

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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February 2, 2021

The Honorable Anne R. Kaiser
Chair, Ways and Means Committee
Room 130, House Office Building
Annapolis, MD 21401-1991

**Re: Letter of Concern – House Bill 546 - Video Lottery Operator –
Reconciliation of Proceeds - Uncollectible Debt**

Dear Chair Kaiser and Members of the Ways and Means Committee:

The Maryland Lottery and Gaming Control Agency (“MLGCA” or “Agency”) submits this letter of concern to the House Ways and Means Committee (“Committee”) regarding provisions in House Bill 546, which could have an impact on the Education Trust Fund (“ETF”) and on the State’s ability to meet its casino revenue estimates.

This proposed legislation would amend the term “Proceeds” as it is presently defined in State Government Article §9-1A-01(u) to address the issue of an uncollectible debt, which occurs when the video lottery facility extends credit to a player but the player defaults on the debt.

The proposed legislation would allow casinos to write off bad debts against their gaming proceeds. A casino's credit policies are currently determined by the casino itself, with the consequences of issuing credit to players resting solely upon the casino. By simply allowing a casino's General Manager or Chief Financial Officer to declare a debt uncollectible puts the State in the position of providing credit backup resources to the casino. Moreover, to do so would require the Agency to be involved in the individual credit decisions of the casino, which is an impossible task. The Agency has researched credit policies in other jurisdictions (New Jersey, Pennsylvania, Massachusetts, West Virginia, and Delaware) and only found one other jurisdiction (Nevada) that allows even a milder form of bad debt write-off against the State. *See* Nevada NRS 463.0161 “Gross revenue” defined. Also, casinos sometimes allow a player to return to the casino even after suffering bad debt experiences in the past; it’s a judgement call by casino management, based on its expectations of future revenue vs. potential losses.

The Agency believes that this legislation would shift the burden, *i.e.*, transfer the risk of loss from lenient credit practices of the casino, to the State, and in this case specifically to the ETF as a guaranteed stopgap measure. The Agency is concerned that either the casino’s General Manager or Chief Financial Officer would make this unilateral, sole determination of when “reasonable collection efforts” have proven futile in recovering the debt.

In addition, the Agency understands that businesses usually write-off “bad debt” as a cost of doing business. Casinos are already availing themselves of civil remedies to collect from players who fail to repay the casino for the line of credit extension. The Agency would have no way of knowing when and

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how much money the casino was able to recover from the player during this collections process. In addition, for income tax deduction purposes, such a business debt would be deductible against the business' ordinary income and then deductible against the business' short-term capital gains.

Thank you for your consideration of this letter of concern to HB 546. If you should have any questions or need more information about this subject, please do not hesitate to contact James B. Butler, MLGCA's Managing Director, Organizational Compliance, at (410) 230-8781 or jbutler@maryland.gov.

Sincerely,



Gordon Medenica
Director

cc: Delegate Kevin B. Hornberger
All Committee Members