

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 452 (Senator Edwards)
 Budget and Taxation

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 68.25% 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, 2021.**

Fiscal Summary

State Effect: Education Trust Fund (ETF) special fund revenues and expenditures decrease by \$535,300 in FY 2023 and by \$5.0 million in FY 2026, offset by an increase in general fund expenditures. SLGCA special fund revenues and expenditures decrease by \$59,500 in FY 2023 and by \$557,500 by FY 2026, 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 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$0	(\$907,100)	(\$8,351,200)	(\$8,426,200)	(\$8,502,100)
GF Expenditure	\$0	\$594,800	\$5,476,200	\$5,525,400	\$5,575,200
SF Expenditure	\$0	(\$907,100)	(\$8,351,200)	(\$8,426,200)	(\$8,502,100)
Net Effect	\$0	(\$594,800)	(\$5,476,200)	(\$5,525,400)	(\$5,575,200)

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%).

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 late May 2023, as shown in **Exhibit 1**. (The video lottery facility in Allegany County opened in late May 2013.) ETF revenues and expenditures decrease by approximately \$535,300 in fiscal 2023 and by \$5.0 million in fiscal 2026, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures for SLGCA decrease by \$59,500 in fiscal 2023 and by \$557,500 in fiscal 2026, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures for PDA decrease by \$208,200 in fiscal 2023 and by \$2.0 million in fiscal 2026. Special fund revenues and expenditures for RFRA and SMWOBA decrease by \$59,500 and \$44,600, respectively, in fiscal 2023 and by \$557,500 and \$418,100, respectively, in fiscal 2026.

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

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
ETF	(\$535,300)	(\$4,928,600)	(\$4,972,900)	(\$5,017,700)
SLGCA	(59,500)	(547,600)	(552,500)	(557,500)
PDA	(208,200)	(1,916,700)	(1,933,900)	(1,951,300)
RFRA	(59,500)	(547,600)	(552,500)	(557,500)
Local Impact Grants	-	-	-	-
SMWOBA	(44,600)	(410,700)	(414,400)	(418,100)
Licenses	907,000	8,351,200	8,426,400	8,502,200

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

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 \$907,000 in fiscal 2023 and by over \$8.0 million annually beginning in fiscal 2024.

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 \$44,600 less in investment capital and loans in fiscal 2023 and approximately \$400,000 less annually thereafter beginning in fiscal 2024.

Additional Information

Prior Introductions: SB 338 of 2020 passed the Senate with amendments and was referred to the House Ways and Means Committee. Its cross file, HB 435, received a hearing in the House Ways and Means Committee. No further action was taken on either bill.

Designated Cross File: HB 532 (Allegany County Delegation) - Ways and Means.

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

Fiscal Note History: First Reader - January 27, 2021
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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 (VLT) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2020 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	502	16
Ocean Downs	Worcester	January 2011	601	18
Maryland Live!	Anne Arundel	June 2012	2,614	184
Rocky Gap Casino	Allegany	May 2013	405	16
Horseshoe Casino	Baltimore City	August 2014	817	152
MGM National Harbor	Prince George’s	December 2016	1,519	204

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 2022 through 2026 are shown in **Exhibit 2**. A total of \$1.8 billion in gross gaming revenues is projected in fiscal 2022, including \$543.9 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 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
VLTs Distribution					
Education Trust Fund	\$449.0	\$454.6	\$459.8	\$465.7	\$471.6
Lottery Operations	11.7	11.9	12.6	12.7	12.9
Purse Dedication Account	68.6	69.5	72.3	73.2	74.1
Racetrack Renewal Account	11.2	11.4	12.0	12.2	12.4
Local Impact Grants	63.6	64.5	66.2	67.1	67.9
Business Investment	17.2	17.4	18.1	18.3	18.5
Licensees	553.0	560.1	563.4	570.6	577.9
Total VLTs	\$1,174.4	\$1,189.3	\$1,204.4	\$1,219.7	\$1,235.3
Table Games Distribution					
Education Trust Fund	\$94.9	\$96.1	\$97.4	\$98.6	\$99.9
Local Impact Grants	31.6	32.0	32.5	32.9	33.3
Licensees	506.3	512.8	519.4	526.0	532.8
Total Table Games	\$632.8	\$641.0	\$649.2	\$657.6	\$666.0
Total VLTs and Table Games	\$1,807.2	\$1,830.2	\$1,853.6	\$1,877.3	\$1,901.3
Total Education Trust Fund	\$543.9	\$550.8	\$557.2	\$564.3	\$571.5

VLT: video lottery terminal

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