

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

House Bill 495
Ways and Means

(Delegate Bromwell)

**Video Lottery Terminals - Expansion to Baltimore-Washington International
Thurgood Marshall Airport**

This constitutional amendment proposes that a video lottery operation license be awarded for a video lottery facility at the terminal building and surrounding area within the security perimeter of Baltimore-Washington International (BWI) Thurgood Marshall Airport. The constitutional amendment excludes such a license from the prohibition against awarding more than one video lottery operation license in a single county or Baltimore City. The amendment proposes that the number of video lottery terminals (VLTs) that may be authorized by the General Assembly increase from 15,000 to 17,500, and that the maximum number of VLT facilities increase from five to six. The amendment must be approved by a majority of voters in the State.

After November 15, 2011, the General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of the voters in a general election.

Fiscal Summary

State Effect: If the proposed constitutional amendment is approved by the General Assembly and voters, the State will continue to be limited in the number of VLTs and video lottery facilities that may be authorized. Separate legislation (SB 706/HB 488) has been introduced that provides for VLT implementation if the constitutional amendment is approved.

Local Effect: If approved by the General Assembly, this constitutional amendment will be submitted to the voters at the 2012 general election. The amendment's requirements can be handled using existing resources within the local boards of elections.

Small Business Effect: None.

Analysis

Current Law: 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. The constitutional amendment provided that (1) a maximum of five VLT facility licenses may be awarded within specified areas of the State; (2) no more than one facility license may be awarded in any county or Baltimore City; (3) a maximum of 15,000 VLTs may be authorized; and (4) VLT facilities must comply with any applicable planning and zoning laws of a local jurisdiction. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Chapter 624 of 2010 made several changes to the VLT program implemented by Chapter 4.

Under Chapter 4, video lottery operation licenses are awarded by the Video Lottery Facility Location Commission. The State Lottery Commission oversees VLT operations, and owns/leases VLTs and a central monitor and control system. Except for provisions related to the offering of food and beverages at facilities, the commission is required to ensure VLT licensees comply with the regulatory framework of the VLT program.

Chapter 4 allows for a maximum of 15,000 VLTs, 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 (Rocky Gap State Park).

Exhibit 1 shows the distribution of estimated VLT revenues through fiscal 2016.

Exhibit 1
Distribution of Estimated VLT Revenues
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Education Trust Fund (48.5%-51.0%)	64.1	192.3	286.6	471.3	512.3	549.4
Licensees (33%)	43.6	130.8	195.0	320.7	348.6	373.9
Local Impact Grants (5.5%)	7.3	21.8	32.5	53.4	58.1	62.3
Business Investment (1.5%)	2.0	5.9	8.9	14.6	15.8	17.0
Purse Dedication Account (7%) ¹	9.2	27.8	41.4	68.0	73.9	79.3
Racetrack Renewal (2.5%) ²	3.3	9.9	14.8	24.3	26.4	28.3
Lottery Operations (2%)	2.6	7.9	11.8	19.4	21.1	22.7
Total (100%)	132.1	396.5	590.9	971.8	1,056.4	1,132.9

¹Up to \$100 million annually.

²Up to \$40 million annually for eight years, after which the monies accrue to the Education Trust Fund. Chapter 624 of 2010 altered provisions regarding the authorized VLT facility in Allegany County. Contingent upon the purchase of the Rocky Gap Lodge and Golf Resort by the licensee, the 2.5% of VLT proceeds from the Allegany County facility for the first five years of operations that would otherwise be distributed to the Racetrack Facility Renewal Account would instead be distributed to the Allegany County facility licensee.

Source: Department of Legislative Services, December 2010 Revenue Estimate

Background: The Video Lottery Facility Location Commission has awarded video lottery operation licenses for VLT facility locations in Anne Arundel, Cecil, and Worcester counties. Penn Cecil in Cecil County opened in late September 2010 with 1,500 VLTs and Ocean Downs in Worcester County opened in January 2010 with 750 (increasing to 800 in the near future) VLTs. Power Plant Entertainment (PPE) Casino Resorts, LLC was awarded a license in December 2009 to operate a 4,750 VLT facility adjacent to Arundel Mills Mall in Anne Arundel County, contingent upon local zoning approval. County officials subsequently approved zoning legislation, but the legislation was petitioned to a local voter referendum at the November 2010 election. Anne Arundel County voters approved the legislation, allowing the VLT facility to go forward. PPE plans to open a 2,000 VLT temporary facility by the end of 2011 with a permanent facility scheduled to open by the end of 2012. The licenses for Baltimore City and Rocky Gap State Park are yet to be awarded.

BWI serves approximately 20 million commercial passengers annually. An estimated 72% (or 14.4 million) are age 21 or over. A Metropolitan Washington Council of Governments passenger survey indicates that more than half of passengers departing from Washington, DC-Baltimore regional airports are not residents of the region. The Maryland Aviation Authority (MAA) assumes that the space within the security

perimeter is the area past screening in the terminal building, beyond which only ticketed passengers and employees are allowed access.

Legislative Services is aware of two airports in the United States with VLTs, both in Nevada. McCarran International Airport contains about 1,240 slot machines and Reno-Tahoe International Airport has about 250 machines.

Local Fiscal Effect: 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 budgets of local election boards will contain funding for notifying qualified voters about proposed constitutional amendments for the 2012 general election in newspapers or on specimen ballots.

Additional Comments: The Attorney General's Office advises that this constitutional amendment would be subject to statewide approval and would not be limited to Anne Arundel County voter approval, as the bill is drafted.

Additional Information

Prior Introductions: HB 513 of 2010 received an unfavorable report from the House Ways and Means Committee.

Cross File: SB 707 (Senator Klausmeier, *et al.*) - Budget and Taxation.

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

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ncs/rhh

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