

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 17 (Delegate Atterbeary)
 Ways and Means

Internet Gaming - Authorization and Implementation

This bill, which is subject to voter referendum, authorizes the State Lottery and Gaming Control Commission (SLGCC) to license qualified applicants to conduct and operate Internet gaming in the State. A licensee retains 80% of Internet gaming proceeds from live dealer games and 45% of the proceeds from all other Internet gaming, and, after other specified distributions, the remainder of Internet gaming proceeds is distributed to the Blueprint for Maryland’s Future Fund (BMFF). The bill establishes the Video Lottery Facility Employee Displacement Fund (VLFEDF), administered by the Maryland Department of Labor (MD Labor), to support video lottery employees that are displaced by the implementation of Internet gaming. **The bill takes effect July 1, 2025, contingent on passage of a referendum by voters in November 2026.**

Fiscal Summary

State Effect: If Internet gaming is approved by voters, and SLGCC issues licenses, special fund revenues and expenditures increase by at least \$66.6 million and \$61.7 million, respectively, beginning in FY 2027. General fund expenditures decrease by at least \$48.6 million annually beginning in FY 2027.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$0	\$66.6	\$225.4	\$267.1	\$321.4
GF Expenditure	\$0	(\$48.6)	(\$213.3)	(\$252.8)	(\$305.2)
SF Expenditure	\$0	\$61.7	\$227.4	\$263.0	\$316.2
Net Effect	\$0.0	\$53.5	\$211.3	\$256.8	\$310.4

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

Local Effect: County revenues for education increase by \$1.8 million in FY 2027 and \$9.0 million by FY 2030. Local gaming impact grant revenues likely decrease by \$11.4 million at full maturity in FY 2030, which is generally offset by Internet gaming distributions to local jurisdictions with video lottery terminal (VLT) facilities.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: An Internet gaming licensee may enter into an agreement with up to one Internet gaming operator to conduct and operate Internet gaming on its behalf. Specified video lottery laws generally apply to SLGCC, licensees, and Internet gaming employees or contractors. The bill specifies who must be licensed, and SLGCC may charge license fees. SLGCC must adopt regulations necessary to carry out the provisions of the bill and must regulate Internet gaming to the same extent as with VLTs, table games, and mobile sports wagering. SLGCC must annually report to the Governor and the General Assembly on Internet gaming operations in the State and its impact. SLGCC must study the impacts of other online forms of unauthorized gaming content that is similar to Internet gaming and report to the Governor and the General Assembly by December 1, 2028, on its findings and any recommendations.

Internet Gaming Licensing

In addition to issuing Internet gaming licenses to video lottery operators and specified sports wagering facility license holders, SLGCC may issue licenses to applicants that:

- have maintained the applicant's headquarters in the State for at least 10 years;
- employ at least 250 employees in the State as specified;
- filed an application or renewal application between calendar 2018 and 2024 to own at least a 5% equity interest in a video lottery operator and were found qualified by SLGCC;
- agree to operate the Internet gaming business using a brand associated with the Maryland-based applicant, subject to be waived after one year of operation; and
- commit to spend at least \$5.0 million during the initial license term to build and operate a live gaming studio or a studio for television and film productions.

SLGCC may issue an additional Internet gaming license to a video lottery operator if the video lottery operator concurrently applies for a license that the video lottery operator agrees to operate in partnership with social equity applicants (as defined by the bill) who demonstrate direct or indirect ownership of at least 33% in a joint venture. If a video lottery operator does so, SLGCC may issue an additional license to the video lottery operator subject to additional requirements. If the social equity applicant is a specified sports wagering facility license holder already eligible for a license, it may not also apply for a license as a sports wagering facility license holder.

If a video lottery operator fails to apply for an Internet gaming license or the additional licenses, SLGCC may issue those otherwise available Internet gaming licenses through two competitive licensing rounds to qualified applicants. Additionally, SLGCC may issue

five Internet gaming licenses through two competitive licensing rounds to qualified applicants. The first licensing round is for applicants that demonstrate direct or indirect ownership of at least 33% by social equity applicants, and if any licenses remain after the first licensing round, the remaining licenses must be available to applicants that meet specified requirements. SLGCC must review license applications based on factors specified in the bill or established by regulation and to ensure that applicants satisfy the social equity applicant ownership requirements.

