

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 565 (Senator Watson)
Budget and Taxation

Expansion of Commercial Gaming - Internet Gaming Referendum

This bill establishes that, subject to voter referendum, the General Assembly may authorize, by law, that the State Lottery and Gaming Control Commission (SLGCC) may issue a license to offer Internet gaming in the State. Internet gaming legislation must include the criteria for eligible applications for a licensee and specifications of the permissible forms and means of conduct of Internet gaming. The bill also provides the General Assembly's intent that, if the voter referendum is approved, State revenues generated by Internet gaming be used primarily for public education. **The bill takes effect July 1, 2024, with provisions of the bill contingent on passage of a referendum by voters in the November 2024 general election.**

Fiscal Summary

State Effect: None. If approved at referendum, legislation would still be needed to implement Internet gaming.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of voters in a general election.

The State of Maryland has authorized video lottery operation licenses in Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties and Baltimore City with a

maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. Licensees are also authorized to have table games with approval of SLGCC.

Gross VLT proceeds are generally distributed from the proceeds of VLTs at each facility to a small, minority, and woman-owned business investment account; the State lottery for administrative costs; local impact grants; horse racing purses, bred funds, and track renewal; licensees; and the education trust fund (ETF).

Licensees receive 80% of table game revenues, 15% is distributed to ETF, and 5% is distributed to local jurisdictions where a video lottery terminal facility is located.

Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. The Act also provided that revenues from sports and event wagering must primarily be used for public education. Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by SLGCC. The Act also established the Sports Wagering Application Review Commission to review and award applications for sports wagering facility and mobile sports wagering licensure. Certain revenues under Chapter 356 are distributed to the Blueprint for Maryland's Future Fund (BMFF), the Problem Gambling Fund, and the Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund.

ETF provides funding for education and public schools. After specified allocations for school construction financing under the Built to Learn Act (Chapter 20 of 2020), ETF funds are directed to BMFF, which serves as the primary funding source for Blueprint for Maryland's Future education programs.

Appendix – Maryland Gaming provides the status of gaming in Maryland as of December 2023.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2024
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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 (VLTs) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2023 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	709	22
Ocean Downs	Worcester	January 2011	845	19
Maryland Live!	Anne Arundel	June 2012	3,849	179
Rocky Gap Casino	Allegany	May 2013	616	16
Horseshoe Casino	Baltimore City	August 2014	1,401	122
MGM National Harbor	Prince George’s	December 2016	2,266	207

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

Video Lottery Terminals and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2025 through 2029 are shown in **Exhibit 2**. A total of \$2.0 billion in gross gaming revenues is projected in fiscal 2025, including \$596.7 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 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
VLTs Distribution					
Education Trust Fund	\$500.9	\$506.7	\$514.3	\$521.0	\$533.3
Lottery Operations	13.3	13.4	13.6	13.8	13.9
Purse Dedication Account	79.6	80.6	81.5	82.6	83.7
Racetrack Renewal Account	13.3	13.4	12.0	12.1	6.9
Local Impact Grants	73.0	73.8	74.7	75.7	76.7
Business Investment	19.9	20.1	20.4	20.6	20.9
Licensees	627.2	634.5	641.9	650.4	658.9
Total VLTs	\$1,327.2	\$1,342.6	\$1,358.3	\$1,376.2	\$1,394.3
Table Games Distribution					
Education Trust Fund	\$95.8	\$97.0	\$98.2	\$99.5	\$100.9
Local Impact Grants	31.9	32.3	32.7	33.2	33.6
Licensees	510.8	517.2	523.7	530.8	538.0
Total Table Games	\$638.5	\$646.5	\$654.6	\$663.5	\$672.6
Total VLTs and Table Games	\$1,965.7	\$1,989.1	\$2,012.9	\$2,039.7	\$2,066.8
Total Education Trust Fund	\$596.7	\$603.7	\$612.5	\$620.6	\$634.2

VLT: video lottery terminal

Note: Numbers may not sum to total due to rounding.

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

Chapter 492 of 2020, a constitutional amendment approved by the voters at the November 2020 general election, authorized sports and event wagering, contingent upon implementation legislation passed by the General Assembly. Chapter 356 of 2021 implemented sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. Licensees receive 85% of proceeds from sports wagering and fantasy gaming and the State receives 15%, as well as license fee revenues. State revenues from sports wagering and fantasy gaming and their distributions are shown in **Exhibit 3**.

Exhibit 3
Distribution of Estimated State Sports Wagering and
Fantasy Competition Revenues
Current Law
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
State Revenues					
Sports Wagering – Retail	\$2.1	\$2.1	\$2.1	\$2.2	\$2.2
Sports Wagering – Mobile	47.2	47.9	48.6	49.4	50.1
Sports Wagering License Fees	0.0	0.0	0.0	0.1	1.8
Fantasy Competition	1.0	1.0	1.0	1.1	1.1
Total	\$50.3	\$51.0	\$51.8	\$52.7	\$55.2
Distribution					
Blueprint for Maryland’s Future Fund ¹	\$50.3	\$51.0	\$51.8	\$52.8	\$55.2
SMWOBSWA Fund ²	0.0	0.0	0.0	0.0	0.0
Problem Gambling Fund ³	1.3	1.3	1.3	1.4	1.4

SMWOBSWA: Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance

¹ The Blueprint for Maryland’s Future Fund is intended to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students in Maryland.

² Five percent of the class A-1 license fees (\$2.0 million each) and of the class A-2 license fees (\$1.0 million each) are paid into the SMWOBSWA Fund. Five percent of renewal fees are transferred to the SMWOBSWA Fund.

³ Player winnings not claimed within 182 days are distributed to the Problem Gambling Fund.

Note: Numbers may not sum to total due to rounding.

Source: Board of Revenue Estimates; Department of Legislative Services
