

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 725 (Senator Ellis)
 Budget and Taxation

Charles County - Gaming - Video Lottery Operation License and Video Lottery Terminals

This bill, which is subject to voter referendum, authorizes a video lottery operation license to be awarded for a maximum of 1,500 video lottery terminals (VLTs) on a vessel at a specified area within Charles County. **The bill takes effect July 1, 2025, contingent on passage of a referendum by voters in November 2026.**

Fiscal Summary

State Effect: Education Trust Fund (ETF) revenues and expenditures increase by \$6.0 million in FY 2027, \$28.6 million in FY 2029, and by \$31.8 million in FY 2030. General fund expenditures decrease by corresponding amounts but increase by \$1.2 million in FY 2028. Special fund revenues and expenditures also increase beginning in FY 2029 due to a video lottery facility operating in Charles County.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$0	\$6.0	\$0	\$40.0	\$44.4
GF Expenditure	\$0	(\$6.0)	\$1.2	(\$28.6)	(\$31.8)
SF Expenditure	\$0	\$6.0	\$0	\$40.0	\$44.4
Net Effect	\$0.0	\$6.0	(\$1.2)	\$28.6	\$31.8

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

Local Effect: Charles County revenues increase by approximately \$4.2 million in FY 2029 and by approximately \$4.7 million in FY 2030 due to local impact grants.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill increases the limit on the number of VLTs in the State from 16,500 to 18,000 and increases the statewide limit on the number of VLT facilities from six to seven.

The bill authorizes a VLT facility in Charles County on a vessel on the Potomac River that can be accessed by the pier in Colonial Beach, Virginia, subject to specified State environmental law regarding construction of piers and bulkheads. The operator of a Charles County facility must adhere to the requirements for video lottery operation licenses specified in current law, including the requirement that the licensee submit an initial license fee equal to at least \$3.0 million for each 500 VLTs. The Governor may reconstitute the Video Lottery Facility Location Commission for the purpose of awarding a video lottery facility operation license in Charles County.

Current Law: The General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of voters in a general election. The State of Maryland has authorized video lottery operation licenses in Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties and Baltimore City with a maximum number of 16,500 VLTs allotted in the State. Licensees are also authorized to have table games with approval of the State Lottery and Gaming Control Commission (SLGCC).

An initial license fee of at least \$3 million for every 500 VLTs is required (except for the Allegany County facility), which accrues to ETF. The initial term of a video lottery operation license (of which up to six may be awarded through a competitive bidding process) is 15 years; a licensee may subsequently reapply for an additional 10-year term. License applicants must also invest \$25 million in construction and related costs for every 500 VLTs proposed in a bid. Licensees must begin operations in a permanent facility within 18 months after the license is awarded, which may be extended by up to 12 months by SLGCC.

Chapter 1 of the 2012 second special session authorized video lottery operation licensees to operate table games with SLGCC approval.

Generally, the distribution of gross VLT proceeds from a video lottery facility is as follows:

- 1% to the State Lottery and Gaming Control Agency (SLGCA);
- 5.5% to local impact grants;
- 6% to the Purse Dedication Account (PDA);
- 1% to the Racetrack Facility Renewal Account;

- 1.5% to the Small, Minority, and Women-Owned Businesses Account (SMWOBA);
- 6% to the video lottery operation licensee if the video lottery operation licensee owns or leases each VLT device and the associated equipment and software;
- 33% (the amount stated in the accepted video lottery operation license application); and
- the remainder to ETF.

Licensees receive 80% of table game revenues, 15% is distributed to ETF, and 5% is distributed to local jurisdictions where a video lottery terminal facility is located.

Appendix – Maryland Gaming provides more information on gaming in Maryland.

State Revenues: Assuming the referendum passes, and an applicant applies for and the Video Lottery Facility Location Commission awards a VLT license in Charles County, ETF revenues increase by \$6 million in fiscal 2027 for the license fee for 1,000 VLTs.

Assuming the facility begins operations in July 2028 with 1,000 VLTs and 20 table games, total VLT revenues increase by approximately \$70.6 million and table game revenues increase by approximately \$7.2 million in fiscal 2029 (after payouts to winning players, but *before* any other distributions are made). This estimate assumes that a video lottery operation license is awarded for the Charles County facility by January 2027 and the facility opens 18 months later. To the extent the process takes more (or less) time, revenues are generated later (or sooner).

The revenue projection resulting from authorizing a video lottery facility in Charles County assumes an average VLT win per day of \$215 and an average table game win per day of \$1,100, which is based on an analysis by the Department of Legislative Services of the win per day of existing VLTs and table games at video lottery facilities in the State. The estimated number of table games at the Charles County facility is based on the number of table games at existing video lottery facilities in the State. It is assumed that it takes two years to achieve full implementation, so revenues in fiscal 2029 are 90% of the revenues expected at full implementation.

Due to its location, it is assumed that the Charles County VLT facility will not cause a significant reduction in revenues generated from other VLT facilities in the State.

Problem gambling funds increase by approximately \$435,000 annually beginning in fiscal 2029, based on 1,000 VLTs at \$425 per VLT and 20 table games at \$500 per game. This revenue is credited to the Problem Gambling Fund administered by the Maryland Department of Health.

