

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 333 (Delegate Fisher, *et al.*)
 Ways and Means

Electronic Bingo and Electronic Tip Jars - Distribution of Admissions and Amusement Tax Revenues

This bill alters the distribution of revenue from the State admissions and amusement (A&A) tax on electronic bingo and electronic tip jars.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Special fund revenues to the Maryland E-Innovation Initiative Fund (MEIF) decrease by \$794,000 in FY 2016 and by \$747,000 in FY 2020. Special fund revenues to the Calvert County Youth Recreational Opportunities Fund (CCYROF) decrease by \$100,000 in FY 2016, but then increase by \$585,000 in FY 2017 and by \$555,000 in FY 2020. Special fund expenditures from CCYROF decrease and then increase by equivalent amounts from FY 2016 through 2020.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SF Revenue	(\$893,900)	(\$196,500)	(\$195,000)	(\$193,600)	(\$192,100)
SF Expenditure	(\$100,000)	\$585,400	\$574,900	\$564,700	\$554,600
Net Effect	(\$793,900)	(\$781,900)	(\$770,000)	(\$758,200)	(\$746,700)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Anne Arundel County and Calvert County revenues increase beginning in FY 2016. Expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill alters the distribution of revenue from the State A&A tax on electronic bingo and electronic tip jars so that revenues attributable to a State A&A tax rate of 18%, instead of 20%, goes to MEIF for fiscal 2016 through 2021. After 2021, revenues attributable to a State A&A tax rate of 18%, instead of 20%, imposed on electronic bingo and electronic tip jars are distributed to the general fund.

From the State A&A tax revenue on electronic bingo and electronic tip jars in Calvert County, of the revenue attributable to a tax rate of 4% for fiscal 2016, \$100,000 goes to the Calvert Soccer Association, Inc., and the remainder goes to CCYROF instead of all of the revenue being distributed to CCYROF. Additionally, after 2016, of the revenue attributable to a tax rate of 4% from the State A&A tax revenue on electronic bingo and electronic tip jars in Calvert County, \$100,000 goes to the Calvert Soccer Association, Inc., and the remainder goes to CCYROF.

Current Law: For fiscal 2016 through 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to MEIF; and revenues attributable to a rate of 5% are distributed to the Special Fund for the Preservation of Cultural Arts in Maryland. After fiscal 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the general fund; and revenues attributable to a rate of 5% are distributed to the Special Fund for the Preservation of Cultural Arts in Maryland.

In Calvert County, the total State A&A rate on specified machines is 33%. In fiscal 2014 through 2016, revenues attributable to a State A&A tax rate in Calvert County of:

- 1.5% are distributed to the Boys and Girls Club of the Town of North Beach in the amount of \$100,000, with the remainder to the Town of North Beach;
- 2.5% are distributed to the Town of Chesapeake Beach; and
- 4.0% are distributed to CCYROF.

Beginning in fiscal 2017, distributions are unaltered except that the revenues attributable to a State A&A rate of 4.0% no longer go to CCYROF, but are instead distributed to the Calvert County Board of Education for school renovation and renewal projects.

Any remaining A&A tax revenue is distributed to the Maryland Stadium Authority, county, or municipality that is the source of the revenue.

Background: The Maryland E-Innovation Initiative Fund Authority (MEIFA) is established in the Department of Business and Economic Development (DBED), and the MEIF is established as a special, nonlapsing fund. Nonprofit institutions of higher

education in the State may create research endowments and, upon securing matching private donations, MEIF funds may be distributed to the endowments. Investment earnings on the endowments must be expended to further basic and applied research in scientific and technical fields of study as specified by the bill and as determined by MEIFA. DBED must administer MEIF.

CCYROF is a special, nonlapsing fund used for projects that advance youth recreational opportunities in Calvert County. The Department of Natural Resources uses CCYROF to reimburse Calvert County for the cost of acquiring two adjacent parcels totaling 223 acres. Calvert County is in the process of completing the Park Master Plan for the development of the property. Future development may include athletic fields, concession and maintenance facilities, restrooms, and other recreational opportunities such as natural area hiking, equestrian trails, fishing, and environmental education.

Exhibit 1 shows the estimated revenue distribution of A&A revenues from electronic bingo and electronic tip jars under current law from fiscal 2016 through 2020.

State Fiscal Effect: As a result of decreasing the distribution of revenue attributable to an 18% tax rate, instead of a 20% tax rate, from the State A&A tax on electronic bingo and electronic tip jars, special fund revenues to MEIF decrease by \$794,000 in fiscal 2016 and by \$747,000 in fiscal 2020.

By distributing \$100,000 to the Calvert Soccer Association instead of having that revenue be distributed to CCYROF, special fund revenues to CCYROF decrease by \$100,000 in fiscal 2016. Funds within CCYROF are to be used to advance youth recreational opportunities in Calvert County, so special fund expenditures from CCYROF decrease by equivalent amounts in fiscal 2016. Additionally, the bill distributes the remaining portion of revenues attributable to a 4% State A&A tax rate in Calvert County (after a \$100,000 distribution) to CCYROF beginning in fiscal 2017, so special fund revenues to CCYROF increase by \$585,000 in fiscal 2017 and by \$555,000 in fiscal 2020. Special fund expenditures from CCYROF increase by equivalent amounts from fiscal 2017 through 2020.