SLGCC may contract with a consultant to assist with the development of an application and the review of the applicants, and SLGCC must determine whether the issuance of a license to the applicant serves the public interest.

The initial license fee for an Internet gaming license is \$1.0 million, which SLGCC may authorize to be paid in separate installments. The term of an Internet gaming license is five years. If an Internet gaming licensee applies for renewal and pays the renewal fee, and complies with all statutory and regulatory requirements, SLGCC must renew the license for five years. The license renewal fee is equal to 1% of the Internet gaming licensee's average annual proceeds retained by the licensee for the preceding three-year period. From the license fees collected by SLGCC, the Comptroller must pay (1) an amount to the State Lottery and Gaming Control Agency (SLGCA) to reimburse related expenses; (2) 1% to the Problem Gambling Fund; and (3) the remainder to BMFF.

SLGCC may waive or exempt some or all of the licensing requirements and issue a license to an applicant under specified conditions. Generally, a licensee may not transfer ownership or control of the license for at least three years following the license issuance.

Diversity and Minority Businesses

The bill expresses the General Assembly's intent to maximize the ability of minorities, women, and minority- and women-owned businesses to participate in the Internet gaming industry. Within 30 days after issuing an Internet gaming license, the licensee must submit a diversity plan to SLGCC. Each licensee must make good faith efforts to meet the diversity objectives outlined in the diversity plan and report to SLGCC any necessary metrics to measure progress in meeting those objectives, and SLGCC may make this information public. The State's Minority Business Enterprise (MBE) program requirements apply to the Internet gaming industry to the extent practicable and permitted by federal law. Within six months of the issuance of an Internet gaming license, the Governor's Office of Small, Minority, and Women Business Affairs – in consultation with the Office of the Attorney General (OAG) and the licensee – must establish a clear plan for setting reasonable and appropriate MBE participation goals and procedures for the procurement of goods and services related to Internet gaming.

Distribution of Internet Gaming Proceeds

Distributions of Internet gaming proceeds are as follows: 1% to SLGCA for regulatory activities; 1% to the Problem Gambling Fund; and 1% to county governments for education based on the county’s current fiscal year enrollment count. For the first 12 months that Internet gaming is in operation in the State, up to \$10.0 million of Internet gaming proceeds must be distributed to VLFEDF. Other specified distributions are shown in **Exhibit 1**, and the remainder of Internet gaming proceeds is distributed to BMFF.

Exhibit 1
Distributions from Internet Gaming Proceeds
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>
Local Impact Grants	\$0	\$6.5	\$8.3	\$10.0	\$11.3
Small, Minority, and Women-owned Businesses Account	0	1.3	1.6	1.9	2.2
Purse Dedication Account	0	4.9	6.3	7.6	8.6
Racetrack Facility Renewal Account	0	0.9	1.0	1.2	0.7

Source: Department of Legislative Services

Multijurisdictional Agreements

On recommendation of SLGCC, the Governor is authorized to enter into an agreement with other governments allowing participation in multijurisdictional Internet gaming. SLGCC may adopt regulations regarding the nature of such an agreement.

Penalties

SLGCC may impose a penalty not exceeding \$1.0 million against any person who knowingly:

- tampers with equipment used to conduct Internet gaming, to alter the odds, payout, or operation of a game or disable a game; or
- offers or allows to be offered an Internet game that has been tampered with in the manner described above.

SLGCC may also suspend, for not less than 30 days, the license of an Internet gaming licensee or other licensed person who engages in the above-listed activities.

Problem Gambling

Internet gaming licensees must provide certain safeguards, controls, and mechanisms to assist individuals who may have a gambling problem and must prohibit the use of credit cards for any Internet gaming-related transactions. Licensees must annually report to SLGCC on problem gambling behavior. SLGCC must adopt regulations that are intended to reduce or mitigate the effects of problem gambling. SLGCC generally must provide contact information for individuals on the voluntary exclusion list to the Maryland Center of Excellence on Problem Gambling and may impose sanctions on a licensee if the licensee knowingly fails to exclude individuals on the voluntary exclusion list from engaging in Internet gaming. The Maryland Center of Excellence on Problem Gambling must report annually to the Governor and the General Assembly relating to Internet gaming and problem gambling as specified, and Internet gaming licenses must annually provide transactional data and metrics as specified to Morgan State University and Bowie State University.

