

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 802 (Delegate Wilkins)
 Ways and Means

State Lottery and Gaming Control Commission - Adjustment to the Distribution
 of Video Lottery Terminal Proceeds - Repeal

This bill repeals the authority of the State Lottery and Gaming Control Commission (SLGCC) to increase, beginning on July 1, 2019, the distribution of video lottery terminal (VLT) proceeds to video lottery facilities located in Anne Arundel County, Baltimore City, and Cecil County. Thus, the distribution of VLT proceeds to licensees will not increase beginning in fiscal 2020 from 39% to 44% for the Cecil County licensee; from 49% to 51% for the Anne Arundel County licensee; and from 46% to 49% for the Baltimore City licensee. **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: Special fund revenues and special fund expenditures for the Education Trust Fund (ETF) increase by \$15.8 million in FY 2020 and by \$16.5 million in FY 2024. General fund expenditures decrease by approximately \$16 million annually from FY 2020 through 2022.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$15.8	\$16.0	\$16.2	\$16.3	\$16.5
GF Expenditure	(\$15.8)	(\$16.0)	(\$16.2)	\$0	\$0
SF Expenditure	\$15.8	\$16.0	\$16.2	\$16.3	\$16.5
Net Effect	\$15.8	\$16.0	\$16.2	\$0.0	\$0.0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The amount that video lottery licensees retain from VLTs is set in statute and currently varies between 39% and 60%, depending on the facility. SLGCC may increase the share of VLT revenues for a licensee in Anne Arundel County by up to two percentage points, for a licensee in Baltimore City by up to three percentage points, and for a licensee in Cecil County by up to five percentage points on July 1, 2019. SLGCC must increase the percentage of proceeds for the licensee in Baltimore City by at least the same percentage point increase as for the Anne Arundel County licensee. Any increased VLT distribution for a licensee in Cecil County must be used for marketing, advertising, promotional costs, and capital improvements at the video lottery facility.

SLGCC has proposed changing the licensee share for the three casinos. As of July 1, 2019, operator shares are scheduled to increase from 39% to 44% for the Cecil County licensee; from 49% to 51% for the Anne Arundel County licensee; and from 46% to 49% for the Baltimore City licensee. After all other specified distributions have been made, ETF receives the remainder. **Exhibit 1** shows the licensee's share of VLT revenues at each facility for fiscal 2019 and with the scheduled increases for fiscal 2020.

Exhibit 1 Share of VLT Revenues For Licensees Under Current Law Fiscal 2019 and 2020

<u>Licensee Share</u>	<u>FY 2019</u>	<u>FY 2020</u>
Anne Arundel	49%	51%
Baltimore City	46%	49%
Cecil	39%	44%
Worcester	53%	53%
Allegany	60%	60%
Prince George's	44%	44%

Source: Department of Legislative Services

Background: SLGCC submitted a [report](#) that analyzed the parameters enumerated in statute for increasing the percentage of proceeds that a video lottery facility licensee located in Anne Arundel County, Baltimore City, and Cecil County may receive from VLTs and outlined SLGCC's recommended rate increases.

Appendix – Maryland Gaming provides detailed background on gaming in Maryland.

State Fiscal Effect: ETF revenues increase by \$15.8 million in fiscal 2020 and by \$16.5 million in fiscal 2024, as shown in **Exhibit 2**, as a result of not increasing the licensees’ share of VLT revenues on July 1, 2019. ETF revenues are currently budgeted for the State foundation program, the State’s largest education aid formula. Thus, any increase in ETF revenues decreases general fund appropriations for the State foundation program by an equal amount through fiscal 2022. However, pursuant to Chapter 357 of 2018, 100% of ETF revenues must be used for supplemental education funding beginning in fiscal 2023. Exhibit 2 shows ETF expenditures increasing by \$15.8 million in fiscal 2020 and by \$16.5 million in fiscal 2024, and general fund expenditures for education decreasing by \$15.8 million in fiscal 2020 and by \$16.2 million in fiscal 2022.

Exhibit 2
Fiscal Impact of the Bill
Fiscal 2020-2024

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Anne Arundel County Licensee	(\$8.0)	(\$8.1)	(\$8.2)	(\$8.3)	(\$8.4)
Baltimore City Licensee	(4.5)	(4.5)	(4.6)	(4.6)	(4.7)
Cecil County Licensee	(3.3)	(3.4)	(3.4)	(3.4)	(3.5)
Education Trust Fund Revenues	\$15.8	\$16.0	\$16.2	\$16.3	\$16.5
Education Trust Fund Expenditures	15.8	16.0	16.2	16.3	16.5
General Fund Expenditures	(15.8)	(16.0)	(16.2)	0.0	0.0
Net Fiscal Impact	\$15.8	\$16.0	\$16.2	\$0.0	\$0.0

Source: Board of Revenue Estimates; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Anne Arundel County; Comptroller’s Office; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2019
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Appendix – Maryland Gaming

The State of Maryland has authorized and awarded six video lottery operation licenses in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George’s, and Worcester counties with a maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. The opening date and the number of VLTs and table games for each facility as of January 2019 are shown in **Exhibit 1**.

Exhibit 1 Number of VLTs and Table Games in Maryland

<u>Casino</u>	<u>County</u>	<u>Opening Date</u>	<u>VLTs</u>	<u>Table Games</u>
Hollywood Casino	Cecil	September 2010	822	19
Ocean Downs	Worcester	January 2011	892	18
Maryland Live!	Anne Arundel	June 2012	3,825	198
Rocky Gap Casino	Allegany	May 2013	665	17
Horseshoe Casino	Baltimore City	August 2014	2,194	158
MGM National Harbor	Prince George’s	December 2016	3,137	198

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2020 through 2024 are shown in **Exhibit 2**. A total of \$1.78 billion in gross gaming revenues is projected in fiscal 2020, including \$528.8 million to be distributed to the Education Trust Fund.

Exhibit 2
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
(\$ in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
VLTs Distribution					
Education Trust Fund	\$430.1	\$419.6	\$425.7	\$429.5	\$433.8
Lottery Operations	11.2	11.4	11.5	11.6	11.8
Purse Dedication Account	65.6	66.5	67.5	68.1	70.5
Racetrack Renewal Account	10.7	10.9	11.0	11.1	11.8
Local Impact Grants	60.8	61.7	62.6	63.1	64.6
Business Investment	0.0	16.7	16.9	17.1	17.6
Licenses	542.2	550.0	557.9	562.9	565.0
Total VLTs	\$1,120.6	\$1,136.7	\$1,153.1	\$1,163.4	\$1,175.1
Table Games Distribution					
Education Trust Fund	\$98.7	\$100.2	\$101.7	\$102.6	\$103.6
Local Impact Grants	32.9	33.4	33.9	34.2	34.5
Licenses	526.4	534.3	542.4	547.2	552.7
Total Table Games	\$658.0	\$667.9	\$677.9	\$684.0	\$690.9
Total VLTs and Table Games	\$1,778.5	\$1,804.6	\$1,831.0	\$1,847.5	\$1,866.0
Total Education Trust Fund	\$528.8	\$519.8	\$527.4	\$532.1	\$537.4

VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Budget and Management; Department of Legislative Services
