

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 374

(Senator Della)

Budget and Taxation

Ways and Means

**Baltimore City - Video Lottery Facility - Local Development Council -
Membership**

This bill alters the composition of the local development council in Baltimore City, which is to be established pursuant to the Video Lottery Terminal (VLT) Program law. The elected officials to serve on the council will include one senator, one delegate, and one Baltimore City council member, instead of one senator and two delegates.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City finances will not be affected.

Small Business Effect: None.

Analysis

Bill Summary: The one delegate and one city council member on the local development council for Baltimore City must both represent areas where the communities surrounding the video lottery facility are located. The bill does not alter the provision that the senator on the council be from the district where the video lottery facility is located.

Current Law: Chapter 5 of the 2007 special session, a constitutional amendment authorizing 15,000 VLTs at five locations in the State, was approved by Maryland voters at the November 2008 general election. The amendment also specifies that the General Assembly may only authorize expanded forms of gambling subject to certain restrictions. Chapter 4 (Senate Bill 3) of the 2007 special session establishes the operational and regulatory framework for the authorized VLT program.

Gross VLT proceeds are distributed as follows, pursuant to Chapter 4 of the 2007 special session:

- Business Investment – 1.5% to a small, minority, and woman-owned business investment account;
- Lottery (Administration) – 2% to the State lottery for administrative costs, with other costs provided for in the State budget;
- Local Government Impact Grants – 5.5% to local governments in which a video lottery facility is operating, 18% of which would go for 15 years (starting in fiscal 2012 and ending in fiscal 2027) to Baltimore City through the Pimlico Community Development Authority and to Prince George’s County for the community surrounding Rosecroft (\$1 million annually);
- Horse Racing Industry – 7% to a purse dedication account to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually;
- Racetrack Renewal – 2.5% for an eight-year period to a Racetrack Facility Renewal Fund, not to exceed \$40 million annually;
- Licensee (Operator) – no more than 33% to video lottery operation licensees; and
- Education Trust Fund – remainder to Education Trust Fund (48.5% -51.0%).

A maximum of 15,000 VLTs are authorized in the State. Of these, 3,750 VLTs are authorized at a location in Baltimore City in a nonresidential area within one-half mile of Interstate 95 and Route 295, on city-owned land that is not adjacent to or within one-quarter mile of residential property.

VLT facilities must comply with all applicable planning and zoning laws of the local jurisdiction. The Video Lottery Facility Location Commission may alter 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 and no more than one video lottery operating license may be awarded in a single county or Baltimore City.

A local development council must consist of the following 15 members:

- one senator who represents the district where the facility is located;
- two delegates who represent the districts where the communities surrounding the facility are located;
- one representative of the video lottery operation licensee;
- seven residents of the communities in immediate proximity to the facility; and

- four representatives of businesses or institutions located in immediate proximity to the facility.

Local development councils must assist local governments in developing a multiyear plan for authorized expenditure of local impact grant funds. A county or municipality must make best efforts to accommodate the recommendations of the local development council before adopting the plan.

Background: Pursuant to State law and the request for proposals (RFP) released in December 2008, proposals for video lottery operation licenses were due by February 2, 2009. The Location Commission received six proposals on that date – two for Anne Arundel County and one each for the other four locations. On February 12, 2009, the commission determined that four of the six proposals met the minimum requirements of the statute and RFP.

The Location Commission has awarded video lottery operation licenses for VLT locations in Anne Arundel, Cecil, and Worcester counties. On December 17, 2009, the Location Commission rejected the proposal from the Baltimore City Entertainment Group, LP (BCEG) for the Baltimore City location. BCEG's proposal provided for 500 VLTs and the corresponding \$3 million fee. The Location Commission found the BCEG proposal to be not in the best interest of the State, citing the small scale of the proposal submitted and several missed deadlines for submitting an amended proposal for additional VLTs and the required additional license fee, the site selection process used by Baltimore City, and the possibility that rebidding the location in a more favorable economic climate could solicit competitive proposals.

The Location Commission expects to rebid the Baltimore City and Allegany County locations sometime in 2010.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Comptroller's Office, Maryland State Lottery Agency, Department of Legislative Services

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ncs/rhh

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