Live Gaming Studios

Subject to SLGCC approval, an Internet gaming licensee may offer authorized interactive games, and an Internet gaming operator may use live studio dealers to administer these games. A live gaming studio must be located within the State, or if the Internet gaming licensee is a video lottery operator, must be located within the county which the video lottery facility is located.

Education Aid

Beginning in fiscal 2027, the portion of Internet gaming proceeds received by each county government is annually subtracted by the county from both the county government's public school funding local share (accounting for local share relief) total and its Maintenance of Effort (MOE) total. This same amount of proceeds must be appropriated by the county government to its local public school operating budget. Provisions of the bill related to county funding of public schools are not to be construed to reduce overall funding appropriated by a county government as compared to its funding obligation prior to enactment of the bill.

Video Lottery Facility Employee Displacement Fund

The bill establishes VLFEDF as a special, nonlapsing fund to support video lottery facility employees that are displaced by the implementation of Internet gaming. VLFEDF may only be used:

- for administrative expenses of VLFEDF;
- for grants to former video lottery facility employees displaced by Internet gaming's implementation to offset any reduction in former employees' take-home pay;
- to supplement unemployment insurance (UI) payments received by former video lottery facility employees displaced by Internet gaming's implementation;
- to establish job training programs for former video lottery facility employees displaced by Internet gaming's implementation; and
- for any other program established by MD Labor to assist former video lottery facility employees displaced by Internet gaming's implementation.

A payment to a former video lottery facility employee from VLFEDF may not be included when computing the wages required to be subtracted under the weekly benefit amount for UI benefits. MD Labor must adopt regulations to implement the VLFEDF program.

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 SLGCC.

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 the Education Trust Fund (ETF).

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

Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. The Act also provided that revenues from sports and event wagering must primarily be used for public education. Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by SLGCC. The Act also established the Sports Wagering Application Review Commission to review and award applications for sports

wagering facility and mobile sports wagering licensure. Certain revenues under Chapter 356 are distributed to BMFF, the Problem Gambling Fund, and a Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund.

ETF provides funding for education and public schools. After specified allocations for school construction financing under the Built to Learn Act (Chapter 20 of 2020), ETF funds are directed to BMFF, which serves as the primary funding source for Blueprint for Maryland's Future education programs.

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board of education equivalent to the greater of the MOE requirement or the local share amount of all wealth-equalized formulas. The per pupil MOE amount is based upon the "enrollment count," which is the greater of (1) the prior year full-time equivalent (FTE) enrollment and (2) the three-year moving average of FTE enrollment. The local share amount equals the local share of the foundation formula, compensatory education, English language learner, special education, comparable wage index, full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of the concentration of poverty grant programs. However, for some counties, the combined local share across these several programs is subject to adjustments.

Appendix – Maryland Gaming provides the status of gaming in Maryland as of December 2024. For an overview of the MBE program, please see the **Appendix – Minority Business Enterprise Program**.

The fiscal 2024 budget bill required SLGCA to conduct an iGaming study and submit a report on iGaming to the budget committees. SLGCA engaged the Innovation Group to conduct the study, which was completed in November 2023. Among other topics, the report discusses the current regulatory landscape for iGaming and the estimated market in Maryland; the potential economic impact of legal regulated iGaming on Maryland's brick-and-mortar casinos, other gaming venues, and the State Lottery; and the experience of other states.

State Fiscal Effect: This analysis assumes that:

- voters approve the referendum in November 2026;
- SLGCC hires 21 additional employees as of December 1, 2026, after accounting for the November election results;
- while the bill authorizes SLGCC to issue as many as 30 Internet gaming licenses, not all licenses will be issued due to market demand/market saturation (similar to how not all authorized sports wagering licenses have been issued);

- each of the six video lottery operators in the State apply for Internet gaming licenses, pay the \$1.0 million license fee, and commence Internet gaming before the end of fiscal 2027;
- SLGCC awards six additional Internet gaming licenses and collects license fees from those licensees in fiscal 2028, with Internet gaming for these licensees commencing in fiscal 2028;
- it takes about four years to reach Internet gaming's full annual revenue maturity of almost \$900 million annually, with 20% of revenue maturity in fiscal 2027, 68% in fiscal 2028, 83% in fiscal 2029, and full maturity in fiscal 2030;
- Internet gaming reduces VLT and table game revenues at casinos by 10.2% once the Internet gaming market is fully mature but does not materially affect other legalized gambling in the State; and
- approximately 25% of Internet gaming proceeds are from live dealer games, thus licensees retain 53% of overall proceeds.

