



To: House Ways & Means Committee

Re: HB 217 (Video Lottery Operation License – Renewal)

Position: Favorable with Amendment

Date: February 7, 2023

Maryland’s six VLT Licensees support HB 217 with amendment. The VLT Licensees support clarifying the process and standard for renewal of a video lottery operation license at the end of the initial 15 year term of each license as provided in HB 217. The VLT Licensees oppose the renewal fee that this bill would impose, and request that this part of the bill be stricken and replaced with allowing the Maryland Lottery and Gaming Control Agency (“MLGCA”) to establish the renewal fee as it already does for every other type of gaming license under Maryland law.

Facts About Maryland Gaming

- Maryland, with the 19th largest population in the country, generates the 4th highest gaming tax revenues in the nation.
- Maryland’s six commercial casinos create 15,000+ direct jobs, generate \$3.0 billion in economic impact; and a \$962.2 million tax impact (AGA)
- Maryland currently has the second highest tax rate in the country (2nd only to PA)- (41% Blended Tax Rate)
- Maryland has one of the highest gaming tax revenues as a percentage of corporate income tax collected in the country, at 52%. In other words, the 6 casinos in Maryland pay over half as much tax annually as **the thousands of other corporations doing business in the state each year.** (\$832 million Gaming Tax v \$1.6 billion corporate income tax.¹)
- Maryland casinos spent over \$3 billion in initial construction
- **Maryland casinos have provided \$4.9 billion to the Maryland Education Trust Fund and \$6.5 billion in overall taxes since the program began.**

We SUPPORT clarifying the process and legal standard for renewal of the VLT licenses.

- Under current law, each VLT license expires 15 years after issuance. Although the law provides for continued 10-year VLT license terms after the initial 15 year terms, the law is unclear regarding the process for a VLT licensee to renew its license and the legal standard for renewal.

¹ Source January, 2023 DLS Fiscal Briefing.



- As the expiration of the initial terms of the six VLT licenses approaches (the first VLT license expires in only two years), clarifying the existing law regarding the process and the legal standard for renewal of VLT licenses is very important. One problem that this lack of clarity causes for VLT licensees is in dealing with financial institutions, lenders and/or investors, such as when a licensee is looking to raise capital to reinvest in its facilities to keep them attractive and competitive. A bank or institutional investor may be reluctant to commit funding to a project when the law is not clear as to whether the licensee will be able to renew its license when the initial term is up, an issue that will only get more significant as the initial terms get closer to their expiration dates.
- The legal standard for VLT license renewal in HB 217 is the appropriate one. Specifically, the bill provides that the license shall be renewed (upon proper application and payment of the renewal fee) unless the Commission finds that the licensee is no longer qualified (based on the stringent standards for qualification under the VLT statute and regulations) to hold the license. HB217 also provides for an appropriate renewal process, and directs the Commission to establish the complete application process by regulation.

We OPPOSE the renewal fee proposed in HB 217.

- The bill proposes an annual license renewal fee that would be equivalent (over the renewal term) to the fee for the original licenses. The VLT Licensees believe that this level of fee is excessive and not appropriate for the renewal of the VLT licenses.
- The license fee for the original licenses were set by the General Assembly at a very high level in order to ensure that only qualified, financially sound bidders would be considered for the grant of a license in the competitive bidding process before the Video Lottery Facility Location Commission. That issue is irrelevant to the renewal of the VLT licenses because the licensees have already proven their financial soundness and qualifications to hold their licenses and have invested \$3.3 billion in their casinos in total to date. In 2008, the State also justifiably needed license fees to create the infrastructure to support the gaming industry, another consideration that no longer exists.
- The State of Maryland already collects fees of a similar total annually. By statute, **“Maryland’s casino operators pay annual assessments into the Problem Gambling Fund of \$425 per slot machine and \$500 per table game to fund programs to combat gambling addiction.”** An additional matching fee yearly equates to a double tax on the highest taxpayers in the state of Maryland.
- The excessive renewal fee in HB 217 should be stricken and, instead, the MLGCA should be authorized to establish the renewal fee, just as it does for every other license under the gaming law (see §9-1A-07(b)(2)) to ensure that its costs in issuing a renewal license are covered.



PROPOSED AMENDMENTS

Amendment No. 1

On page 1, in line 20, insert:

“9-1A-07

(b)(1) This subsection does not apply to license fees for [a] AN INITIAL video lottery license.

(2) The Commission shall by regulation establish a fee for a license under this subtitle.

(3) An applicant shall submit the fee with the application.”

Amendment No. 2

Strike beginning with line 23 on page 2 through line 10 on page 3; strike lines 27-28 on page 3.