State Expenditures: Authorizing a VLT facility in Charles County will increase administrative costs at SLGCA to install central computer system components at the facility and for additional personnel, including compliance officers to oversee the facility and accountants and auditors to certify revenue. It is assumed that the funds SLGCA receives beginning in fiscal 2029 from the Charles County VLT facility could cover the agency's personnel costs. General fund expenditures likely increase by \$1.2 million in fiscal 2028 to procure a new contract to add the facility to the SLGCA central computer system.

ETF revenues from VLTs and table games are redirected to the Blueprint for Maryland's Future Fund (BMFF), and current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. Thus, general fund expenditures for education decrease to the same extent that ETF/BMFF revenues and expenditures increase.

Given the location of the proposed Charles County VLT facility, the State will likely not incur significant costs associated with infrastructure and transportation upgrades near the proposed facility (although the Commonwealth of Virginia may). The actual impact will depend upon the specific plans for any future video lottery facility.

Beginning in fiscal 2029, special fund expenditures increase as a result of Charles County VLT revenue distributions to local impact grants, PDA, the racetrack facility renewal account, and SMWOBA.

Exhibit 1
Video Lottery Terminal Facility Revenues
Fiscal 2026-2030
(\$ in Millions)

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
VLT Revenues					
ETF	\$0.0	\$0.0	\$0.0	\$27.5	\$30.6
SLGCA	0.0	0.0	0.0	0.7	0.8
PDA	0.0	0.0	0.0	4.2	4.7
RFRA	0.0	0.0	0.0	0.7	0.8
Local Impact Grants	0.0	0.0	0.0	3.9	4.3
SMWOBA	0.0	0.0	0.0	1.1	1.2
Licensee	0.0	0.0	0.0	32.5	36.1
Total Gross VLT Revenues	\$0.0	\$0.0	\$0.0	\$70.6	\$78.5
Table Game Revenues					
ETF	0.0	0.0	0.0	1.1	1.2
Local Impact Grants	0.0	0.0	0.0	0.4	0.4
Licensee	0.0	0.0	0.0	5.8	6.4
Total Gross Table Games	\$0.0	\$0.0	\$0.0	\$7.2	\$8.0
Problem Gambling Revenues	0.0	0.0	0.0	0.4	0.4
License Fee to ETF	0.0	6.0	0.0	0.0	0.0
Total ETF	\$0.0	\$6.0	\$0.0	\$28.6	\$31.8

ETF: Education Trust Fund
PDA: Purse Dedication Account
RFRA: Racetrack Facility Renewal Account
SLGCA: State Lottery and Gaming Control Agency
SMWOBA: Small, Minority, and Women-Owned Businesses Account

Source: Department of Legislative Services

Small Business Effect: Small businesses may benefit to the extent that they receive SMWOBA funds.

Additional Information

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

Designated Cross File: None.

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

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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 (VLTs) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2024 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	730	23
Ocean Downs	Worcester	January 2011	867	19
Maryland Live!	Anne Arundel	June 2012	3,800	179
Rocky Gap Casino	Allegany	May 2013	634	16
Horseshoe Casino	Baltimore City	August 2014	1,348	115
MGM National Harbor	Prince George’s	December 2016	2,305	211

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

Video Lottery Terminals and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2026 through 2030 are shown in **Exhibit 2**. A total of \$2.0 billion in gross gaming revenues is projected in fiscal 2026, including \$618.7 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 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
VLTs Distribution					
Education Trust Fund	\$524.8	\$532.6	\$539.7	\$552.5	\$560.3
Lottery Operations	13.8	14.0	14.2	14.4	14.6
Purse Dedication Account	83.1	84.1	85.2	86.3	87.5
Racetrack Renewal Account	13.8	12.4	12.6	7.1	6.7
Local Impact Grants	76.2	77.1	78.1	79.1	80.2
Business Investment	20.8	21.0	21.3	21.6	21.9
Licensees	652.4	660.2	669.0	677.8	686.9
Total VLTs	\$1,384.9	\$1,401.4	\$1,420.0	\$1,438.9	\$1,458.1
Table Games Distribution					
Education Trust Fund	\$94.0	\$95.1	\$96.4	\$97.8	\$99.1
Local Impact Grants	31.3	31.7	32.1	32.6	33.0
Licensees	501.2	507.4	514.4	521.4	528.5
Total Table Games	\$626.4	\$634.3	\$643.0	\$651.7	\$660.6
Total VLTs and Table Games	\$2,011.4	\$2,035.7	\$2,063.0	\$2,090.6	\$2,118.7
Total Education Trust Fund	\$618.7	\$627.8	\$636.1	\$650.2	\$659.4

VLT: video lottery terminal

Note: Numbers may not sum to total due to rounding.

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 in fiscal 2026 through 2030 are shown in **Exhibit 3**.

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

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
State Revenues					
Sports Wagering – Retail	\$1.9	\$1.9	\$1.9	\$1.9	\$1.8
Sports Wagering – Mobile	95.4	97.3	98.7	100.2	101.7
Sports Wagering License Fees	0.0	4.3	0.0	0.0	0.0
Fantasy Competition	0.9	0.9	0.9	0.9	0.8
Total	\$98.3	\$104.4	\$101.5	\$102.9	\$104.4
Distribution					
Blueprint for Maryland’s Future Fund ¹	\$98.3	\$104.4	\$101.5	\$102.9	\$104.4
SMWOBSWA Fund ²	0.0	0.0	0.0	0.0	0.0
Problem Gambling Fund ³	0.9	0.8	0.8	0.8	0.8

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.

Note: Numbers may not sum to total due to rounding.

Source: Board of Revenue Estimates; Department of Legislative Services
