

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1155
Ways and Means

(Delegate Branch, *et al.*)

Budget and Taxation

Video Lottery Facilities - Table Game Proceeds

This bill allows money given away by a video lottery operation licensee as free promotional play and used by players to bet at a table game to be excluded from the definition of proceeds. After the first fiscal year of operations, the exclusion of money for promotional play may not exceed a percentage of the proceeds received from video lottery terminals (VLTs) and table games in the prior fiscal year as established by the State Lottery and Gaming Control Commission (SLGCC) by regulation.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: Although table game revenues decrease from allowing free table game promotional plays, it is assumed that free promotional plays attract more players resulting in no net decrease in revenues.

Local Effect: No negative impact on table game revenues distributed to local jurisdictions where a VLT facility is located.

Small Business Effect: None.

Analysis

Current Law: Proceeds are the amount of money bet through VLTs and tables games that is not returned to successful players. Proceeds do not include money given away by a video lottery operation licensee as free promotional play and used by players to bet in a VLT. After the first fiscal year of operations, the exclusion of money for VLT

promotional play may not exceed a percentage of VLT proceeds in the prior fiscal year set by SLGCC in regulations.

Under the Code of Maryland Regulations, free promotional plays may not exceed 20% of the total VLT proceeds that the facility generated in the prior fiscal year. Any amount of free promotional play money over the 20% limit must be allocated as proceeds. A facility operator may not issue promotional play to a player equaling or exceeding \$5,000 per gaming day without approval from the chief executive or the chief executive's designee.

Prior to the issuance of a Prince George's County video lottery operation license, 80% of table game revenues are distributed to licensees and 20% of table game revenues are distributed to the Education Trust Fund (ETF). Upon issuance of a Prince George's County license, licensees continue to receive 80% of table game revenues, 15% is distributed to the ETF, and 5% is distributed to local jurisdictions where a VLT facility is located. Proceeds distributed to Baltimore City must be used equally to fund school construction projects and for the maintenance, operation, and construction of recreational facilities.

Background: Promotional play is an award by a facility operator of noncashable credits on a VLT, directly or indirectly to a player and with or without regard to the identity of the player or the payer's level of gaming activity. Promotional play is used as a marketing tool to increase the number of patrons who play. Maryland VLT facilities gave out \$26.7 million in promotional free play in 2012.

An offering of free table game promotional plays is not considered proceeds in Pennsylvania and West Virginia. Delaware also excludes free table game promotional plays for the licensee, but the director imposes limitations. New Jersey counts offerings of gaming vouchers or coupons by the licensee as proceeds.

State Fiscal Effect: By excluding table game promotional plays from proceeds, table game proceeds distributed to the ETF may decrease by a maximum of 20% of table game proceeds, assuming SLGCC uses the same percentage as applies to VLTs. However, assuming that table game promotional plays are successful as a marketing tool, table game proceeds increase by attracting new patrons to play table games. This results in no net decrease in, and potentially higher-than-estimated, ETF revenues. In addition, SLGCC has the ability to change the 20% rate if SLGCC determines that the 20% rate is no longer equitable to the State or if table game revenues have decreased.

Local Fiscal Effect: Once a license is issued to Prince George's County, 5% of table game proceeds are distributed to local jurisdictions where a VLT facility is located. By excluding table game promotional plays from proceeds, table game proceeds

distributed to those local jurisdictions where a VLT facility is located may decrease minimally.

However, if table game promotional plays are successful as a marketing tool that increases table game proceeds by attracting patrons to play table games, then those local jurisdictions where a VLT facility is located may see no net impact or may even potentially benefit from increased table game proceeds.

Additional Information

Prior Introductions: None.

Cross File: None identified, but the bill is identical to SB 905.

Information Source(s): Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2013
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