

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 595 (Senator Klausmeier)
 Budget and Taxation

Gaming - Problem Gambling Fund - Table Game Fees and Distribution of Sports Wagering Proceeds

This bill requires the State Lottery and Gaming Control Commission (SLGCC) to establish an annual fee of \$500 for each table game at a licensed video lottery facility to be paid by each video lottery operation licensee and distributed to the Problem Gambling Fund. Also, 1% of the proceeds from sports wagering in the State Lottery Fund must be distributed to the Problem Gambling Fund, thus diverting this amount from the Blueprint for Maryland’s Future Fund (BMFF). **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: There is no net change in special fund revenues. Decreased BMFF expenditures are offset by increased general fund expenditures beginning in FY 2027.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$0	\$0	\$0	\$0
GF Expenditure	\$0	\$0	\$0	\$590,700	\$847,000
SF Expenditure	\$0	\$0	\$0	(\$590,700)	(\$847,000)
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None. State aid to public schools is not affected.

Small Business Effect: None.

Analysis

Current Law: SLGCC *may* establish an annual fee of \$500 for each table game at a licensed video lottery facility to be paid by each video lottery operation licensee and distributed to the Problem Gambling Fund. All proceeds from sports wagering in the State Lottery Fund must be distributed to the BMFF.

The Problem Gambling Fund is used to fund programs to treat and prevent gambling addiction. BMFF is used to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students so they are prepared for college and a career in the global economy of the twenty-first century, based on the recommendations of the Commission on Innovation and Excellence in Education.

Appendix – Maryland Gaming provides the status of casino gaming in Maryland as of December 2022.

State Fiscal Effect: Based upon December 2022 projections of sports wagering revenues, approximately \$479,000 is diverted from the BMFF to the Problem Gambling Fund in fiscal 2024. By fiscal 2028, the amount diverted is estimated at \$847,000. **Exhibit 1** shows the estimated effect on special fund revenues under the bill.

Exhibit 1 Estimated Special Fund Revenue Changes under the Bill

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Problem Gambling Fund	\$479,000	\$500,200	\$522,400	\$590,700	\$847,000
BMFF	-479,000	-500,200	-522,400	-590,700	-847,000
Net Change	\$0	\$0	\$0	\$0	\$0

BMFF: Blueprint for Maryland's Future

Source: Department of Legislative Services

BMFF revenues are projected to be sufficient to cover mandated annual increases in expenditures for the Blueprint for Maryland's Future through fiscal 2026. However, current projections indicate that, under current law, revenues in BMFF, including prior-year fund balances, will be less than the required increases to annual expenditures under the Blueprint for Maryland's Future beginning in fiscal 2027. Thus, beginning in fiscal 2027, general

fund expenditures for education increase to the same extent that BMFF revenues and expenditures decrease under the bill.

SLCGC presently assesses a fee of \$500 for each table game at video lottery facilities in the State that is deposited in the Problem Gambling Fund. Thus, it is assumed that the requirement to do so under the bill does not affect State finances.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 668 (Delegate Allen, *et al.*) - Ways and Means.

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

Fiscal Note History: First Reader - February 22, 2023
js/jrb

Analysis by: Scott P. Gates

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 (VLT) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2022 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	699	19
Ocean Downs	Worcester	January 2011	842	19
Maryland Live!	Anne Arundel	June 2012	3,855	179
Rocky Gap Casino	Allegany	May 2013	614	16
Horseshoe Casino	Baltimore City	August 2014	1,466	130
MGM National Harbor	Prince George’s	December 2016	2,130	209

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 2024 through 2028 are shown in **Exhibit 2**. A total of \$2.1 billion in gross gaming revenues is projected in fiscal 2024, including \$616.4 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 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
VLTs Distribution					
Education Trust Fund	\$509.8	\$516.4	\$523.2	\$531.7	\$538.6
Lottery Operations	13.5	13.7	13.9	14.0	14.2
Purse Dedication Account	81.0	82.0	83.1	84.2	85.3
Racetrack Renewal Account	13.5	13.7	13.9	12.3	12.5
Local Impact Grants	74.2	75.2	76.2	77.2	78.2
Business Investment	20.2	20.5	20.8	21.0	21.3
Licensees	637.4	645.7	654.1	662.6	671.2
Total VLTs	\$1,349.7	\$1,367.2	\$1,385.0	\$1,403.0	\$1,421.4
Table Games Distribution					
Education Trust Fund	\$106.6	\$108.1	\$109.5	\$111.0	\$112.4
Local Impact Grants	35.5	36.0	36.5	37.0	37.5
Licensees	568.7	576.3	584.0	591.8	599.7
Total Table Games	\$710.9	\$720.4	\$730.0	\$739.7	\$749.6
Total VLTs and Table Games	\$2,060.6	\$2,087.6	\$2,115.0	\$2,142.7	\$2,170.9
Total Education Trust Fund	\$616.4	\$624.5	\$632.7	\$642.6	\$651.1

VLT: video lottery terminal

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

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 implemented sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. Licensees receive 85% of proceeds from sports wagering and fantasy gaming and the State receives 15%, as well as license fee revenues. State revenues from sports wagering and fantasy gaming and their distributions are shown in **Exhibit 3**.

Exhibit 3
Distribution of Estimated State Sports Wagering and
Fantasy Competition Revenues
Current Law
(\$ in Millions)

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State Revenues					
Sports Wagering – Retail	\$7.8	\$8.0	\$8.1	\$8.2	\$8.3
Sports Wagering – Mobile	40.1	42.1	44.2	46.4	48.7
Sports Wagering License Fees	0.0	0.0	0.0	4.5	27.7
Fantasy Competition	1.0	1.0	1.0	1.1	1.1
Total	\$48.9	\$51.0	\$53.3	\$60.1	\$85.8
Distribution					
Blueprint for Maryland’s Future Fund ¹	\$48.9	\$51.0	\$53.3	\$60.0	\$84.5
SMWOBSWA Fund ²	0.0	0.0	0.0	0.1	1.3
Problem Gambling Fund ³	5.8	5.9	6.0	6.1	6.2

SMWOBSWA: Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance

¹ The Blueprint for Maryland’s Future Fund is intended to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students in Maryland.

² Five percent of the class A-1 license fees (\$2.0 million each) and of the class A-2 license fees (\$1.0 million each) are paid into the SMWOBSWA Fund. Five percent of renewal fees are transferred to the SMWOBSWA Fund.

³ Player winnings not claimed within 182 days are distributed to the Problem Gambling Fund.

Source: Board of Revenue Estimates; Department of Legislative Services