	18
Horseshoe Casino	Baltimore City	August 2014	2,174	158
MGM National Harbor	Prince George’s	December 2016	3,102	207

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 2021 through 2025 are shown in **Exhibit 2**. A total of \$1.8 billion in gross gaming revenues is projected in fiscal 2021, including \$541.9 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 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
VLTs Distribution					
Education Trust Fund	\$447.3	\$452.4	\$458.2	\$464.0	\$469.9
Lottery Operations	11.7	11.8	12.0	12.1	12.3
Purse Dedication Account	68.4	69.2	70.1	72.9	73.8
Racetrack Renewal Account	11.2	11.3	11.5	12.1	12.3
Local Impact Grants	63.5	64.2	65.0	66.8	67.6
Business Investment	17.2	17.4	17.6	18.2	18.4
Licenses	550.9	557.3	564.5	568.0	575.3
Total VLTs	\$1,170.1	\$1,183.7	\$1,198.8	\$1,214.2	\$1,229.7
Table Games Distribution					
Education Trust Fund	\$94.6	\$95.8	\$97.0	\$98.3	\$99.5
Local Impact Grants	31.5	31.9	32.3	32.8	33.2
Licenses	504.7	511.1	517.6	524.1	530.8
Total Table Games	\$630.9	\$638.9	\$646.9	\$655.2	\$663.5
Total VLTs and Table Games	\$1,801.0	\$1,822.6	\$1,845.8	\$1,869.3	\$1,893.2
Total Education Trust Fund	\$541.9	\$548.3	\$555.2	\$562.3	\$569.5

VLT: video lottery terminal

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