

---

# **Overview of Senate Bill 892 of 2012**

---

**Presentation to the  
Workgroup to Consider Gaming Expansion**

**Department of Legislative Service  
Office of Policy Analysis**

**June 1, 2012**

	<b>Senate Bill 892 of 2012, as Passed by the Senate (Third Reader Version)</b>	<b>Senate Bill 892 of 2012, as Amended by the House Ways and Means Committee (Reprint Version)</b>
<b>Voter Referendum to Expand Gaming in the State</b>	<p>Subject to a voter referendum, SB 892 would authorize a sixth video lottery facility operation license in Prince George’s County and would also allow all video lottery terminal (VLT) licensees to offer table games.</p> <p>Prohibits charging a license fee for table games and authorizes VLT licensees to begin operating table games immediately upon voter approval.</p>	<p>Similar provisions remain in the House version.</p> <p>Upon voter approval of table games and/or a Prince George’s County VLT facility, separate implementing legislation would be required to be passed by the General Assembly and signed into law.</p> <p>The State Lottery Commission may immediately begin the regulatory process for table games.</p>
<b>Constitutional Amendment and Local Approval</b>	<p>Contains a constitutional amendment requiring that any subsequent additional form or expansion of gambling proposed via statewide voter referendum for a county must be authorized by a majority of the qualified voters in that county.</p> <p>Contingent on voter approval of the constitutional amendment, prohibits the Video Lottery Facility Location Commission (Location Commission) from awarding a video lottery facility license in a county where a majority of the voters in a referendum on expanded gaming voted against the referred law.</p>	<p>Strikes the constitutional amendment.</p> <p>States the intent of the General Assembly that the Location Commission may not award a license in Prince George’s County unless a majority of voters in that county voted for the sixth video lottery facility.</p> <p>Requires a video lottery facility that offers table games to comply with all applicable planning and zoning laws of the local jurisdiction in which the video lottery facility is located.</p>
<b>Number of VLTs and Location of a Sixth VLT Facility</b>	<p>Up to 4,750 machines:</p> <ul style="list-style-type: none"> <li>at a location in Prince George’s County within four miles of the intersection of Bock Road and St. Barnabas Road.</li> </ul>	<p>Up to 3,000 machines:</p> <ul style="list-style-type: none"> <li>at a location in Prince George’s County within 1.5 miles of the Woodrow Wilson Bridge that includes a waterfront/entertainment retail complex.</li> </ul>
<b>Maximum Number of VLTs Authorized in the State</b>	19,750 (up from the current statewide limit of 15,000 VLTs).	15,000 (maintains the current statewide limit).

