

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1126
Ways and Means

(Delegate Ebersole, *et al.*)

Video Lottery Operation License - Renewal

This bill imposes on a video lottery operation licensee an annual license renewal fee of \$500 for each video lottery terminal (VLT) and table game that is authorized for operation at the video lottery facility, to be distributed to the Education Trust Fund (ETF). The fee is indexed to inflation beginning October 1, 2021. The State Lottery and Gaming Control Commission (SLGCC) must renew a video lottery operation license upon proper application for license renewal and payment of the license renewal fee unless SLGCC finds that the licensee is no longer qualified to hold a license. A renewal of a video lottery operation license is for a term of 15 years, instead of 10 years under current law. Before denying an application, SLGCC must provide the video lottery operation licensee an opportunity for a hearing.

Fiscal Summary

State Effect: The bill has no immediate fiscal effect because the first video lottery operation license renewal is not until FY 2026. However, once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fees, ETF revenues increase by at least \$7.6 million annually beginning in FY 2032, assuming 2% inflation.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: At least two years but not more than five years before the video lottery operation license expires, the licensee must file with SLGCC a notice of intent to apply for a renewal of the license. At least one year but not more than five years before a video lottery operation license term ends, a video lottery operation licensee may file an application to renew a video lottery operation license.

Current Law: A video lottery operation license initially expires 15 years from the date on which the video lottery facility is issued the license by SLGCC. Two years before a video lottery operation license expires, the licensee must file with SLGCC a notice of intent to reapply for the license. Within 1 year of the end of the initial 15-year license term, a video lottery operation licensee may reapply for a 10-year license term. If a video lottery operation licensee has its license revoked or otherwise surrenders the license, the license reverts to the State.

An initial license fee of at least \$3 million for every 500 VLTs is required (except for the Allegany County facility), which accrues to ETF.

Maryland's casino operators pay annual assessments into the Problem Gambling Fund of \$425 per slot machine and \$500 per table game to fund programs to combat gambling addiction.

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

State Fiscal Effect: A video lottery operation licensee must pay an annual license renewal fee of \$500 (indexed to inflation) for each VLT and table game, which is to be distributed to the ETF. The bill has no immediate fiscal effect because the first video lottery operation license renewal is not until fiscal 2026, at which time ETF revenues increase by \$977,200. Once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fees by fiscal 2032, ETF revenues increase by at least \$7.6 million annually, assuming 2% inflation, as shown in **Exhibit 1**.

Exhibit 1
License Renewal Fee Revenues by
Video Lottery Operation Licensee
Fiscal 2026-2032

| <u>Licensee</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> | <u>2032</u> |
|---------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cecil County | \$464,800 | \$474,100 | \$483,600 | \$493,300 | \$503,100 | \$513,200 | \$523,500 |
| Worcester County | 512,400 | 522,700 | 533,100 | 543,800 | 554,600 | 565,700 | 577,100 |
| Anne Arundel County | - | 2,258,300 | 2,303,500 | 2,349,600 | 2,396,500 | 2,444,500 | 2,493,400 |
| Allegany County | - | - | 400,100 | 408,100 | 416,300 | 424,600 | 433,100 |
| Baltimore City | - | - | - | - | 1,393,500 | 1,421,300 | 1,449,800 |
| Prince George's County | - | - | - | - | - | - | 2,098,300 |
| Total | \$977,200 | \$3,255,100 | \$3,720,300 | \$3,794,800 | \$5,264,000 | \$5,369,300 | \$7,575,200 |

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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 mr/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>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
