

# **SB552\_HARTING\_FAV**

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Position: FAV



To: Senate Budget & Taxation Committee

Re: Letter of **SUPPORT** for SB 552 (Video Lottery Operation License-Renewal)

February 12, 2020

Maryland's six VLT Licensees offer their **SUPPORT** for **SB 552**. This legislation, sponsored by Senator King, would provide needed clarity around the process to renew a video lottery operation license at the end of the initial 15 year term of each license.

### Facts About Maryland Gaming

- Maryland, with the 19th largest population in the country, generates the 4th highest gaming tax revenues in the nation.
- 15,000+ direct jobs, \$3.0 billion economic impact; \$962.2 million tax impact (AGA)
- Second highest tax rate in the country (2nd only to PA)- (41% Blended Tax Rate)
- Maryland has the highest gaming tax revenues as a percentage of corporate income tax collected in the country - 71%. In other words, the 6 casinos in Maryland pay nearly as much tax annually as **ALL OTHER BUSINESSES IN THE STATE COMBINED**. (\$735 million Gaming Tax v \$1.03 billion corporate income tax - Source State Comptroller)
- Maryland casinos spent over \$3 billion in initial construction
- **Maryland casinos have provided \$3.3 billion to the Maryland Education Trust Fund and \$4.4 billion in overall taxes since the program began**

### Maryland's Six Licensed Casinos SUPPORT SB 552:

- Under current law, each VLT license expires 15 years after issuance. Although the law provides for continued 10-year VLT license terms after the initial 15 year terms, the law is unclear regarding the process for a VLT licensee to renew its license and the legal standard for renewal.
- As the expiration of the initial terms of the six VLT licenses approaches (the first VLT license expires in only five years), clarifying the existing law regarding the process and the legal standard for renewal of VLT licenses is very important. One problem that this lack of clarity causes for VLT licensees is in dealing with financial institutions, lenders and/or investors, such as when a licensee is looking to raise capital to reinvest in its facilities to keep them attractive and competitive. A bank or institutional investor is reluctant to commit funding to a project when the law is not clear as to whether the licensee will be able to renew its license when the initial term is up, an issue that will only get more significant as the initial terms get closer to their expiration dates.
- The legal standard for VLT license renewal in SB 552 is the appropriate one. Specifically, the bill provides that the license shall be renewed (upon proper application and payment of the renewal fee) unless the Commission finds that the licensee is no longer qualified (based on the stringent standards for qualification under the VLT statute and regulations) to hold the license. SB 552 also provides for an appropriate renewal process, and directs the Commission to establish the complete application process by regulation.
- The VLT licensees also support leaving in place the current statutory provision that the renewal fee will be set by statute in the future, as provided in SB 552. The uncertainty in the renewal process and legal standard in the current law, not the amount of the renewal fee, is the pressing issue that needs to be addressed in the 2020 session..

# **SB552 VLO License Renewal**

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THE SENATE OF MARYLAND  
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**Senate Bill 552 – Video Lottery Operation License – Renewal**

**February 12, 2020**

Mister Chairman and Members of the Budget and Taxation Committee:

Senate Bill 552 clarifies the standard that must be met to renew the State's six Video Lottery Terminal operation licenses at the end of their initial and any subsequent terms, and increases the amount of time before the end of the license term that the licensee is required to file an application for renewal.

Under the bill, the licensee will be required to file with the Lottery Commission a notice of intent to apply for the renewal of the license two years before the current term expires. Within one year after filing a notice of intent, the video lottery operation licensee may file an application to renew that include the payment of the license renewal fee. The Lottery Commission will then determine if the licensee is still qualified for the license under Maryland law and the Lottery will renew the license as long as it finds the licensee meets that standard.

Continued "qualification" for the license is an exacting standard because it requires the licensee to continue to meet the rigorous requirements for qualification under the statute and the Lottery's regulations.

Senate Bill 552 does **not** change the current law that leaves the amount of the license renewal fee to be determined by the General Assembly. This bill retains the ability for the legislature to make that decision at a future date.

Even though the initial term of each VLT operation license is 15 years and they do not start to come up for renewal for a few years yet, we should clean up this statute now. The lack of a clear process and standard for renewing the licenses in the current law can create problems as licensees try to raise capital to reinvest in their facilities to keep them competitive and attractive, which in turn helps generate revenues for the Education Trust Fund. Potential lenders and investors look for clarity around the process to renew licenses before they commit funding for capital improvements.

I respectfully request a favorable report on Senate Bill 552.