Some of the above assumptions rely upon The Innovation Group's study on [iGaming in Maryland](#) that was prepared for SLGCA. **Exhibit 2** shows the distribution of revenues under the bill. Assuming Internet gaming commences in spring 2027, Internet gaming proceeds and license fee revenues increase by \$185.2 million in fiscal 2027, of which \$95.0 million is retained by the Internet gaming licensee, and \$90.2 million is distributed to the State and counties as shown below. By fiscal 2030, the Internet gaming market is anticipated to be fully mature; at that time, Internet gaming proceeds total \$896.2 million, of which \$421.2 million is distributed to the State and counties as shown below. To the extent that additional Internet gaming licenses are issued, license fee revenues increase by \$1.0 million for each additional license.

Internet gaming is expected to reduce VLT and table game proceeds at casinos by 10.2% once the Internet gaming market is fully mature. Thus, VLT and table game proceeds decrease by \$41.0 million in fiscal 2027 and by \$213.2 million in fiscal 2030, as shown in Exhibit 2, of which \$17.5 million and \$90.9 million, respectively, is distributed to the State and local jurisdictions. The net effect is gaming revenues increase by \$144.2 million in fiscal 2027 and by \$683.0 million in fiscal 2030, of which \$48.6 million and \$305.2 million, respectively, is distributed to BMFF. Distributions under the bill of Internet gaming proceeds to local jurisdictions, the Small, Minority, and Women-Owned Businesses Account, the Purse Dedication Account, and the Racetrack Facility Renewal Account are generally expected to offset the cannibalization effects of Internet gaming to those accounts.

SLGCC may charge license fees for persons that conduct Internet gaming, among others, so license fee revenues may increase further. Assuming general compliance with the bill, the bill's fine and penalty provisions do not materially affect general fund revenues.

Exhibit 2
Revenue Effects under the Bill
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>
iGaming Revenues					
iGaming Licensees (53%)	\$0.0	\$95.0	\$323.0	\$394.3	\$475.0
SLGCA (1%)	0.0	1.8	6.1	7.4	9.0
Problem Gambling Fund (1%)	0.0	1.9	6.2	7.4	9.0
County Governments (1%)	0.0	1.8	6.1	7.4	9.0
VLFEDEF	0.0	10.0	0.0	0.0	0.0
Local Impact Grants	0.0	6.5	8.3	10.0	11.3
Small, Minority, and Women-owned Businesses Account	0.0	1.3	1.6	1.9	2.2
Purse Dedication Account	0.0	4.9	6.3	7.6	8.6
Racetrack Facility Renewal Account	0.0	0.9	1.0	1.2	0.7
BMFF (Remainder)	0.0	61.2	256.9	306.6	371.5
Total iGaming Revenues	0.0	185.2	615.4	743.9	896.2
Cannibalization at Casinos					
Education Trust Fund	0.0	(12.6)	(43.5)	(53.9)	(66.3)
Casino Operators	0.0	(23.5)	(81.0)	(100.2)	(122.3)
Local Impact Grants	0.0	(2.2)	(7.5)	(9.3)	(11.4)
Small, Minority, and Women-owned Businesses Account	0.0	(0.4)	(1.5)	(1.8)	(2.2)
Purse Dedication Account	0.0	(1.7)	(5.8)	(7.2)	(8.8)
Racetrack Facility Renewal Account	0.0	(0.3)	(0.9)	(1.1)	(0.7)
SLGCA	0.0	(0.3)	(1.0)	(1.2)	(1.5)
Total VLT and Table Game Revenues	0.0	(41.0)	(141.2)	(174.7)	(213.2)
Net Effect					
iGaming Licensee	0.0	95.0	323.0	394.3	475.0
Casino Operators	0.0	(23.5)	(81.0)	(100.2)	(122.3)
BMFF/ETF	0.0	48.6	213.3	252.8	305.2
SLGCA	0.0	1.5	5.1	6.2	7.5
Problem Gambling Fund	0.0	1.9	6.2	7.4	9.0
County Governments	0.0	1.8	6.1	7.4	9.0
VLFEDEF	0.0	10.0	0.0	0.0	0.0
Local Impact Grants	0.0	4.3	0.8	0.7	(0.1)
Small, Minority, and Women-owned Businesses Account	0.0	0.9	0.1	0.1	(0.0)
Purse Dedication Account	0.0	3.2	0.5	0.4	(0.2)
Racetracks Facility Renewal Account	0.0	0.6	0.1	0.1	(0.0)
Net Gaming Revenue Effect	\$0.0	\$144.2	\$474.2	\$569.2	\$683.0

