

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 222 (Allegany County Delegation)
Ways and Means

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

This bill expands the scope of local impact grants provided to Allegany County from video lottery terminal (VLT) proceeds under Chapter 4 of the 2007 special session. The bill allows Allegany County to use local impact grants for improvements throughout the county, and to pay down the debt incurred by the county in the construction and related costs for the golf course, lodge, and other improvements in Rocky Gap State Park.

Fiscal Summary

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

Local Effect: Potentially significant effect on Allegany County to the extent local impact grants provide funds to repay debt for Rocky Gap project costs.

Small Business Effect: None.

Analysis

Current Law: Chapter 4 of the 2007 special session authorizes up to 15,000 VLTs at five locations in the State, as approved by Maryland voters at the November 2008 general election. A Video Lottery Facility Location Commission is established by Chapter 4, to receive bids for VLT facilities and award video lottery facility operation licenses.

Rocky Gap State Park, owned by the Maryland Department of Natural Resources (DNR), is one of the five authorized VLT locations. A maximum of 1,500 VLTs are authorized

for the site. A VLT facility located at Rocky Gap must be physically separate from the Rocky Gap Lodge and Golf Resort.

Under Chapter 4, 5.5% of the gross VLT revenue proceeds are 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: The Rocky Gap Lodge and Golf Resort opened in 1998 and consists of a 220-room lakeside lodge and conference center and an 18-hole 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 providing \$4.5 million for construction of the project. In total, the State has provided over \$16 million.

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
Rocky Gap Lodge and Golf Project
Allegany County Costs

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
Remaining Interest Expense on Bonds	<u>3,092,661</u>
Total Rocky Gap Project Cost for Allegany County	\$7,807,029

MEDCO: Maryland Economic Development Corporation
Source: Allegany County

Exhibit 1 presents Allegany County's estimate of the \$7.8 million in expenses for the Rocky Gap Lodge and Golf Resort that the county has spent as of January 2008. 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 expenses 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.

Additional Information

Prior Introductions: SB 411 of 2008 as passed by the Senate is similar. The bill received a hearing before the House Ways and Means Committee but no further action was taken in the House. A similar bill, HB 1385 of 2008, also received a hearing before the House Ways and Means Committee but no further action was taken.

Cross File: SB 343 (Senator Edwards) - Budget and Taxation.

Information Source(s): Allegany County, Department of Business and Economic Development, Comptroller's Office, State Lottery Agency, Department of Legislative Services

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ncs/rhh

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