

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 411

(Senator Edwards)

Budget and Taxation

Ways and Means

**Allegany County - Video Lottery Construction - Local Impact Grants - Rocky
Gap Construction Costs**

This bill expands the definition of local impact grants under Chapter 4 of the 2007 special session to allow Allegany County to use local impact grants • for improvements throughout the county; and • to pay down the debt incurred in the construction and related costs for the hotel, golf course, lodge, and other improvements on the Rocky Gap State Park.

The bill is contingent on the taking effect of Chapter 4 of the 2007 special session.

Fiscal Summary

State Effect: The bill would not materially affect State operations or finances.

Local Effect: Potentially significant to the extent local impact grants provide Allegany County with revenues to reimburse costs associated with the establishment of the Rocky Gap Lodge and Golf Resort.

Small Business Effect: None.

Analysis

Current Law: Chapter 4 of the 2007 special session authorizes up to 15,000 VLTs at five locations contingent upon approval of a constitutional amendment (Chapter 5 of the 2007 special session) at the November 2008 general election. A Video Lottery Facility

Location Commission is established by Chapter 4, which would receive bids for VLT facilities and award video lottery facility operation licenses.

Rocky Gap State Park is one of the five VLT locations authorized by Chapters 4 and 5. A video lottery facility located at Rocky Gap must be physically separate from the Rocky Gap Lodge and Golf Resort. A maximum of 1,500 VLTs are authorized for the site.

Out of the gross VLT revenue proceeds, 5.5% is distributed in the form of local impact grants and must be used for improvements in the communities in immediate proximity to the video lottery facilities. Local impact grants may be used for • infrastructure improvements; • facilities; • public safety; • sanitation; • economic and community development, including housing; and • other public services and improvements.

Background: Rocky Gap Lodge and Golf Resort consists of a 215-room hotel and conference center and an 18-hole Jack Nicklaus signature golf course situated on about 260 acres within Rocky Gap State Park. The State and Allegany County jointly entered into the Rocky Gap project, with the State providing \$10.9 million and the county \$4.5 million for construction of the project. In total, the State has provided approximately \$16.4 million in total.

Allegany County budgeted funds to both determine the feasibility of the Rocky Gap project and then undertake construction of the Rocky Gap Lodge and Golf Resort, as presented in **Exhibit 1**.

Exhibit 1
Allegany County Rocky Gap Lodge and Golf Project

Budgeted Expenses and Interest

Allegany County’s Share of Initial Feasibility Study, MEDCO		\$30,000
Closing Costs		157,450
Bond Proceeds for Construction		4,526,918
Interest Expense on Bonds		
Paid and remaining to be paid	\$3,617,953	
Less amount paid from debt proceeds	<u>-525,292</u>	<u>3,092,661</u>
Rocky Gap Project Cost, Allegany County		\$7,807,029

Source: Allegany County

Exhibit 1 presents Allegany County’s estimate of the \$7.8 million total in expenses for the Rocky Gap Lodge and Golf Resort that the county has spent. These expenses include the county’s share of the initial feasibility study, \$30,000, with the Maryland Economic Development Corporation (MEDCO) contributing the remaining amount for this feasibility study. MEDCO is a nonbudgeted entity that allows the State to own or develop property for economic development purposes.

Also included are initial start-up construction costs of approximately \$27,000 and direct construction costs of \$4.5 million to undertake the project. Allegany County advises that the \$4.5 million was paid directly to MEDCO for the county’s contribution to undertake the Rocky Gap project. Allegany County reports an additional \$157,000 in bond closing costs as well as interest expense paid on the bonds issued to support investment in the Rocky Gap project. Through the life of the bonds, interest eligible for direct reimbursement for the project is approximately \$3.1 million. Approximately \$525,000 is extra money borrowed by Allegany County that is excluded from the total.

Chapter 4 of the 2007 special session, if enacted by constitutional amendment, provides for allocations to five jurisdictions based on each jurisdiction’s share of the gross VLT revenues. This aid is to be used for infrastructure, facilities, services, and other improvements. The distribution of local aid as a result of VLTs locating in the Rocky Gap State Park are estimated as presented in **Exhibit 2**.

Exhibit 2
VLT Local Distributions
Rocky Gap
(\$ in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Rocky Gap	0	0.7	2.5	2.8
Total	\$0	\$8.7	\$53.6	\$70.8

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Allegany County, Maryland Economic Development Corporation, Maryland State Lottery Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2008
mam/rhh Revised - Senate Third Reader - April 1, 2008

Analysis by: Michael P. Lee

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