

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 537

(Senator King)

Budget and Taxation

Ways and Means

Video Lottery Operation License - Renewal

This bill extends the initial renewal term of a video lottery operation license from 10 to 15 years and establishes the same term for subsequent renewals. A video lottery operation licensee must pay, for each 5-year period of its initial renewal term, a fee equal to 0.75% 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). However, each licensee receives the equivalent of 20% of its fee payment for costs associated with marketing, advertising, and promotions that exclusively target out-of-state audiences. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: ETF revenues increase by \$225,300 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 approximately \$2.7 million annually beginning in FY 2032. Special fund expenditures increase by \$1.3 million in FY 2027 and by \$2.6 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	\$225,300	\$1,094,100	\$1,173,200
GF Expenditure	\$0	\$0	\$0	(\$1,319,400)	(\$1,173,200)
SF Expenditure	\$0	\$0	\$0	\$1,319,400	\$1,173,200
Net Effect	\$0	\$0	\$225,300	\$1,094,100	\$1,173,200

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: 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. Upon application for renewal, SLGCC must renew the license unless it finds that the licensee is no longer qualified for the license. Before denying an application, SLGCC must provide the 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 with a license fee to be determined by statute. 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 video lottery terminals (except for the Allegany County facility licensee), which accrued to the 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.

Gross VLT proceeds are generally distributed from the proceeds of VLTs at each facility to a small, minority, and woman-owned business investment account; the State lottery for administrative costs; local impact grants; horse racing purses, bred funds, and track renewal; licensees; and ETF. From table game proceeds, licensees receive 80%, 15% is distributed to ETF, and 5% is distributed to local jurisdictions where a video lottery terminal facility is located.

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 BMFF's education programs.

State Fiscal Effect: The bill provides for 0.75% of average annual proceeds to be paid to ETF in the form of license renewal fees, and also requires that an amount equivalent to 20% of the fees be remitted to video lottery operation licensees. Therefore, the net effect on ETF revenues under the bill is equivalent to 0.60% of average annual proceeds from

VLTs and table games. A video lottery operation licensee must make three 5-year sets of annual license renewal fee payments during its initial 15-year renewal term. 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 \$225,250. 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 \$2.7 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
Increased Education Trust Fund 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	\$106,815	\$106,815	\$106,815	\$106,815	\$106,815	\$111,771	\$111,771
Worcester County	118,435	118,435	118,435	118,435	118,435	127,600	127,600
Anne Arundel County	-	868,859	868,859	868,859	868,859	868,859	936,008
Allegany County	-	-	79,121	79,121	79,121	79,121	79,121
Baltimore City	-	-	-	-	245,595	245,595	245,595
Prince George's County	-	-	-	-	-	-	1,168,575
Total	\$225,250	\$1,094,109	\$1,173,230	\$1,173,230	\$1,418,825	\$1,432,946	\$2,668,670

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, may 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 not been introduced within the last three years.

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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