Exhibit 2 shows the estimated revenue distribution of A&A revenues from electronic bingo and electronic tip jars under the bill from fiscal 2016 through 2020.

In Calvert County, the total State A&A rate on specified machines is 33%, but the bill distributes A&A revenue attributable in sum to a 35% tax rate. Meanwhile, in Anne Arundel County, the total State A&A tax rate on specified machines is 25%, but the bill distributes A&A revenue attributable in sum to only a 23% tax rate. As a result, based on estimated A&A revenue projections from electronic bingo and electronic tip jars in Anne Arundel and Calvert counties, \$794,000 of A&A revenues are left remaining in fiscal 2016

and \$92,000 of A&A revenues are left remaining in fiscal 2020. These revenues are distributed to the county that is the source of the revenue.

If electronic bingo and electronic tip jar revenues in Calvert County become significantly greater than revenues from Anne Arundel County, there would not be enough A&A revenues to distribute as required under the bill. Thus, the Comptroller's Office advises it could have difficulties implementing the bill.

Local Fiscal Effect: Exhibit 3 shows the net effect of the bill on the estimated revenue distribution of A&A revenues from electronic bingo and electronic tip jars from fiscal 2016 through 2020.

Revenues to the Calvert Soccer Association increase by \$100,000 annually beginning in fiscal 2016. Revenues to Calvert County from CCYROF decrease by \$100,000 in fiscal 2016, but increase by \$585,000 in fiscal 2017 and by \$555,000 in fiscal 2020.

The A&A revenues left remaining under the bill from electronic bingo and electronic tip jars are distributed like other A&A revenues not attributable to electronic bingo and electronic tip jars, which generally go to the county or municipality that is the source of the revenue. In fiscal 2016, \$446,000 of the remaining A&A revenue is attributable to revenues from Anne Arundel County and \$348,000 of the remaining A&A revenue is attributable to revenues from Calvert County, so local revenues to Anne Arundel and Calvert counties increase by those respective amounts. After fiscal 2016, all of the undistributed revenue is attributable to revenues from Anne Arundel County, so Anne Arundel County revenues increase by \$96,000 in fiscal 2017 and by \$92,000 in fiscal 2020.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2015
md/rhh

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 1
Estimated Distribution of A&A Revenues
Under Current Law
Fiscal 2016-2020

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Boys and Girls Club of North Beach	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
The Town of North Beach	161,000	157,000	153,000	149,000	145,000
The Town of Chesapeake Beach	435,000	428,000	422,000	415,000	409,000
CCYROF	696,000	-	-	-	-
Calvert County Board of Education	-	685,000	675,000	665,000	655,000
E-Nnovation Initiative Fund	7,939,000	7,819,000	7,700,000	7,582,000	7,467,000
Preservation of Cultural Arts	1,985,000	1,955,000	1,925,000	1,896,000	1,867,000
Total A&A Revenues	\$11,316,000	\$11,144,000	\$10,974,000	\$10,807,000	\$10,643,000

Source: Department of Legislative Services

Exhibit 2
Estimated Distribution of A&A Revenues
Under the Bill
Fiscal 2016-2020

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Boys and Girls Club of North Beach	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
The Town of North Beach	161,000	157,000	153,000	149,000	145,000
The Town of Chesapeake Beach	435,000	428,000	422,000	415,000	409,000
Calvert Soccer Association	100,000	100,000	100,000	100,000	100,000
CCYROF	596,000	585,000	575,000	565,000	555,000
Calvert County Board of Education	-	685,000	675,000	665,000	655,000
E-Nnovation Initiative Fund	7,145,000	7,037,000	6,930,000	6,824,000	6,720,000
Preservation of Cultural Arts	1,985,000	1,955,000	1,925,000	1,896,000	1,867,000
Total Distribution	\$10,522,000	\$11,047,000	\$10,879,000	\$10,714,000	\$10,551,000
A&A Revenues Remaining	\$794,000	\$96,000	\$95,000	\$94,000	\$92,000

Source: Department of Legislative Services

Exhibit 3
Estimated Distribution of A&A Revenues
Net Effect of the Bill
Fiscal 2016-2020

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Boys and Girls Club of North Beach	-	-	-	-	-
The Town of North Beach	-	-	-	-	-
The Town of Chesapeake Beach	-	-	-	-	-
Calvert Soccer Association	100,000	100,000	100,000	100,000	100,000
CCYROF	(100,000)	585,000	575,000	565,000	555,000
Calvert County Board of Education	-	-	-	-	-
E-Nnovation Initiative Fund	(794,000)	(782,000)	(770,000)	(758,000)	(747,000)
Preservation of Cultural Arts	-	-	-	-	-
Remainder to Calvert County	348,000	-	-	-	-
Remainder to Anne Arundel County	446,000	96,000	95,000	94,000	92,000
Net	-	-	-	-	-

Source: Department of Legislative Services