

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 546 (Delegate Hornberger)
Ways and Means

Video Lottery Operator - Reconciliation of Proceeds - Uncollectible Debt

This bill alters the definition of video lottery terminal (VLT) and table game proceeds so that, consistent with regulations adopted by the State Lottery and Gaming Control Commission (SLGCC), a video lottery operator may reduce the amount of proceeds for up to seven days by the amount of a counter check deemed uncollectible. A video lottery operator may reduce the amount notwithstanding the forgiveness of the uncollectible counter check, in whole or in part, based on a good faith belief that the player’s business could be retained in good standing. A counter check is a negotiable instrument accepted after June 30, 2021, by a video lottery operator as a promise by a player to repay a line of credit of at least \$250,000. A video lottery operator must report at least quarterly to specified committees of the General Assembly, if applicable, relating to the uncollectible counter check or forgiven debt and whether the player was a first-time debtor of the operator. **The bill takes effect July 1, 2021, and terminates June 30, 2023.**

Fiscal Summary

State Effect: Special fund revenues and expenditures may decrease in FY 2022 and 2023 to the extent that counter checks are deemed uncollectible. General fund expenditures increase in FY 2022 and 2023 to the extent that Education Trust Fund (ETF) revenues and expenditures decrease.

Local Effect: To the extent that gaming revenues decrease as a result of counter checks deemed uncollectible, local impact grants decrease in FY 2022 and 2023.

Small Business Effect: Minimal.

Analysis

Current Law: Proceeds are the amounts bet through VLTs and table games that are not returned to successful players. Proceeds do not include money given away by a video lottery operation licensee as free promotional play and used by players to bet in a VLT or at a table game. After the first fiscal year of operations, the exclusion of money for promotional play may not exceed a percentage of VLT and table game proceeds in the prior fiscal year as set by SLGCC in regulations. If a video lottery operation licensee returns to successful players more than the amount of money bet through VLTs or table games on a given day, the licensee may subtract that amount from the proceeds of up to seven following days.

Appendix – Maryland Gaming provides detailed background on gaming in Maryland, including the distribution of revenues to ETF and to local governments in the form of local impact grants.

State Fiscal Effect: The bill enables video lottery operation licensees to write off bad debts against their gaming proceeds, thereby reducing gaming revenues. Thus, ETF special fund revenues and expenditures may decrease in fiscal 2022 and 2023. General fund expenditures in support of public schools increase in FY 2022 and 2023 to the extent that ETF revenues and expenditures decrease in those years.

Additional Information

Prior Introductions: HB 1430 of 2020 passed the House with amendments and was referred to the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Budget and Management; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2021
rh/jrb

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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 (VLT) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2020 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	502	16
Ocean Downs	Worcester	January 2011	601	18
Maryland Live!	Anne Arundel	June 2012	2,614	184
Rocky Gap Casino	Allegany	May 2013	405	16
Horseshoe Casino	Baltimore City	August 2014	817	152
MGM National Harbor	Prince George’s	December 2016	1,519	204

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 2022 through 2026 are shown in **Exhibit 2**. A total of \$1.8 billion in gross gaming revenues is projected in fiscal 2022, including \$543.9 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 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
VLTs Distribution					
Education Trust Fund	\$449.0	\$454.6	\$459.8	\$465.7	\$471.6
Lottery Operations	11.7	11.9	12.6	12.7	12.9
Purse Dedication Account	68.6	69.5	72.3	73.2	74.1
Racetrack Renewal Account	11.2	11.4	12.0	12.2	12.4
Local Impact Grants	63.6	64.5	66.2	67.1	67.9
Business Investment	17.2	17.4	18.1	18.3	18.5
Licensees	553.0	560.1	563.4	570.6	577.9
Total VLTs	\$1,174.4	\$1,189.3	\$1,204.4	\$1,219.7	\$1,235.3
Table Games Distribution					
Education Trust Fund	\$94.9	\$96.1	\$97.4	\$98.6	\$99.9
Local Impact Grants	31.6	32.0	32.5	32.9	33.3
Licensees	506.3	512.8	519.4	526.0	532.8
Total Table Games	\$632.8	\$641.0	\$649.2	\$657.6	\$666.0
Total VLTs and Table Games	\$1,807.2	\$1,830.2	\$1,853.6	\$1,877.3	\$1,901.3
Total Education Trust Fund	\$543.9	\$550.8	\$557.2	\$564.3	\$571.5

VLT: video lottery terminal

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