

Department of Legislative Services  
 Maryland General Assembly  
 2024 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1391 (Delegate Valderrama, *et al.*)  
 Ways and Means

Video Lottery Terminals - Distribution of Local Impact Grants - Town of Forest Heights

This bill increases from \$120,000 to \$1.0 million the annual distribution of local impact grants to the Town of Forest Heights from video lottery terminal (VLT) proceeds. **The bill takes effect July 1, 2024.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$240,500 annually beginning in FY 2025 as a result of a specified hold harmless provision that must be paid from the State Lottery Fund. Special fund revenues and expenditures for local impact grants increase correspondingly.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$240,500)	(\$240,500)	(\$240,500)	(\$240,500)	(\$240,500)
SF Revenue	\$240,500	\$240,500	\$240,500	\$240,500	\$240,500
SF Expenditure	\$240,500	\$240,500	\$240,500	\$240,500	\$240,500
Net Effect	(\$240,500)	(\$240,500)	(\$240,500)	(\$240,500)	(\$240,500)

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

**Local Effect:** Local impact grants to the Town of Forest Heights increase by \$880,000 annually beginning in FY 2025. Local impact grants annually decrease beginning in FY 2025 by \$240,500 to Prince George’s County and by \$398,900 to Baltimore City, of which \$158,400 goes to the Pimlico Community Development Authority.

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** From the VLT proceeds at each facility, generally 5.5% are distributed as local impact grants to local governments in which a video lottery facility is operating. The grants are distributed by the Division of Racing within the Maryland Department of Labor.

The local impact grant distribution is first provided as listed below:

- Allegany County: \$200,000;
- Cecil County: \$130,000;
- Town of Forest Heights: \$120,000;
- Town of Perryville: \$70,000; and
- Worcester County: \$200,000.

After those distributions are made, 100% of the local impact grants from proceeds of facilities located in Allegany, Cecil, and Worcester counties must be distributed to local jurisdictions in which the facility is located.

For Anne Arundel and Prince George's counties and Baltimore City, the local impact grants attributable to 18% are generally provided to Baltimore City with the Pimlico Community Development Authority acting as the local development council, and 82% must be evenly split between the three jurisdictions. However, Anne Arundel County and Baltimore City may not receive less than the amount they received in the fiscal year before the video lottery operation license for Prince George's County was issued (fiscal 2016). Chapter 692 of 2021 requires any amount of local impact grants distributed to Anne Arundel County or Baltimore City as a result of the hold harmless requirement to be paid from the State Lottery Fund.

Generally, local impact grants must be used for infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements primarily in the communities in immediate proximity to the video lottery facilities.

**State Fiscal Effect:** In fiscal 2016, the fiscal year before the video lottery operation license for Prince George's County was issued, Anne Arundel County received \$18.4 million and Baltimore City received \$7.6 million in local impact grants attributable to the 82% distribution. Thus, the hold harmless provision guarantees that Anne Arundel County and Baltimore City annually receive no less than those amounts.

Chapter 692 requires that any local impact grants distributed as a result of the hold harmless provision be distributed from the State Lottery Fund. The bill decreases local impact grants

to Anne Arundel County by \$240,533 annually beginning in fiscal 2025, so distributions from the State Lottery Fund are required to offset this revenue loss and hold Anne Arundel County harmless. Thus, general fund revenues decrease by \$240,533 annually beginning in fiscal 2025, and special fund revenues and expenditures for local impact grants to Anne Arundel County increase correspondingly.

**Local Fiscal Effect:** Local impact grants to the Town of Forest Heights increase by \$880,000 annually beginning in fiscal 2025. Local impact grants annually decrease by \$240,533 to Prince George’s County and by \$398,933 to Baltimore City, of which \$158,400 goes to the Pimlico Community Development Authority. Overall local impact grants to Anne Arundel County are unaffected, as the hold harmless provision guarantees that Anne Arundel County receives at least \$18.4 million annually.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 923 of 2022.

**Designated Cross File:** SB 83 (Senator Muse) - Budget and Taxation.

**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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