

Department of Legislative Services
2012 Session

FISCAL AND POLICY NOTE

House Bill 643
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, 2012, 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 (HB 711) has been introduced that provides for VLT implementation if the constitutional amendment is approved.

Local Effect: None. It is assumed that the potential for increased costs to notify voters of any constitutional amendments proposed by the General Assembly, and to include any proposed constitutional amendments on the ballot at the next general election, will have been anticipated in local boards of elections' budgets.

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 and Chapter 240 of 2011 made several changes to the VLT program implemented by Chapter 4.

Under Chapter 4, VLT facility 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). Chapter 240 of 2011 reduced the maximum allocation at Rocky Gap State Park to 1,000 VLTs.

Background: The 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 2011 and currently is operating 800 VLTs. Power Plant Entertainment 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. Phase one of that facility is currently scheduled

to open with approximately 3,000 VLTs in June 2012, with the full complement of 4,750 VLTs in operation by October 2012.

After licenses for the proposed VLT facilities in Allegany County and Baltimore City were not awarded in previous rounds of bidding, the Location Commission issued new Requests for Proposals (RFP) for those licenses in 2011. On September 23, 2011, the Location Commission received three proposals for Allegany County and two proposals for Baltimore City. However, one proposal for Baltimore City and two proposals for Allegany County were subsequently rejected by the Location Commission for failing to meet requirements contained in RFPs. The Location Commission plans to make final decisions on the remaining proposals sometime in spring 2012.

Through January 2012, Maryland VLT facilities have generated a total of \$196.2 million in revenues. Of this amount, \$95.1 million has been distributed to the Education Trust Fund. **Exhibit 1** shows the estimated distribution of VLT revenues through fiscal 2017. These estimates assume the Baltimore City and Allegany County facilities open in fiscal 2014.

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

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Education Trust Fund (48.5%)	\$78.1	\$254.4	\$386.2	\$483.4	\$513.3	\$523.6
Licensees (33%)	53.1	173.1	265.0	333.5	353.9	361.0
Local Impact Grants (5.5%)	8.9	28.9	43.6	54.4	57.8	58.9
Business Investment (1.5%)	2.4	7.9	11.9	14.8	15.8	16.1
Purse Dedication Account (7%) ¹	11.3	36.7	55.4	69.0	73.3	74.8
Racetrack Renewal (2.5%) ²	4.0	13.1	19.7	24.5	26.0	26.5
Lottery Operations (2%)	3.2	10.5	16.0	20.0	21.2	21.7
Total (100%)	\$161.0	\$524.6	\$797.8	\$999.6	\$1,061.3	\$1,082.6

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 and Chapter 240 of 2011 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 operator will receive for the first 10 years of operations 50% of proceeds, distributions to other funds are decreased correspondingly. For more detail please see the fiscal and policy note for SB 512 of 2011.

Source: Department of Legislative Services

BWI serves approximately 22 million commercial passengers annually. An estimated 72% 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 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 in Las Vegas contains about 1,240 slot machines and Reno-Tahoe International Airport has about 250 machines.

Local Fiscal Effect: Local boards of elections' printing and mailing costs may increase to include information on the proposed constitutional amendment with specimen ballots mailed to voters prior to the next general election and to include the proposed amendment on absentee and provisional ballots. It is assumed, however, that the potential for such increased costs will have been anticipated in local boards of elections' budgets.

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 495 of 2011 received an unfavorable report from the House Ways and Means Committee. Its cross file, SB 707, received a hearing in the Senate Budget and Taxation Committee but no further action was taken. HB 513 of 2010 received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Attorney General's Office, Maryland State Lottery Agency, Department of Legislative Services

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mc/jrb

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