

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 522

(Senator Pugh, *et al.*)

Budget and Taxation

**Video Lottery Facility Commission - Financial Impact of Additional Games -
Study**

This bill requires the Video Lottery Facility Location Commission (Location Commission) to conduct a study to assess the financial impact of offering table games, including card games, dice games, roulette, and other forms of gaming, in State video lottery facilities. The bill requires the Location Commission to recommend options for the State to pursue to remain competitive with surrounding states that offer gaming facilities. The Location Commission must report its findings and recommendations to the General Assembly by January 1, 2011.

The bill takes effect June 1, 2010.

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$150,000 in FY 2011 for the Department of Legislative Services to cover consultant costs related to analysis of gaming law and practice in other states, generating revenue and expenditure estimates related to various options regarding card games, and other functions relevant to the required study.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Except when specifically authorized, a gaming device is prohibited in the State if it is a gaming table, except a billiard table, at which a game of chance is played for money or any other thing or consideration of value; or a game or device at which money or any other thing or consideration of value is bet, wagered, or gambled. Gaming devices include a paddle wheel, wheel of fortune, chance book, and bingo.

A person may not bet, wager, or gamble; make or sell a book or pool on the results of a race, contest, or contingency; establish, keep, rent, use, or occupy, or knowingly allow to be established, kept, rented, used, or occupied, all or a part of a building, vessel, or place on land or water, within the State for the purpose of:

- betting, wagering, or gambling;
- making, selling, or buying books or pools; or
- receiving, becoming the depository of, or forwarding money or anything of consideration of value, to be bet, wagered, or gambled on the result of a race, contest, or contingency.

The State allows specified types of gambling, including the State lottery and wagering on horse racing. Bingo, bazaars, gaming nights, and raffles 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.

Video Lottery Terminal (VLT) Program

During the 2007 special session, the General Assembly adopted two pieces of legislation pertaining to VLT gambling – Chapter 4 (Senate Bill 3) and Chapter 5 (House Bill 4). Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified restrictions. Among the restrictions, the General Assembly may only authorize additional forms or expansion of commercial gaming after approval of a referendum by the majority of Maryland voters during a general election.

Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Under Chapter 4, VLT facility operation licenses are awarded by a Video Lottery Facility Location Commission (Location Commission). The State Lottery Commission will oversee VLT operations and will own/lease the VLTs and a central monitor and control system. Chapter 4 allows for a maximum of 15,000 machines, distributed as follows: 4,750 VLTs in Anne Arundel

County; 3,750 VLTs in Baltimore City; 2,500 VLTs in Worcester County; 2,500 VLTs in Cecil County; and 1,500 VLTs in Allegany County. In addition, geographic parameters for each jurisdiction within which a VLT facility may be located are provided. The Location Commission may alter VLT allocations if warranted by an evaluation of market and other factors; however, no more than 4,750 VLTs may be placed at any one location.

Background: In a February 2010 letter to the Governor, the President of the Senate, and the Speaker of the House, the Location Commission suggested, among other things, that the Governor and the General Assembly may wish to consider whether legislation authorizing table games (*e.g.*, black jack), subject to voter approval, is warranted. The Location Commission cited strong competition from surrounding states for gambling dollars within the region.

Maryland's competition for gambling revenues comes primarily from three surrounding states: Delaware, Pennsylvania, and West Virginia. As of December 2009, three racetrack facilities with approximately 7,500 VLTs are operating in Delaware, nine facilities with approximately 25,000 VLTs are operating in Pennsylvania, and four racetrack facilities with well over 10,000 VLTs are operating in West Virginia. A total of 14 casinos are authorized in Pennsylvania. Average win-per-day per VLT for the 12-month period ending September 2009 ranged from \$163 to \$212 for facilities in Delaware, from \$189 to \$336 for facilities in Pennsylvania, and \$96 to \$238 for facilities in West Virginia.

Limited numbers of VLTs (Limited Video Lottery, or LVL) are also available at licensed West Virginia bars, clubs, and fraternal organizations. As of June 30, 2009, 7,960 of the 9,000 maximum authorized were operating at over 1,600 licensed locations throughout the state.

Table games have been offered at three of West Virginia's four VLT casinos since 2008; the fourth, Charles Town Races and Slots has recently gained voter approval to install table games. Table games are also available beginning March 2010 at the Greenbrier Resort in West Virginia. Both Pennsylvania and Delaware have recently enacted legislation authorizing table games at their VLT facilities. Pennsylvania's law authorizes up to 250 table games at large casinos and 50 games each at smaller resort casinos. Table games could be operating by summer 2010 in both states.

West Virginia table games generated gross income of \$34 million in fiscal 2009. By comparison, also in fiscal 2009, racetrack VLT gross income totaled \$848 million and LVL gross income totaled \$412 million.

The typical Atlantic City, New Jersey casino has about 150 gaming tables. Table games offered at 11 casinos in New Jersey generate approximately \$2,100 in win-per-table per

day. Gross income for the month of January 2010 in New Jersey for the 1,650 gaming tables in operation totaled \$98.7 million; compared to \$195.5 million generated from the 30,700 slot machines in these New Jersey casinos.

Further, Delaware has recently reinstated parlay (not single-game) betting on National Football League games.

VLT Program Implementation

The Location Commission has awarded three video lottery operation licenses to date. PPE Casino Resorts Maryland, LLC (PPE Casino Resorts) was awarded a license to operate a 4,750 VLT facility in Hanover in Anne Arundel County, contingent upon local zoning approval. Anne Arundel County Council approved favorable zoning legislation on December 21, 2009, which the county executive signed into law on December 22, 2009. The law has not gone into effect pending certification of a petition to require local voter approval of the law at the November 2010 election. PPE Casino Resorts expects to open a permanent facility adjacent to Arundel Mills Mall with 4,750 VLTs in December 2011.

Penn Cecil Maryland, Inc. (Penn Cecil) was awarded a license to operate a facility with 1,500 VLTs in Perryville in Cecil County. Penn Cecil is currently on schedule to open a permanent facility with 1,500 VLTs in October 2010.

Ocean Enterprise 589 LLC (OE 589) was awarded a license to operate a facility with 800 VLTs at Ocean Downs Racetrack in Worcester County. The facility is currently scheduled to open in fall 2010 with 600 VLTs, with the full complement of 800 VLTs in place by April 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Lottery Agency, Department of Legislative Services

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