



— PERRYVILLE, MD —

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The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
11 Bladen Street
Annapolis, MD 21401

February 24, 2021

**TESTIMONY BEFORE THE SENATE BUDGET AND TAXATION COMMITTEE IN
SUPPORT OF SENATE BILL 797 – CECIL COUNTY – VIDEO LOTTERY TERMINALS –
DISTRIBUTION OF PROCEEDS**

Senate Bill 797 increases the base proceed distribution to the video lottery terminal (VLT) licensee in Cecil County from the current 33% to 40%, beginning July 1, 2021. The additional 7% of proceeds retained under SB797 are required to be spent on capital improvement at the facility or marketing and advertising, similar to conditions placed on other VLT licensees in the State. The proposed adjustment would put Hollywood Casino, the Cecil County licensee, on equal tax footing with its nearest in-state competitor, Horseshoe Casino in Baltimore City and narrow the competitive tax disadvantage that Hollywood has been operating under since the sixth VLT facility opened in Prince George’s County in 2016.

In 2007 the General Assembly passed legislation to authorize a VLT licensure program in Maryland and, at that time, authorized a single, uniform tax rate of 67% for each licensee under that program. Hollywood was the first VLT facility to open in Maryland, opening its doors under an expedited timeline in 2010, in order to meet the State’s estimated revenue goals for that fiscal year. Since the passage of the original 2007 statute establishing a gaming industry Maryland, tax rates for VLT facilities in Maryland have gone through a variety of changes, the most significant being the 2012 law that established a sixth VLT site in Prince George’s County. In addition to authorizing the sixth site, the 2012 law made favorable adjustments to the base tax rates for **each** VLT facility in the State **except** for the site located in Cecil County (Exhibit 1).

The 2012 law did, however, create an opportunity for the Cecil County facility, along with the facilities in Anne Arundel County and Baltimore City, to seek an adjustment to their tax rate based on the competitive impact of several factors including (1) the impact of the opening of a sixth site in Prince George’s County, (2) the ability of the State gaming program to compete with surrounding states, and (3) any other factors related to the gaming market in Maryland. Had that “hardship” adjustment been approved in 2019, it would have helped to narrow the gap between Cecil County and every other casino in the State, but those statutory adjustments were repealed from law in the Budget Reconciliation and Financing Act passed in the 2019 Legislative Session. In light of that repeal and of the challenges that Hollywood continues to face as result of its disparate tax rate, SB797 seeks to address that disparity and put the Cecil County facility on par with other casinos in its immediate geographical region.

When the General Assembly passed the gaming expansion package in 2012, a measure that was overwhelmingly approved by voters in the 2012 referendum, the legislature took explicit measures to mitigate the competitive impact on Maryland’s existing casinos. The General Assembly recognized then,

that for the casinos to be the significant new revenue source they envisioned, maintaining a competitive gaming industry was essential. To date, the casinos have fully held up their end of the bargain. They have contributed billions of dollars in revenue infused into the Education Trust Fund (ETF). Revenues that are even more significant given the recent passage of the “lockbox” Constitutional amendment guaranteeing casino contributions to education are added on top of statutorily required funding formulas. Additionally, and often less acknowledged, the casinos drive smaller, but just as valued, contributions to other public policy priorities like local impact grants and small, minority and women owned business enterprises, along with indirect economic development benefits like increased employment. The legislature also correctly predicted that any impact from tax adjustments for existing casinos on the ETF would be more than made up for by the new revenue from the addition of an unprecedented, large-scale facility at National Harbor.

Five years after its initial implementation, the General Assembly fully recognized the unique public benefits of a thriving gaming industry in Maryland and crafted the expansion bill accordingly. Not only was it essential to maintain competitiveness among the Maryland casinos, particularly in light of the authorization of sixth site in Prince George’s County, but for Maryland facilities to stay competitive with casinos in neighboring states. The State has since seen the net benefits to Maryland revenues from those tax adjustments in increased overall contributions from casinos that operate competitively with each other and with nearby facilities in other states.

Nowhere is the intensifying competition from neighboring states more apparent than in Cecil County. Since opening in 2010, Hollywood Casino has become a critical part of the economy in Cecil County and surrounding jurisdictions. It is the second largest employer in the County, attracts tourism, drives economic development, acts as a significant philanthropic entity in the region, and its revenues provide crucial support to localities and municipalities in an otherwise economically challenged area. However, the casino faces stiff competition for its customer base from other Maryland Casinos and neighboring states’ gaming industries. Hollywood Casino is a small rural facility which competes with larger casinos for players, while paying the highest tax rate of any gaming facility in the state. However, despite their larger sites and marketing budgets, Hollywood Casino remains profitable even while showing some signs of decreasing revenue. The actual threat to the Perryville Casino’s survival, as recognized by the Commission, is neighboring states whose governing statutes enable competitors as close as Delaware Park, a mere 30 miles over the Maryland-Delaware line, to operate with less restrictive statutory guidelines. Sports gaming, free drinks, and lower tax rates are just some of the attractions surrounding states’ casinos offer as player incentives that Hollywood by law cannot provide.

It is essential that the legislature remember that Maryland’s gaming industry is a public private partnership. When Maryland’s casinos are competitive and do well, the State and local jurisdictions do well, and those benefits are undeniable, not only from the billions of dollars of tax revenue, but from the job creation, economic development drive, and substantial community investment provided by all six casinos in the State. By all accounts, the investment in Maryland’s gaming industry, by both the private and public sectors, has been a tremendous success. The General Assembly saw that in 2012 when it enacted the gaming expansion, and it is in the State’s best interest to continue nurture that investment and regulate accordingly. The relatively modest tax adjustment proposed in HB859 would allow Hollywood to make investments in its facility, increase marketing efforts to counteract the negative impact of the COVID-19 pandemic, and compete on more equal footing with casinos in and out of Maryland. These efforts will help improve overall revenues at Hollywood and mitigate the fiscal impact to the State from the proposed rate adjustment. Hollywood joins the Cecil County Delegation and Cecil County leadership in urging the Committee’s favorable consideration of Senate Bill 797.