BMFF: Blueprint for Maryland’s Future Fund
 ETF: Education Trust Fund
 SLGCA: State Lottery and Gaming Control Agency
 VLFEDF: Video Lottery Facility Employee Displacement Fund
 VLT: video lottery terminals

Source: Department of Legislative Services

ETF revenues from VLTs and table games are redirected to BMFF. 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. It is, therefore, assumed that general fund expenditures for education decrease to the same extent that any BMFF revenues and expenditures increase under the bill.

State Lottery and Gaming Control Agency Expenditures

SLGCA advises that it requires an additional 21 positions in order to oversee Internet gaming, thus special fund expenditures for SLGCA increase by approximately \$1.6 million, which accounts for employees starting on December 1, 2026, after the general election. This estimate includes associated costs, such as a software expense of \$306,000. License fee revenues realized during certain years under the bill and a percentage of Internet gaming proceeds are assumed to be more than sufficient to cover this level of staffing costs on an annual basis.

Positions	21.0
Salaries and Fringe Benefits	\$1,128,268
Software and Licensing Expenses	306,000
Other Operating Expenses	<u>150,933</u>
Total FY 2027 SLGCA Expenditures	\$1,585,201

The bill authorizes SLGCC to contract with a consultant to assist SLGCC with developing a license application and reviewing applicants. To the extent that SLGCC opts to do this, expenditures for SLGCA increase further, potentially by up to \$600,000. Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that more than 12 Internet gaming licenses are issued, SLGCA may require additional employees, which licensee fees and a percentage of Internet gaming proceeds can cover.

Video Lottery Facility Employee Displacement Fund Expenditures

The bill requires, for the first 12 months that Internet gaming is in operation, up to \$10.0 million of Internet gaming proceeds to be distributed to VLFEDF, which is

administered by MD Labor. The Division of Workplace Development and Adult Learning within MD Labor is staffed largely with federally funded personnel who cannot work on State-funded programs without the program reimbursing the federal government for their time. MD Labor estimates one regular program manager is needed to distribute grants, along with existing staff spending a small portion of their time on the program that will need to be reimbursed. The Department of Legislative Services (DLS) advises that the added responsibilities incurred by this program are likely not permanent and, thus, may be performed by a contractual employee. This estimate reflects the cost of hiring one contractual program manager for two years to oversee the VLFEDF program. It includes a salary, fringe benefits, one-time start-up costs and ongoing operating expenses through fiscal 2028, and \$4.9 million in grants. DLS assumes that after two years, all VLFEDF funds will have been expended and former video lottery facility employees displaced by the implementation of Internet gaming will no longer need assistance.

Contractual Position	1.0
Contractual Salary and Fringe Benefits	\$48,383
Grants	4,882,500
Operating Expenses	<u>69,117</u>
Total FY 2027 MD Labor Expenditures	\$5,000,000

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and \$4.9 million in grants through fiscal 2028.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Under the bill, a VLFEDF payment to a former video lottery facility employee cannot reduce an individual’s weekly benefit amount, whereas under current law, such compensation in excess of \$50 per week reduces the weekly benefit amount. Therefore, the bill increases UI benefit payments; however, any increase in UI benefit payments likely does not materially affect the Unemployment Insurance Trust Fund.

Other impacts of implementation can likely be handled with existing resources for State agencies, such as the Maryland Department of Transportation (which administers the MBE program for the State), OAG, the State Board of Elections, and the Comptroller’s Office. However, the Comptroller’s Office notes that if SLGCC requires tax clearance for the issuance and renewal of licenses, the Comptroller’s Office may need a revenue specialist within the Compliance Division.

