

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 217
 Ways and Means

(Delegate Ebersole, *et al.*)

Budget and Taxation

Video Lottery Operation License - Renewal

This bill extends the initial renewal term of a video lottery operation license to 15 years, instead of 10 years under current law. A video lottery operation licensee must pay, for each 5-year period of its initial renewal term, a fee equal to 1% of the average annual proceeds from the operation of video lottery terminals (VLTs) and table games at the video lottery facility for the preceding 3-year period, to be paid in equal annual installments and credited to the Education Trust Fund (ETF). Within 2 to 5 years before the video lottery operation license term expires, the licensee must file with the State Lottery and Gaming Control Commission (SLGCC) a notice of intent to apply for a renewal of the license. Within 1 to 5 years before a video lottery operation license term ends, a video lottery operation licensee may file an application to renew the license.

Fiscal Summary

State Effect: ETF revenues increase by \$375,400 in FY 2026 and, once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fees, ETF revenues increase by over \$4.4 million annually beginning in FY 2032. Special fund expenditures increase by \$2.2 million in FY 2027 and by \$4.4 million in FY 2032. General fund expenditures decrease by amounts equivalent to special fund expenditure increases.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$0	\$375,400	\$1,823,500	\$1,955,400
GF Expenditure	\$0	\$0	\$0	(\$2,198,900)	(\$1,955,400)
SF Expenditure	\$0	\$0	\$0	\$2,198,900	\$1,955,400
Net Effect	\$0	\$0	\$375,400	\$1,823,500	\$1,955,400

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: 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. Before denying an application, SLGCC must provide the video lottery operation licensee an opportunity for a hearing.

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.

Licensees paid an initial license fee of at least \$3 million for every 500 VLTs (except for the Allegany County facility licensee), which accrued to ETF. Licensees pay annual assessments into the Problem Gambling Fund of \$425 per slot machine and \$500 per table game to fund programs to treat and prevent gambling addiction.

ETF provides funding for education and public schools. After specified allocations for school construction financing under the Built to Learn Act, ETF funds are directed to the Blueprint for Maryland's Future Fund (BMFF), which serves as the primary funding source for Blueprint for Maryland's Future (the Blueprint) education programs.

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

State Fiscal Effect: A video lottery operation licensee must make three 5-year sets of annual license renewal fee payments during its initial 15-year renewal term, with the associated fee revenues credited to 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 \$375,400. Once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fee payments by fiscal 2032, ETF revenues increase by approximately \$4.4 million annually, as shown in **Exhibit 1**. These estimates are based upon the current projections of VLT and table game gross revenues at each of the six video lottery facilities.

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	\$178,025	\$178,025	\$178,025	\$178,025	\$178,025	\$186,285	\$186,285
Worcester County	197,392	197,392	197,392	197,392	197,392	212,666	212,666
Anne Arundel County	-	1,448,098	1,448,098	1,448,098	1,448,098	1,448,098	1,560,013
Allegany County	-	-	131,869	131,869	131,869	131,869	131,869
Baltimore City	-	-	-	-	409,325	409,325	409,325
Prince George's County	-	-	-	-	-	-	1,947,624
Total	\$375,417	\$1,823,515	\$1,955,384	\$1,955,384	\$2,364,709	\$2,388,243	\$4,447,782

Source: Department of Legislative Services

BMFF revenues are projected to be sufficient to cover mandated annual increases in expenditures for the Blueprint 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 beginning in fiscal 2027. Thus, increases to ETF in fiscal 2026 and 2027 under the bill are assumed to translate into increased BMFF special fund expenditures in fiscal 2027, and beginning in fiscal 2028, annual increases in ETF revenues translate into increased BMFF special fund expenditures in those same years. General fund expenditures for education decrease to the same extent that BMFF expenditures increase under the bill.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 403 of 2021 and HB 1126 of 2020.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 7, 2023
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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 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