	<b>Senate Bill 892 of 2012, as Passed by the Senate (Third Reader Version)</b>	<b>Senate Bill 892 of 2012, as Amended by the House Ways and Means Committee (Reprint Version)</b>
<b>Leasing/Ownership of VLTs and Related Equipment</b>	Beginning July 1, 2013, a VLT facility licensee (other than the Allegany County licensee) would be required to own or lease VLTs and associated equipment, rather than the State.	Strikes these provisions (see study language below).
<b>Operators' Shares of VLT Proceeds</b>	<p>Maintains each operator's share of VLT proceeds at 33% until June 30, 2013.</p> <p>On July 1, 2013, the operator share of VLT proceeds would increase from 33 to 41%, to compensate for the cost of owning/leasing VLTs.</p> <p>If a sixth VLT facility license is issued, the operator share would increase from 41 to 48%.</p> <p>For the Rocky Gap facility, the licensee's share of VLT proceeds would be reduced from 50% to 40% (instead of 33%) after the first 10 years of operations.</p>	<p>Requires the Department of Legislative Services to hire a consultant to study the following issues and report to the General Assembly on:</p> <ul style="list-style-type: none"> <li>● any recommended changes to the existing distribution of video lottery proceeds to licensees as a result of: <ul style="list-style-type: none"> <li>● different gaming markets and populations that impact gaming revenues from existing video lottery facilities;</li> <li>● an expansion of commercial gaming to a sixth location, including any effect on local impact grants and any additional expenses to existing licensees attributable to marketing or advertising as a result of a sixth location;</li> </ul> </li> <li>● shifting the ownership of video lottery terminals from the State to the licensees;</li> <li>● the appropriate State and licensee share of proceeds from table games;</li> <li>● the regulatory framework in other states with commercial gaming and any recommendations on whether a separate gaming commission is necessary in Maryland; and</li> <li>● any other issue that the consultant deems relevant to the study.</li> </ul>
<b>Revenue Distribution from a Prince George's County VLT Facility</b>  <i>Lottery (Administration)</i>  <i>Licensee (Operator)</i>  <i>Local Government</i>  <i>Business Investment</i>  <i>Education Trust Fund</i>	<b>Percentage of Gross VLT Revenue</b>	
	<p>2.0% to the State Lottery for administrative costs;</p> <p>48.0% to the video lottery operation licensee;</p> <p>5.5% in local impact grants;</p> <p>1.5% to the Small, Minority, and Women-owned Businesses Account; and</p> <p>remainder to the Education Trust Fund (43.0%).</p>	
<b>Distribution of Table Game Proceeds</b>	90% of proceeds derived from table games would be retained by the video lottery facility licensee while 10% would be distributed to the local jurisdiction in which the VLT facility is located.	

	<b>Senate Bill 892 of 2012, as Passed by the Senate (Third Reader Version)</b>	<b>Senate Bill 892 of 2012, as Amended by the House Ways and Means Committee (Reprint Version)</b>
<b>Limits on License Ownership</b>	Authorizes an ownership interest in two video lottery facilities.	Strikes this provision and maintains current law allowing an ownership interest in only one video lottery facility.
<b>Provisions Conditioned on Voter Approval of a Prince George’s County VLT Facility</b>	Not applicable.	<p>The Prince George’s County licensee may not operate VLTs before the earlier of July 1, 2016, or 30 months after the Baltimore City VLT facility is open to the public.</p> <p>Once the Prince George’s County facility is open to the public, the share of video lottery proceeds not distributed to licensees may not exceed 60%.</p> <p>Separate implementing legislation may allow a Prince George’s County licensee to begin operating table games in a temporary facility.</p>
<b>Restrictions on Video Lottery Operators</b>	<p>Repeals existing prohibitions on complimentary food and alcohol offered to individuals.</p> <p>Repeals existing prohibitions on the Worcester County licensee that restrict (1) the building of a conference center, amusement park, or mini golf within 10 miles of the facility; and (2) the offering of live music, entertainment, and performances except for live fireworks on the premises and a single piano played by an individual.</p>	<p>These provisions are maintained.</p> <p>Repeals some of the existing entertainment prohibitions on the Worcester County licensee that restrict the offering of amusement rides, live music, entertainment, and performances except for live fireworks on the premises and a single piano played by an individual.</p>
<b>Calculation of State Education Aid and Authorized Uses of the Education Trust Fund</b>	<p>Effective July 1, 2015, the calculation of net taxable income (NTI) for State education aid purposes is altered to be based on tax returns filed by November 1 instead of September 1 each year and mandates “hold harmless” grants for school systems that would receive less State aid using the November 1 date.</p> <p>Authorizes funds to be used for funding NTI grants and expanded early childhood public education programs.</p>	Strikes these provisions.

Senate Bill 26 of 2012: The Senate also passed SB 26, which as amended would have:

- subject to voter referendum, authorized up to 3,750 VLTs at a location in Prince George's County and table games at all VLT facilities;
- increased the maximum number of VLTs Statewide to 16,000;
- required separate implementing legislation if a sixth location and/or table games were approved by the voters; and
- prohibited a sixth VLT licensee to begin operations before July 1, 2015.