Local Fiscal Effect: The bill is assumed to have no substantial impact on total State and local funding received by public schools. Revenues to county governments increase by \$1.8 million in fiscal 2027, escalating up to \$9.0 million in fiscal 2030, as shown in Exhibit 2, from 1% of Internet gaming revenues being distributed to each county based on the enrollment count for each county's local public school system.

Assuming Internet gaming reduces VLT and table game proceeds at casinos by 10.2% once the Internet gaming market is matured, local impact grants from VLTs and table games decrease by \$2.2 million in fiscal 2027, escalating up to \$11.4 million in fiscal 2030. However, the bill specifies \$6.5 million of Internet gaming proceeds must be distributed in fiscal 2027 to jurisdictions with video lottery facilities based on each jurisdiction's percentage of overall gross VLT revenues for the same purpose as local impact grants, escalating up to \$11.3 million in fiscal 2030. Thus, any declines in local impact grants from VLTs are generally offset by increases in Internet gaming distributions to local jurisdictions.

It is assumed that local elections costs are not substantially affected.

Small Business Effect: Some small businesses, including minority and women-owned businesses, may benefit from Internet gaming.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1319 of 2024 and SB 267 of 2023.

Designated Cross File: None.

Information Source(s): Baltimore, Cecil, and Frederick counties; Governor's Office of Small, Minority, and Women Business Affairs; Department of Commerce; Maryland Association of Counties; Office of the Attorney General; Comptroller's Office; Department of Budget and Management; Maryland State Department of Education; Maryland Department of Health; Maryland Department of Labor; Maryland State Lottery and Gaming Control Agency; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - January 27, 2025
km/jrb

Analysis by: Heather N. MacDonagh

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 (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.

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 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

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

Appendix – Minority Business Enterprise Program

The State’s Minority Business Enterprise (MBE) program requires that a statewide goal for MBE contract participation be established biennially through the regulatory process under the Administrative Procedure Act. The biennial statewide MBE goal is established by the Special Secretary for the Governor’s Office of Small, Minority, and Women Business Affairs (GOSBA), in consultation with the Secretary of Transportation and the Office of the Attorney General (OAG). In a year in which there is a delay in establishing the overall goal, the previous year’s goal applies. The Special Secretary is also required to establish biennial guidelines for State procurement units to consider in deciding whether to establish subgoals for different minority groups recognized in statute. In a year in which there is a delay in issuing the guidelines, the previous year’s guidelines apply. The Maryland Department of Transportation (MDOT) is the State’s MBE certification agency.

In August 2013, GOSBA announced a new statewide goal of 29% MBE participation that applied to fiscal 2014 and 2015; as no new goal has been established, the 29% goal remains in effect for fiscal 2025. GOSBA issued subgoal guidelines in July 2011 and then updated them effective August 2020, as summarized in **Exhibit 1**. The guidelines state that subgoals may be used only when the overall MBE goal for a contract is greater than or equal to the sum of all recommended subgoals for the appropriate industry, plus two. MBE prime contractors may count their own work for up to 50% of a contract’s MBE goal and up to 100% of any contract subgoal. Their full participation counts toward the State’s 29% goal.

Exhibit 1 Subgoal Guidelines for Minority Business Enterprise Participation

	<u>Construction</u>	<u>Architectural/ Engineering</u>	<u>Maintenance</u>	<u>Information Technology</u>	<u>Services</u>	<u>Supplies/ Equipment</u>
African American	8%	7%	9%	10%	-	6%
Hispanic	-	-	3%	-	2%	2%
Asian	-	-	2%	-	3%	-
Women	11%	10%	-	10%	10%	8%
Total	19%	17%	14%	20%	15%	16%
Total +2	21%	19%	16%	22%	17%	18%

Source: Governor’s Office of Small, Minority, and Women Business Affairs

There are no penalties for agencies that fail to reach the statewide target. However, Chapters 155 and 156 of 2022 require GOSBA to refer prime contractors that persistently fail to meet MBE participation goals on their contracts to OAG for debarment for up to three years.

History and Rationale of the Minority Business Enterprise Program

In 1989, the U.S. Supreme Court held in the *City of Richmond v. J.A. Croson Co.* that state or local MBE programs using race-based classifications are subject to strict scrutiny under the equal protection clause of the Fourteenth Amendment to the U.S. Constitution. In addition, the ruling held that an MBE program must demonstrate clear evidence that the program is narrowly tailored to address actual disparities in the marketplace for the jurisdiction that operates the program. As a result, prior to each reauthorization of the State's MBE program, the State conducts a disparity study to determine whether there is continued evidence that MBEs are underutilized in State contracting.

