

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

Senate Bill 338

(Senator Edwards)

Budget and Taxation

Ways and Means

**Allegany County - Video Lottery Terminals - Distribution of Proceeds**

This bill alters the distribution of video lottery terminal (VLT) proceeds from the video lottery facility in Allegany County after the first 10 years of operations. After the first 10 years of operations, the video lottery operation licensee in Allegany County receives 58.25% of VLT proceeds from the video lottery facility in Allegany County. In addition, the bill adjusts the scheduled change in distribution of Allegany County VLT revenues to the Purse Dedication Account (PDA), the State Lottery and Gaming Control Agency (SLGCA), the Racetrack Facility Renewal Account (RFRA), and the Small, Minority, and Women-Owned Businesses Account (SMWOBA) after the first 10 years of operations as provided under current law. **The bill takes effect July 1, 2020.**

**Fiscal Summary**

**State Effect:** Education Trust Fund (ETF) special fund revenues and expenditures decrease by \$389,900 in FY 2023 and by \$4.8 million in FY 2025. SLGCA special fund revenues and expenditures decrease by \$43,300 in FY 2023, offset by an increase in general fund expenditures. Special fund revenues and expenditures for SMWOBA, PDA, and RFRA decrease beginning in FY 2023.

| (in dollars)   | FY 2021 | FY 2022 | FY 2023     | FY 2024       | FY 2025       |
|----------------|---------|---------|-------------|---------------|---------------|
| SF Revenue     | \$0     | \$0     | (\$660,600) | (\$7,998,400) | (\$8,070,300) |
| GF Expenditure | \$0     | \$0     | \$43,300    | \$524,500     | \$529,200     |
| SF Expenditure | \$0     | \$0     | (\$660,600) | (\$7,998,400) | (\$8,070,300) |
| Net Effect     | \$0     | \$0     | (\$43,300)  | (\$524,500)   | (\$529,200)   |

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** For the first 10 years of operations at a video lottery facility in Allegany County, gross VLT proceeds from the facility are distributed as follows:

- 0.75% to SMWOBA (although in fiscal 2019 and 2020, that amount goes to ETF);
- 1% to SLGCA for administrative costs;
- 3.75% to local impact grants;
- 2.5% to PDA for horse racing purses and bred funds;
- 60% to the licensee; and
- the remainder to ETF (32%).

After 10 years of operations, the distribution of VLT proceeds at the facility in Allegany County is generally similar to the distribution at other video lottery facilities, except that the licensee share will be 53% if a 2.5% capital investment requirement is met and the distribution to SLGCA is 2%. Assuming the 2.5% capital investment requirement is met, gross VLT proceeds from the facility are distributed as follows:

- 1.5% to SMWOBA to provide investment capital and loans to small, minority, and women-owned businesses in the State;
- 2% to SLGCA for administrative costs;
- 5.5% to local impact grants;
- 6% to PDA for horse racing purses and bred funds;
- 1.0% to RFRA for racetrack capital construction and improvements;
- 53% to the licensee; and
- the remainder to ETF (31%).

**Background:** The video lottery facility in Allegany County opened in May 2013. **Appendix – Maryland Gaming** provides detailed background on gaming in Maryland.

**State Fiscal Effect:** The bill alters the distribution of VLT revenues from the facility in Allegany County beginning in May 2023, as shown in **Exhibit 1**. Thus, ETF revenues and expenditures decrease by approximately \$389,900 in fiscal 2023 and by \$4.8 million in fiscal 2025. Special fund revenues and expenditures for SLGCA decrease by \$43,300 in fiscal 2023 and by \$529,200 in fiscal 2025, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures for PDA decrease by \$151,600 in fiscal 2023 and by \$1.9 million in fiscal 2025. Special fund revenues and expenditures for RFRA and SMWOBA decrease by \$43,300 and \$32,500, respectively, in fiscal 2023 and by \$529,200 and \$396,900, respectively, in fiscal 2025.

The Department of Legislative Services assumes that, to the extent less funds are available to PDA, RFRA, and SMWOBA, these programs would provide less funding to eligible businesses and individuals. The distribution of VLT proceeds to the video lottery operation licensee in Allegany County increases by \$660,600 in fiscal 2023 and by at least \$8.0 million annually beginning in fiscal 2024.

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**Exhibit 1**  
**Revenue Effect of Altering the Distribution**  
**of VLT Revenues from Allegany County Facility**

|                     | <u><b>FY 2023</b></u> | <u><b>FY 2024</b></u> | <u><b>FY 2025</b></u> |
|---------------------|-----------------------|-----------------------|-----------------------|
| ETF                 | (\$389,900)           | (\$4,720,300)         | (\$4,762,800)         |
| SLGCA               | (43,300)              | (524,500)             | (529,200)             |
| PDA                 | (151,600)             | (1,835,700)           | (1,852,200)           |
| RFRA                | (43,300)              | (524,500)             | (529,200)             |
| Local Impact Grants | —                     | —                     | —                     |
| SMWOBA              | (32,500)              | (393,400)             | (396,900)             |
| Licensees           | 660,600               | 7,998,300             | 8,070,300             |

ETF: Education Trust Fund  
PDA: Purse Dedication Account  
RFRA: Racetrack Facility Renewal Account  
SLGCA: State Lottery and Gaming Control Agency  
SMWOBA: Small, Minority, and Women-Owned Businesses Account  
VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Legislative Services

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**Small Business Effect:** Eligible fund managers provide investment capital and loans to small, minority, and women-owned businesses in the State with funds from SMWOBA. Thus, small businesses receive \$32,500 less in investment capital and loans in fiscal 2023 and approximately \$400,000 less annually thereafter beginning in fiscal 2024.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 435 (Allegany County Delegation) - Ways and Means.

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

**Fiscal Note History:** First Reader - January 31, 2020  
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## Appendix – Maryland Gaming

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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**.

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### 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

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### *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.

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**Exhibit 2**  
**Distribution of Estimated VLT and Table Game Revenues in Maryland**  
**Current Law**  
**(\$ in Millions)**

|                                   | <u><b>FY 2021</b></u> | <u><b>FY 2022</b></u> | <u><b>FY 2023</b></u> | <u><b>FY 2024</b></u> | <u><b>FY 2025</b></u> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>VLTs Distribution</b>          |                       |                       |                       |                       |                       |
| 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                 |
| <b>Total VLTs</b>                 | <b>\$1,170.1</b>      | <b>\$1,183.7</b>      | <b>\$1,198.8</b>      | <b>\$1,214.2</b>      | <b>\$1,229.7</b>      |
| <b>Table Games Distribution</b>   |                       |                       |                       |                       |                       |
| 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                 |
| <b>Total Table Games</b>          | <b>\$630.9</b>        | <b>\$638.9</b>        | <b>\$646.9</b>        | <b>\$655.2</b>        | <b>\$663.5</b>        |
| <b>Total VLTs and Table Games</b> | <b>\$1,801.0</b>      | <b>\$1,822.6</b>      | <b>\$1,845.8</b>      | <b>\$1,869.3</b>      | <b>\$1,893.2</b>      |
| <b>Total Education Trust Fund</b> | <b>\$541.9</b>        | <b>\$548.3</b>        | <b>\$555.2</b>        | <b>\$562.3</b>        | <b>\$569.5</b>        |

VLT: video lottery terminal

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

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