

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 435 (Allegany County Delegation)  
 Ways and Means

**Allegany County - Video Lottery Terminals - Distribution of Proceeds**

This bill alters the distribution of video lottery terminal (VLT) proceeds from the video lottery facility in Allegany County. Of VLT revenues from the video lottery facility in Allegany County, 5.5% must be distributed as local impact grants and 0.75% must be distributed to the Purse Dedication Account (PDA). The bill eliminates the scheduled change in distribution of Allegany County VLT revenues after the first 10 years of operations as provided under current law. **The bill takes effect July 1, 2020.**

**Fiscal Summary**

**State Effect:** Education Trust Fund (ETF) special fund revenues and expenditures increase by \$43,300 in FY 2023 and by \$529,200 in FY 2025. State Lottery and Gaming Control Agency (SLGCA) special fund revenues and expenditures from VLT proceeds decrease by \$43,300 in FY 2023, offset by an increase in general fund expenditures. Special fund revenues and expenditures for PDA decrease beginning in FY 2021. Special fund revenues and expenditures for the Small, Minority, and Women-Owned Businesses Account (SMWOBA) and the Racetrack Facility Renewal Account (RFRA) decrease beginning in FY 2023.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	(\$893,500)	(\$901,500)	(\$1,137,100)	(\$3,671,400)	(\$3,704,400)
GF Expenditure	\$0	\$0	\$43,300	\$524,500	\$529,200
SF Expenditure	(\$893,500)	(\$901,500)	(\$1,137,100)	(\$3,671,400)	(\$3,704,400)
Net Effect	\$0	\$0	(\$43,300)	(\$524,500)	(\$529,200)

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

**Local Effect:** Allegany County revenues increase by approximately \$893,500 in FY 2021 and by approximately \$833,800 in FY 2023 due to the distribution of local impact grants from VLT revenues increasing earlier than scheduled under current law.

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** For the first 10 years of operations at a video lottery facility in Allegany County, gross VLT proceeds from the facility are distributed as follows:

- 0.75% to SMWOBA (although in fiscal 2019 and 2020, that amount goes to ETF);
- 1% to SLGCA for administrative costs;
- 3.75% to local impact grants;
- 2.5% to PDA for horse racing purses and bred funds;
- 60% to the licensee; and
- the remainder to ETF (32%).

After 10 years of operations, the distribution of VLT proceeds at the facility in Allegany County is generally similar to the distribution at other video lottery facilities, except that the licensee share will be 53% if a 2.5% capital investment requirement is met and the distribution to SLGCA is 2%. Assuming the 2.5% capital investment requirement is met, gross VLT proceeds from the facility are distributed as follows:

- 1.5% to SMWOBA to provide investment capital and loans to small, minority, and women-owned businesses in the State;
- 2% to SLGCA for administrative costs;
- 5.5% to local impact grants;
- 6% to PDA for horse racing purses and bred funds;
- 1.0% to RFRA for racetrack capital construction and improvements;
- 53% to the licensee; and
- the remainder to ETF (31%).

**Background:** The video lottery facility in Allegany County opened in May 2013. **Appendix – Maryland Gaming** provides detailed background on gaming in Maryland.

**State Fiscal Effect:** The bill alters the distribution of VLT revenues from the facility in Allegany County, as shown in **Exhibit 1**. Thus, ETF revenues and expenditures increase by approximately \$43,300 in fiscal 2023 and by \$529,200 in fiscal 2025. Special fund revenues and expenditures for SLGCA decrease by \$43,300 in fiscal 2023 and by \$529,200 in fiscal 2025, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures for PDA decrease by \$893,500 in fiscal 2021 and by \$2,778,300 in fiscal 2025. Special fund revenues and expenditures for RFRA and SMWOBA decrease by \$43,300 and \$32,500, respectively, in fiscal 2023 and by \$529,200 and \$396,900, respectively, in fiscal 2025.

The Department of Legislative Services assumes that, to the extent less funds are available to PDA, RFRA, and SMWOBA, these programs would provide less funding to eligible businesses and individuals. The distribution of VLT proceeds to the video lottery operation licensee in Allegany County increases by \$303,200 in fiscal 2023 and by \$3.7 million annually beginning in fiscal 2024.

---

**Exhibit 1**  
**Revenue Effect of Altering the Distribution**  
**of VLT Revenues from Allegany County Facility**

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
ETF	-	-	\$43,300	\$524,500	\$529,200
SLGCA	-	-	(43,300)	(524,500)	(529,200)
PDA	(\$893,500)	(\$901,500)	(1,061,300)	(2,753,500)	(2,778,300)
RFRA	-	-	(43,300)	(524,500)	(529,200)
Local Impact Grants	893,500	901,500	833,800	-	-
SMWOBA	-	-	(32,500)	(393,400)	(396,900)
Licensees	-	-	303,200	3,671,400	3,704,400

ETF: Education Trust Fund

PDA: Purse Dedication Account

RFRA: Racetrack Facility Renewal Account

SLGCA: State Lottery and Gaming Control Agency

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

VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Legislative Services

---

**Local Revenues:** Allegany County revenues increase by approximately \$900,000 annually in fiscal 2021 and 2022 and by \$833,800 in fiscal 2023 due to the distribution of local impact grants increasing to 5.5% of VLT proceeds at the facility in Allegany County earlier than scheduled under current law.

**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. Thus, small businesses receive \$32,500 less in investment capital and loans in fiscal 2023 and approximately \$400,000 less annually thereafter beginning in fiscal 2024.

---

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 338 (Senator Edwards) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - January 31, 2020  
md/jrb

---

Analysis by: Heather N. MacDonagh

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

## 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><b>FY 2021</b></u>	<u><b>FY 2022</b></u>	<u><b>FY 2023</b></u>	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>
<b>VLTs Distribution</b>					
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
<b>Total VLTs</b>	<b>\$1,170.1</b>	<b>\$1,183.7</b>	<b>\$1,198.8</b>	<b>\$1,214.2</b>	<b>\$1,229.7</b>
<b>Table Games Distribution</b>					
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
<b>Total Table Games</b>	<b>\$630.9</b>	<b>\$638.9</b>	<b>\$646.9</b>	<b>\$655.2</b>	<b>\$663.5</b>
<b>Total VLTs and Table Games</b>	<b>\$1,801.0</b>	<b>\$1,822.6</b>	<b>\$1,845.8</b>	<b>\$1,869.3</b>	<b>\$1,893.2</b>
<b>Total Education Trust Fund</b>	<b>\$541.9</b>	<b>\$548.3</b>	<b>\$555.2</b>	<b>\$562.3</b>	<b>\$569.5</b>

VLT: video lottery terminal

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

---