The disparity study completed in 2017 serves as the basis for the most recent reauthorization of the MBE program. It found continued and ongoing disparities in the overall annual wages, business earnings, and rates of business formation between nonminority males and minorities and women in Maryland. For instance, average annual wages for African Americans (both men and women) were 37% lower than for comparable nonminority males; average annual wages for nonminority women were 33% lower than for comparable nonminority males. It also found continued disparities in the use of MBEs by the State compared to their availability in the marketplace to perform work in designated categories of work. For instance, African American-owned construction businesses were paid 5.1% of State construction contract dollars, but they made up 10.3% of the construction sector in the relevant State marketplace. Nonminority women-owned construction businesses were paid 7.5% of State construction contract dollars but made up 13.7% of the construction sector. According to the analysis, these differences were large and statistically significant.

The MBE program is scheduled to terminate July 1, 2025; Chapters 137 and 138 of 2023, which reauthorized the program for the tenth time since its inception, also extended the due date for the new disparity study to September 2024 to inform the subsequent reauthorization process. However, the study was not completed, and the MDOT advises that it will request another extension. **Exhibit 2** provides MBE participation rates for major Executive Branch agencies based on contract awards made during fiscal 2022 and 2023; data for fiscal 2024 had not been published when this appendix was finalized for use in fiscal and policy notes during the 2025 session.

Exhibit 2
Minority Business Enterprise Participation Rates, by Agency
Fiscal 2022 and 2023

<u>Cabinet Agency</u>	<u>% MBE Participation</u>	
	<u>FY 2022</u>	<u>FY 2023</u>
Aging	4.2%	1.2%
Agriculture	4.4%	3.2%
Budget and Management	7.4%	32.9%
Commerce	1.8%	53.8%
Education	23.0%	11.5%
Environment	18.9%	37.9%
Executive Department	6.6%	4.6%
General Services	20.1%	19.5%
Health	5.5%	8.4%
Higher Education Commission	2.1%	3.0%
Housing and Community Development	36.7%	48.5%
Human Services	15.0%	10.5%
Information Technology	1.6%	14.4%
Juvenile Services	6.0%	6.5%
Labor	1.4%	18.6%
Military	0.7%	22.3%
Natural Resources	0.6%	10.2%
Planning	0.3%	0.0%
State Police	13.3%	20.9%
Public Safety and Correctional Services	41.0%	6.2%
Transportation – Aviation Administration	22.6%	22.1%
Transportation – Motor Vehicle Administration	61.8%	20.2%
Transportation – Office of the Secretary	26.9%	48.5%
Transportation – Port Administration	9.7%	13.1%
Transportation – State Highway Administration	20.9%	21.7%
Transportation – Transit Administration	24.8%	12.0%
Transportation – Transportation Authority	18.8%	19.4%
Statewide Total¹	17.3%	17.9%

¹ Includes the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and non-Cabinet agencies.

Source: Governor's Office of Small, Minority, and Women Business Affairs

Requirements for Minority Business Enterprise Certification

An MBE is a legal entity, other than a joint venture, that is:

- organized to engage in commercial transactions;
- at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged; and
- managed by, and the daily business operations of which are controlled by, one or more of the socially and economically disadvantaged individuals who own it.

A socially and economically disadvantaged individual is defined as a citizen or legal U.S. resident who is African American, Native American, Asian, Hispanic, physically or mentally disabled, a woman, or otherwise found by the State's MBE certification agency to be socially and economically disadvantaged. An MBE owned by a woman who is also a member of an ethnic or racial minority group may be certified as being owned by both a woman and by a member of a racial or ethnic minority, but for the purpose of participating on a contract as an MBE, it can only be counted as one or the other.

A "socially disadvantaged individual" is someone who has been subject to racial or ethnic prejudice or cultural bias within American society because of his or her membership in a group and without regard to individual qualities. An "economically disadvantaged individual" is someone who is socially disadvantaged whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities compared with those who are not socially disadvantaged. An individual with a personal net worth in excess of \$1.5 million, adjusted annually for inflation, is not considered economically disadvantaged. The inflation-adjusted limit for calendar 2025 is \$2,136,382.