

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 630
Ways and Means

Gaming - Video Lottery Terminals - Hybrid Game of Chance

This bill broadens the definition of a video lottery terminal (VLT) to include any hybrid game of chance in which the options available to the player are randomly determined by the machine or other device and chance or a combination of chance and the player's skill to determine the prize. A hybrid game of chance means a gambling game in which a combination of the elements of chance and the player's skill may affect the game's outcome.

Fiscal Summary

State Effect: Special fund revenues and expenditures may increase minimally beginning in FY 2021 to the extent that hybrid games of chance increase VLT revenues. General fund expenditures decrease in FY 2021 and 2022 to the extent that Education Trust Fund (ETF) revenues and expenditures increase.

Local Effect: Minimal. To the extent that VLT revenues increase as a result of players playing hybrid games of chance, local impact grants increase beginning in FY 2021.

Small Business Effect: None.

Analysis

Current Law: A VLT is any machine or other device that upon payment is available to play or stimulate the play of any game of chance in which the results, including the options available to the player, are randomly determined by the machine or other device and prizes are determined by chance.

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

State Fiscal Effect: Hybrid games of chance may attract additional players and generate an increase in VLT revenues. Thus, special fund revenues and expenditures may increase minimally beginning in fiscal 2021. 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. Thus, general fund expenditures decrease in fiscal 2021 and 2022 to the extent that ETF revenues and expenditures increase.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2020
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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 November 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 | 821 | 21 |
| Ocean Downs | Worcester | January 2011 | 892 | 18 |
| Maryland Live! | Anne Arundel | June 2012 | 3,737 | 195 |
| Rocky Gap Casino | Allegany | May 2013 | 665 | 18 |
| Horseshoe Casino | Baltimore City | August 2014 | 2,174 | 158 |
| MGM National Harbor | Prince George's | December 2016 | 3,102 | 207 |

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 2021 through 2025 are shown in **Exhibit 2**. A total of \$1.8 billion in gross gaming revenues is projected in fiscal 2021, including \$541.9 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 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| VLTs Distribution | | | | | |
| Education Trust Fund | \$447.3 | \$452.4 | \$458.2 | \$464.0 | \$469.9 |
| Lottery Operations | 11.7 | 11.8 | 12.0 | 12.1 | 12.3 |
| Purse Dedication Account | 68.4 | 69.2 | 70.1 | 72.9 | 73.8 |
| Racetrack Renewal Account | 11.2 | 11.3 | 11.5 | 12.1 | 12.3 |
| Local Impact Grants | 63.5 | 64.2 | 65.0 | 66.8 | 67.6 |
| Business Investment | 17.2 | 17.4 | 17.6 | 18.2 | 18.4 |
| Licensees | 550.9 | 557.3 | 564.5 | 568.0 | 575.3 |
| Total VLTs | \$1,170.1 | \$1,183.7 | \$1,198.8 | \$1,214.2 | \$1,229.7 |
| Table Games Distribution | | | | | |
| Education Trust Fund | \$94.6 | \$95.8 | \$97.0 | \$98.3 | \$99.5 |
| Local Impact Grants | 31.5 | 31.9 | 32.3 | 32.8 | 33.2 |
| Licensees | 504.7 | 511.1 | 517.6 | 524.1 | 530.8 |
| Total Table Games | \$630.9 | \$638.9 | \$646.9 | \$655.2 | \$663.5 |
| Total VLTs and Table Games | \$1,801.0 | \$1,822.6 | \$1,845.8 | \$1,869.3 | \$1,893.2 |
| Total Education Trust Fund | \$541.9 | \$548.3 | \$555.2 | \$562.3 | \$569.5 |

VLT: video lottery terminal

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