

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1261
Ways and Means

(Delegate Marriott, *et al.*)

Pimlico Economic Development - Community and Racetrack Act of 2004

This bill creates the Pimlico Economic Development Authority (PEDA) as a public corporation to provide economic development in a specified area surrounding Pimlico Race Course. The bill requires that 50% of Pimlico video lottery terminal (VLT) gaming revenues received by the State be distributed to the authority, with the remaining half allocated for purses and capital improvement projects at Pimlico. The bill also authorizes the State Lottery Commission to adopt regulations permitting casino-type games at Pimlico Race Course.

The bill is contingent upon the enactment of any bill authorizing VLT gaming in the State.

Fiscal Summary

State Effect: To the extent that a VLT proposal is enacted that allocates revenues differently than under the provisions of the bill, these special fund revenues (and corresponding expenditures) will decrease significantly. Potential significant general fund revenue increase due to revenues generated from casino-type games at Pimlico. If VLTs are not authorized in the State, this bill will have no fiscal impact.

Local Effect: Significant increase in gaming revenues to the Pimlico Benefits District (PBD), offset by potential significant loss in local development grants and education aid to Baltimore City, to the extent that a VLT proposal allocates VLT revenues to local jurisdictions.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill creates PEDA as a public corporation and instrumentality of the State in order to provide for economic development in the area surrounding Pimlico Race Course designated as PBD. PBD is defined as the region that is bordered by: (1) Northern Parkway on the north; (2) Greenspring Avenue on the east; (3) Druid Parkway on the south; and (4) the Western Maryland railroad tracks on the west.

The authority is granted all the powers exercised by Maryland corporations under the Maryland General Corporation Law and may adopt bylaws, rules, and regulations necessary to carry out the provisions of the bill. The authority is exempted from State and local taxation. The authority is authorized to acquire, hold, and lease real and personal property and enter into contracts.

The authority is composed of 15 members. One member of the Executive Department is appointed by the Governor, one member of the House of Delegates is appointed by the Speaker of the House, and one member of the Senate is appointed by the President of the Senate. The Governor also appoints one representative of the Pimlico VLT operator and three owners of businesses that serve residents of PBD. The Mayor of Baltimore appoints five residents of PBD and three owners of businesses that serve PBD. The members serve for three years, except initial appointees whose replacements are staggered from 2005 through 2008. These members elect a chairman. The authority is also to appoint an Executive Director.

The hiring and employment practices of the authority must reflect the demographics of PBD. Construction and procurements must adhere to the higher of State or Baltimore City Minority Business Enterprise (MBE) programs. In addition, the State Treasurer may only invest and reinvest money in the Pimlico Gaming Fund in MBE-certified banking institutions. The authority must hire an independent CPA to conduct an audit at the end of each fiscal year. The authority is also subject to audit by the Office of Legislative Audits. Within 90 days of the beginning of each fiscal year, the authority is to provide a detailed report of its activities to the Governor and the General Assembly.

The bill requires that 50% of the Pimlico VLT revenues received by the State be distributed to the Pimlico Gaming Fund established by the bill and the other half for mile thoroughbred purses and capital development and improvements at Pimlico Racecourse. Pimlico Gaming Fund revenues can be used for economic development purposes and any other purposes that the authority considers necessary and proper to improve the quality of life within PBD. The authority must work in conjunction with Baltimore City economic development efforts in PBD.

The State Lottery Commission is authorized to determine the amount of VLTs that operate at Pimlico in the first year of operations. In the second year of operations and thereafter, the State Lottery Commission may not authorize additional VLTs beyond the number the State Lottery Commission determines necessary: (1) for capital development and improvements in PBD; (2) ensure that mile thoroughbred purses at Pimlico are at least 5% higher than the tracks surveyed within a 300-mile radius; and (3) to ensure that the amount in the Pimlico Gaming Fund does not decrease by 5% in a year.

The State Lottery Commission is authorized to allow the operator of Pimlico to conduct casino-type games including card games, wheels of chance, and roulette. The State Lottery Commission must adopt regulations specifying the number of casino-type games permitted and the percent of total gross receipts generated by these games that are to be allocated to the general fund.

Background: Over the past several legislative sessions, various proposals have been introduced to authorize VLTs at the State’s horse racing tracks or other tourist destinations in the State. Numerous states have authorized VLT gambling. For more information on prior year introductions and other state VLT regimes, consult the *Legislators’ Guide to Video Lottery Terminal Gaming*.

State Revenues: If VLT gaming is not authorized in the State, this bill will have no fiscal effect. To the extent that a VLT proposal is enacted that allocates revenue from VLT gaming at Pimlico in a different manner, expenditures and revenues will be affected. **Exhibit 1** lists how the VLT revenues from Pimlico would be distributed under the provisions of the bill from a hypothetical allocation of 3,000 VLTs.

Exhibit 1
Pimlico Gaming Revenue
as Distributed by HB 1261
(\$ in millions)

<u>VLTs</u>	<u>WPD</u>	<u>Annual Revenue</u>	<u>Net State Share*</u>	<u>PEDA</u>	<u>Pimlico Purses, Capital Improvement</u>
3,000	\$285	\$312.1	\$186.3	\$93.2	\$93.2

*Assumes operator share of 36% and administrative expenses of 4.3%.

State revenues could also increase due to the authorization of casino-type games at Pimlico. The amount of increase depends on the type and number of games authorized as well as the percentage of revenues that the State receives. This amount cannot be reliably

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estimated. In fiscal 2002, the average win per table game at 10 casinos located in Iowa was \$773, with a minimum of \$431 and maximum of \$1,099.

State Expenditures: State expenditures would increase significantly due to the administrative costs at PEDDA. Assuming that administrative costs are equal to 3% of PEDDA's of the revenue amount, expenditures would equal approximately \$2.8 million. These administrative costs would be paid from the VLT revenues at Pimlico.

The Office of Legislative Audits advises that it could handle the auditing responsibilities of the bill within existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Iowa Racing and Gaming Commission, Department of Legislative Services (Office of Legislative Audits)

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ncs/mdr

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