

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 800  
Ways and Means

(Delegate Donoghue, *et al.*)

Budget and Taxation

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**Commission to Study Video Lottery Terminals in Maryland**

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This bill establishes a Commission to Study Video Lottery Terminals in Maryland composed of 16 members of the General Assembly.

The commission is required to submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2003. The Department of Legislative Services and the University of Maryland will provide staff support.

The bill takes effect June 1, 2003 and sunsets December 31, 2003.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for commission members and staffing costs for Legislative Services and the University of Maryland could be handled with existing resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The commission is required to review and evaluate the effects of authorizing the operation of video lottery terminals for gaming purposes in the State, including: (1) the estimated annual impact on State revenues; (2) the potential social costs of increases in compulsive gaming and the behaviors associated with compulsive gaming; (3) the potential economic development benefits and the effects on other

economic sectors in the State, including the horse racing, tourism, and restaurant industries; (4) the impact on State lottery revenues and other gaming activities in the State; (5) the impact of video lottery terminal operations in Delaware and West Virginia and the potential impact of gaming changes in neighboring states; (6) the appropriate number of and locations for video lottery terminal facilities, including the feasibility of locating these facilities at existing racetrack locations and the potential costs and appropriate allowances for expenses of operating video lottery terminals; (7) the potential impact of video lottery terminal facilities on local jurisdictions; and (8) the impact on law enforcement and criminal activity.

**Current Law:** Specified types of gambling are allowed in Maryland. This includes the State lottery and wagering on horse racing. Bingo, bazaars, and gaming nights are allowed for some nonprofit organizations on a county-by-county basis. Several counties permit for-profit bingo. In addition, some nonprofit organizations in Eastern Shore counties are allowed to operate up to five slot machines, provided that at least 50% of the proceeds go to charity. VLTs are not authorized for operation in the State.

**Background:** Over the past several legislative sessions, various proposals have been introduced to authorize VLTs, i.e., electronic slot machines, at the State's horse racing tracks or other tourist destinations in the State.

### *Gambling in Maryland*

Regulated gambling in Maryland dates back to 1743 with the regulation of horse racing. Pari-mutuel betting was introduced in 1912 and the State Racing Commission was established in 1920.

The State lottery was established in 1972 through legislative action and a constitutional amendment that was approved by voters.

Slot machines were authorized for use across the State from 1937 through 1939. Legislation to authorize slot machines in Southern Maryland was passed in the 1940s. By the early 1960s, the only legal slot machines in the United States, outside of Nevada, were located in Calvert, Charles, St. Mary's, and Anne Arundel counties. Legislation passed in 1966 prohibiting slot machines as of July 1, 1968.

In 1987 legislation was passed that authorized the operation of slot machines by nonprofit organizations in all Eastern Shore counties, except Worcester.

Legislation enacted in 1995 established a commission to study gambling in Maryland. In its final report to the Governor and the General Assembly in December 1995, the commission, known as the Tydings Commission, made several recommendations including a recommendation that the General Assembly and the Governor should

maintain the current prohibitions against commercial casino gambling activities in Maryland, including slot machines at race tracks.

### *Gambling in the United States*

Prior to 1980, state lotteries, along with pari-mutuel wagering on racing and jai-lai were the prevalent forms of legal gambling. Casinos operated only in Nevada and Atlantic City, New Jersey. Since that time, gambling opportunities have become much more prevalent and varied.

**Exhibit 1** summarizes the number of states that allow various forms of gambling.

### **Exhibit 1 Types of Gambling in the United States, Summary**

<u>Type of Gambling</u>	<u>Number of States</u>
Land-based Casino	4
Dockside Riverboat Casino	5
Cruising Riverboat Casino	1
Native American Gaming	25
Limited Stakes	2
Card Room	5
Lottery	42
Pari-mutuel	41
Bingo	48
None	2

### *Surrounding State VLT Revenues*

Delaware and West Virginia currently allow VLTs. In Delaware, VLTs generated approximately \$565 million in net revenues (after prize payouts) in fiscal 2002. Approximately 60% of these revenues were distributed to racetracks and purses, 35% to the state's general fund, and the remaining 5% to cover administrative costs.

In fiscal 2002, VLTs in West Virginia generated approximately \$595 million in net revenues, of which 60% was distributed to racetracks and purses and 30% to the state lottery fund. The remaining 10% was distributed to tourism initiatives, local governments, the state racing commission, the state pension fund, greyhound and thoroughbred development, and administrative costs.

In 2001, New York enacted legislation authorizing VLTs at several racetracks as well as at a number of Native American casinos. Pennsylvania is also reported to be considering

legislation to authorize VLTs. Although both Virginia and the District of Columbia operate lotteries, and Virginia conducts limited horse racing, neither jurisdiction is currently considering legalizing casinos or VLT-type gambling.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** University System of Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2003  
mld/jr Revised - House Third Reader - March 22, 2003

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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510