

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 770 (Senators Patterson and Augustine)
Budget and Taxation

Economic Development - Small, Minority, and Women-Owned Businesses
Account - Distribution

This bill requires the Department of Commerce (Commerce) to ensure that eligible fund managers allocate at least 50% of funds from the Small, Minority, and Women-Owned Businesses Account (SMWOBA), not including money received from the Strategic Energy Investment Fund (SEIF), to small, minority, and women-owned businesses surrounding a video lottery facility in proportion to the percentage of the account generated through video lottery terminal (VLT) revenue in each respective jurisdiction and community surrounding a video lottery facility. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Commerce can ensure that eligible fund managers allocate SMWOBA funds as required by the bill with existing resources. Revenues are not affected.

Local Effect: Several fund managers represent local governments. Thus, the bill may change how funding is allocated and require that these fund managers coordinate with each other; however, this can likely be done with existing resources. Local revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: For the first 10 years of operations at a video lottery facility in Allegany County, 0.75% of VLT proceeds from the facility are distributed to SMWOBA; otherwise, 1.5% of VLT proceeds at each video lottery facility must be distributed to SMWOBA.

Beginning in fiscal 2021, up to 5% of VLT proceeds from SMWOBA, not to exceed \$1.0 million annually, must be distributed to the Nonprofit, Interest-Free, Micro Bridge Loan account within the Maryland Nonprofit Development Center Program Fund. VLT proceeds distributed to SMWOBA are estimated to be \$17.2 million in fiscal 2021.

Commerce must make grants from the account to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. Commerce must ensure that fund managers allocate at least 50% of available funds (not including money received from SEIF) to eligible businesses in the jurisdictions and communities surrounding the State’s video lottery facilities. Fund managers must [report](#) annually to the Governor and the General Assembly on investment capital and loans made.

Background: There are eight fund managers administering SMWOBA funds on behalf of Commerce: Anne Arundel County Economic Development, Baltimore County Economic Development, Baltimore Development Corporation, Howard County Economic Development, Meridian Management Group, Maryland Capital Enterprises, Tri-County Council of Western Maryland, and Prince George’s Financial Services Corporation “FSC First.” **Exhibit 1** shows the total amount of SMWOBA funds distributed to each fund manager from fiscal 2011 through 2019.

Exhibit 1
Distribution of SMWOBA Funds
Fiscal 2011-2019

<u>Fund Managers</u>	<u>Targeted</u>	<u>NonTargeted</u>
Anne Arundel County Economic Development	\$7,371,750	\$4,419,250
Baltimore County Economic Development	3,630,500	905,300
Baltimore Development Corporation	4,249,500	546,000
FSC First	1,556,000	320,000
Howard County Economic Development	8,518,025	686,000
Maryland Capital Enterprises	4,028,332	1,529,195
Meridian Management Group	9,611,211	4,500,990
Tri-County Council of Western Maryland	3,149,000	713,173
Total	\$42,114,318	\$13,619,908

FSC First: Prince George’s Financial Services Corporation

Source: Department of Commerce

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

Small Business Effect: Eligible fund managers provide investment capital and loans to small, minority, and women-owned businesses in the State with funds from SMWOBA. Under the bill, at least 50% of funds from SMWOBA (not including money received from SEIF) must be allocated to small, minority, and women-owned businesses surrounding a video lottery facility based on the percent of how much each facility contributed VLT revenues to SMWOBA. **Exhibit 2** shows the required distribution of SMWOBA funds to communities surrounding video lottery facilities.

Exhibit 2
Distribution of SMWOBA Funds to
Communities Surrounding Video Lottery Facilities
Fiscal 2021-2025

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Anne Arundel	\$3,138,500	\$3,185,600	\$3,233,400	\$3,354,400	\$3,404,400
Baltimore City	943,400	934,000	934,000	954,600	954,500
Cecil	461,500	465,700	469,800	484,500	488,900
Worcester	511,100	518,800	526,600	546,300	554,400
Allegany	181,900	183,500	185,200	191,000	192,700
Prince George’s	2,918,900	2,962,900	3,007,500	3,120,300	3,167,100
Total	\$8,155,300	\$8,250,500	\$8,356,500	\$8,651,100	\$8,762,000

SMWOBA: Small, Minority, and Women-Owned Business Account

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 2, 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
Licenses	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
Licenses	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
