

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1497 (Delegate Pendergrass)
Ways and Means

Video Lottery Terminals - Limitations

This constitutional amendment proposes that the General Assembly can only authorize expanded forms of gambling subject to the following restrictions: (1) a maximum of 13,000 video lottery terminals (VLTs) can be authorized; (2) a maximum of six VLT licenses can be issued; and (3) a VLT license may be issued only if the majority of votes in the proposed county were in favor of this proposed amendment.

The constitutional amendment does not apply to currently authorized forms of gambling.

This bill is contingent upon the enactment of HB 293, the Administration's VLT proposal. If HB 293 is not enacted, this bill becomes null and void without further action by the General Assembly.

Fiscal Summary

State Effect: Potential significant revenue decrease in FY 2005 and beyond to the extent that this bill reduces VLT revenues that would have been generated by the enactment of HB 293. The extent of the loss depends on the number of VLTs in excess of 13,000 authorized by HB 293, the number of licenses in excess of six authorized by HB 293, and the number of jurisdictions that would reject authorizing additional VLT gambling and the effect of this on VLT revenues. If HB 293 is not enacted, this bill will not have a State fiscal effect. If VLT legislation other than HB 293 is enacted, it is assumed that this bill would not apply.

Local Effect: Based on the assumptions above, potential significant decrease in local expenditures and revenues in FY 2005 and beyond. Any expenditure associated with the constitutional amendment could be handled within existing budgeted resources.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Specified types of gambling are allowed in Maryland. These include 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 at the State's horse racing tracks or other tourist destinations in the State.

For more information about VLT gambling, gambling and horseracing in Maryland, and recent legislation regarding VLT gambling, consult the *Legislators' Guide to Video Lottery Gambling*.

State Fiscal Effect: General and special fund revenues in excess of expenditures could decrease significantly in fiscal 2005 and beyond due to the provisions of this bill. The bill will have a fiscal effect to the extent that this bill reduces revenues in excess of expenditures that HB 293 would have generated.

HB 293 currently authorizes 15,500 VLTs at six facilities. The net effect is estimated to be \$2 million in fiscal 2005, \$49.3 million in fiscal 2006, \$437.1 million in fiscal 2007, \$667.2 million in fiscal 2008, and \$685.9 million in fiscal 2009. After distributions to the State Lottery Agency and licensees, revenues are distributed to: (1) an Education Trust Fund established to fund the Bridge to Excellence in Public Schools Act of 2002; (2) a purse dedication account; and (3) a local development grant fund. Reducing the number of machines from 15,500 to 13,000 (a 16% reduction) would likely result in a similar reduction in revenues to each of these dedicated sources. Expenditures would decline by a corresponding amount.

If HB 293 is not enacted, this bill becomes null and void and will have no State fiscal effect.

Local Fiscal Effect: Under HB 293, revenues for localities with VLT facilities would increase by approximately \$5.4 million in fiscal 2006, increasing to \$75.5 million at VLT full implementation in fiscal 2009. Local expenditures are also estimated to increase significantly in localities with VLT facilities. To the extent that these local fiscal effects

are altered by the provisions of this bill, local revenues and expenditures will be affected.

The Maryland Constitution requires that proposed amendments to the constitution be publicized either: (1) in at least two newspapers in each county, if available, and in at least three newspapers in Baltimore City once a week for four weeks immediately preceding the general election; or (2) by order of the Governor in a manner provided by law. State law requires local boards of elections to publicize proposed amendments to the constitution either in newspapers or on specimen ballots; local boards of elections are responsible for the costs associated with these requirements. It is anticipated that the fiscal 2005 budgets of local election boards will contain funding for notifying qualified voters about proposed constitutional amendments for the 2004 general election in newspapers or on specimen ballots.

Small Business Effect: To the extent that the enactment of HB 293 has a significant effect on small businesses, and this effect is altered due to the provisions of this bill, small businesses will be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 18, 2004
mh/mdr

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