

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 771

(Senator Patterson)

Budget and Taxation

Ways and Means

State Lottery and Gaming Control Agency - Gaming Study - Use of Gaming Proceeds

This bill requires the State Lottery and Gaming Control Agency (SLGCA) to study the distribution and use of local impact grants, the use of the Problem Gambling Fund, and the use of video lottery terminal (VLT) proceeds distributed to the Small, Minority, and Women-Owned Businesses Account (SMWOBA). By December 1, 2020, SLGCA must report its findings to the Governor and the General Assembly. **The bill takes effect July 1, 2020, and terminates on June 30, 2021.**

Fiscal Summary

State Effect: General fund expenditures for SLGCA may increase by up to \$150,000 in FY 2021 to hire a consultant to meet the bill's reporting requirements. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Local Impact Grants

From the VLT proceeds at each facility, generally 5.5% are distributed as local impact grants to local governments in which a video lottery facility is operating. The grants are distributed by the Division of Racing within the Maryland Department of Labor (MDL).

Generally, all or a portion of the local impact grants 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 primarily 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 those local impact grants, not to exceed \$15 million annually, must be used to address infrastructure needs related to Maryland Route 210 in the county, and the State may reimburse the county for these amounts. Additionally, \$125,000 of its local impact grants from VLT proceeds must be provided annually to 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.

Problem Gambling Fund

Maryland's casino operators pay annual assessments into the Problem Gambling Fund of \$425 per slot machine per year and \$500 per table game per year to fund programs to combat gambling addiction. These funds are managed by the Maryland Department of Health (MDH).

The purpose of the Problem Gambling Fund is primarily to provide funding for problem gambling treatment and prevention programs, including specified services. Fund revenues are used to operate a 24-hour hotline for compulsive and problem gamblers, provide counseling and support services to compulsive and problem gamblers, and develop and

implement free or reduced-cost problem gambling treatment and prevention programs. Expenditures from the Problem Gambling Fund may be used to establish an outreach program for compulsive and problem gamblers, including individuals who requested to be on a voluntary exclusion list established by the State Lottery and Gaming Control Commission, for the purpose of participating in problem gambling treatment and prevention programs.

The fund collected \$5.3 million in fiscal 2019. Maryland's per capita problem gambling funding is among the 10 highest in the United States.

SMWOBA

Generally, 1.5% of VLT proceeds at each video lottery facility must be distributed to SMWOBA. The Department of Commerce (Commerce) 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. Except for money received from the Strategic Energy Investment Fund, Commerce 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.

Fund managers receiving grants must keep proper records, be subject to audit by the Office of Legislative Audits, and provide an annual report to the Governor and the General Assembly on investment capital and loans made. During an audit, the Legislative Auditor must audit the utilization of funds allocated to small, minority, and women-owned businesses by eligible fund managers.

State Expenditures: SLGCA indicates that it lacks the resources to meet the bill's reporting requirements. Thus, SLGCA general fund expenditures may increase by up to \$150,000 in fiscal 2021 to hire a consultant to meet the bill's reporting requirements. To the extent that MDL, Commerce, and MDH are able to provide SLGCA the information required under the bill, the need for a consultant would be mitigated and SLGCA could likely implement the bill with existing resources.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 28, 2020
af/jrb Third Reader - March 17, 2020

Analysis by: Heather N. MacDonagh

Direct Inquiries to:
(410) 946-5510
(301) 970-5510