

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 980 (Delegate Harrison, *et al.*)
 Ways and Means

Sports Wagering - Prince George's County Stadiums - Sports Wagering
 Community Impact Fund

This bill decreases the percentage of sports wagering proceeds that a Class A-1 sports wagering facility licensee may retain from 85% to 80% if the licensee is the owner of a professional football stadium in Prince George’s County or a professional sports franchise owner that is a lessee of a stadium in Prince George’s County. The bill establishes the sports wagering community impact fund (SWCIF) as a special fund administered by the State Lottery and Gaming Control Agency (SLGCA). The purpose of SWCIF is to provide grants to benefit the communities within a 1-mile radius of a professional sports stadium in Prince George’s County, and 5% of sports wagering proceeds generated at a professional sports stadium in Prince George’s County must be distributed to the fund. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by \$97,400 in FY 2023 for SLGCA to administer SWCIF; future years reflect ongoing costs. Special fund revenues to and expenditures from SWCIF may increase beginning in FY 2023, and general fund revenues may increase minimally from interest earnings of SWCIF.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF/SF Rev.	-	-	-	-	-
GF Expenditure	\$97,400	\$88,800	\$91,300	\$93,700	\$96,200
SF Expenditure	-	-	-	-	-
Net Effect	(\$97,400)	(\$88,800)	(\$91,300)	(\$93,700)	(\$96,200)

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

Local Effect: Prince George’s County revenues may increase beginning in FY 2023 to the extent the county receives grants from SWCIF.

Small Business Effect: Minimal.

Analysis

Bill Summary: SWCIF may only be used to provide grants to local governments and nonprofit organizations for public safety, economic and community development, including housing, and other public services and improvements within a 1-mile radius of the stadium where the proceeds were generated. The fund consists of sports wagering proceeds distributed to the fund, money appropriated in the State budget to the fund, and any other money from any other source accepted for the benefit of the fund. Any interest earnings of the fund must be credited to the general fund.

Current Law: Chapter 492 of 2020, a constitutional amendment approved by the voters at the November 2020 general election, authorized sports and event wagering, contingent upon implementation legislation passed by the General Assembly. Chapter 356 of 2021 established the operational and regulatory framework for the State's sports wagering program.

Under Chapter 356, the State Lottery and Gaming Control Commission (SLGCC) is required to generally regulate sports wagering to the same extent that it regulates the operation of video lottery terminals and table games in the State. Sports wagering licenses are awarded by the Sports Wagering Application Review Commission (SWARC), the members of which were appointed by the Governor, the President of the Senate, and the Speaker of the House.

On award of a license by SWARC, SLGCC must issue a license to an applicant that meets the requirements for licensure. There are 13 Class A and 7 Class B sports wagering facility licensees designated under the law, all of which are identified in **Exhibit 1** and can be seen in this [map](#). Class B-2 licenses are reserved for applicants with less than (1) 25 employees or (2) \$3,000,000 in annual gross receipts. A sports wagering facility licensee may accept wagers made by an individual physically present on the licensee's property, including wagers on a self-service kiosk, device, or machine on the property.

Exhibit 1
Designated Sports Wagering Facility Licensees

<u>License</u>	<u>Application Fee</u>	<u>Designated Licensees</u>
Class A-1	\$2,000,000	<ul style="list-style-type: none"> • Three video lottery facilities – Live! in Anne Arundel County, Horseshoe in Baltimore City, and MGM National Harbor in Prince George’s County • Three professional sports stadiums/teams – M&T Bank Stadium, Oriole Park in Baltimore City, and FedEx Field in Prince George’s County • Owner of a professional hockey, basketball, or soccer franchise that leases a stadium in Maryland
Class A-2	\$1,000,000	<ul style="list-style-type: none"> • Three video lottery facilities – Rocky Gap in Allegany County, Hollywood in Cecil County, and Ocean Downs in Worcester County • Maryland Jockey Club (operator of Laurel Park and Pimlico racecourses)
Class B	B-1: \$250,000 B-2: \$50,000	<ul style="list-style-type: none"> • Maryland State Fairgrounds • Four off-track betting locations – Greenmount Station in Carroll County, Riverboat on the Potomac in Charles County, Long Shot’s in Frederick County, and Jockey Bar and Grille in Washington County • Two commercial bingo facilities with at least 200 machines – Bingo World in Anne Arundel County and Rod ‘N’ Reel in Calvert County

Source: Department of Legislative Services

Applicants may also compete for an additional 30 Class B-1 or B-2 facility licenses and 60 mobile sports wagering licenses. Mobile license applicants must pay a \$500,000 application fee.

Licensees retain 85% of sports wagering proceeds, with the remainder distributed to the Blueprint for Maryland’s Future Fund. Revenues accruing to the Blueprint for Maryland’s Future Fund are to be used to provide a world-class education for early childhood and K-12 students so that they are prepared for college and a career in the global economy. Certain

other revenues are distributed to the Problem Gambling Fund and the Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund, the purpose of which is to provide grants or loans to small, minority-owned, and women-owned businesses to facilitate participation in the sports wagering industry.

State Fiscal Effect: The owner of a professional football stadium in Prince George’s County does not currently hold a Class A-1 license. Assuming the owner of a professional football stadium in Prince George’s County receives a Class A-1 license by fiscal 2023, special fund revenues to and expenditures from SWCIF increase beginning in fiscal 2023.

Sports wagering proceeds are estimated to be \$110.7 million in fiscal 2023, but the amount of proceeds generated by each licensed facility is unknown. For *illustrative purposes only*, if 5% of total sports wagering proceeds are generated at a professional sports stadium in Prince George’s County, SWCIF revenues and expenditures increase by approximately \$300,000 annually beginning in fiscal 2023.

General fund revenues increase minimally from interest earnings of the new fund.

The bill requires SLGCA to administer SWCIF. SLGCA advises that it does not have expertise in evaluating grant applications and awarding grants, so additional staff is needed. SWCIF revenues may only be used to provide grants, so general funds are required to cover SLGCA’s administrative expenses. Thus, general fund expenditures increase for SLGCA by \$97,412 in fiscal 2023, which accounts for the bill’s July 1, 2022 effective date. This estimate reflects the cost of hiring one program administrator to process and approve grant applications each year. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$89,804
Operating Expenses	<u>7,608</u>
Total FY 2023 State Expenditures	\$97,412

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

To the extent that a Class A-1 license is not issued for a professional sports stadium in Prince George’s County by fiscal 2023, the increase in special fund revenues and expenditures and general fund expenditures will be less, as there is no fiscal effect until a license is issued.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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