

SB 537_FAV_Casino Testimony (License Renewal).pdf

Uploaded by: Kerry Watson

Position: FAV



To: Senate Budget and Taxation Committee

Re: SB537 (Gaming -- Video Lottery Operation License--Renewal)

Position: Favorable

March 1, 2023

Maryland's six VLT Licensees support SB537, that will clarify the process for renewal of a video lottery operation license at the end of the initial 15 year term of each, and authorize the Maryland Lottery and Gaming Control Agency ("MLGCA") to establish the renewal fee as it already does for every other type of gaming license under Maryland law.

Facts About Maryland Gaming

- Maryland, with the 19th largest population in the country, generates the 4th highest gaming tax revenues in the nation.
- Maryland's six commercial casinos create 15,000+ direct jobs, generate \$3.0 billion in economic impact; and a \$962.2 million tax impact (AGA)
- Maryland currently has the second highest tax rate in the country (2nd only to PA)- (41% Blended Tax Rate)
- Maryland has one of the highest gaming tax revenues as a percentage of corporate income tax collected in the country - 52%. In other words, the 6 casinos in Maryland pay over half as much tax annually as **the thousands of other corporations doing business in the state each year.** (\$832 million Gaming Tax v \$1.6 billion corporate income tax - Source DLS fiscal briefing).
- Maryland casinos spent over \$3 billion in initial construction
- **Maryland casinos have provided \$4.9 billion to the Maryland Education Trust Fund and \$6.5 billion in overall taxes since the program began.**
- Maryland's casino operators also pay annual assessments into the Problem Gambling Fund of \$425 per slot machine and \$500 per table game to fund programs to combat gambling addiction

We support clarifying the process and legal standard for renewal of the VLT licenses.

- 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 two 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 may be 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 SB537 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. SB537 also provides for an appropriate renewal process, and directs the Commission to establish the complete application process by regulation.

We support allowing the MLGCA to establish the renewal fee as provided in SB537.

- The MLGCA has always been authorized to set the renewal fee for all of the other gaming licenses (see §9-1A-07(b)(2)). The casinos support allowing the MLGCA to establish the renewal fee for video lottery operation licenses as well, at a level that will ensure that all of the costs in issuing a renewal license are covered.
- The license fee for the original video lottery operation licenses was set by the General Assembly at a very high level in order to ensure that only qualified, financially sound bidders would be considered for the grant of a license in the competitive bidding process before the Video Lottery Facility Location Commission. That consideration is irrelevant to the renewal of these licenses because the licensees have already proven their financial soundness and qualifications to hold their licenses and have invested \$3.3 billion in their casinos in total to date. Additionally, in 2008, fees for the initial video lottery operation licenses fees needed to raise revenues for the infrastructure to support the gaming industry, another consideration that does not exist for the renewal of these licenses.

SB537 Sponsor Testimony.pdf

Uploaded by: Senator Nancy King

Position: FAV

NANCY J. KING
Legislative District 39
Montgomery County

MAJORITY LEADER

Budget and Taxation Committee

Chair
Education, Business and
Administration Subcommittee



James Senate Office Building
11 Bladen Street, Room 120
Annapolis, Maryland 21401
301-858-3686 • 410-841-3686
800-492-7122 Ext. 3686
Fax 301-858-3670 • 410-841-3670
Nancy.King@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Senate Bill 537 – Gaming - Video Lottery Operation License – Renewal

March 1, 2023

Mister Chair and Members of the Budget & Taxation Committee:

Under current law, an initial license for a video lottery operation expires after 15 years and a license holder must file a notice of intent to reapply for a renewal two years prior to the expiration of the license. The first license was issued in 2010 and the license will expire in 2025, so their notice of renewal will be due this year.

The lack of a clear process and standard for renewing the licenses in the current law will create problems as licensees try to raise capital to reinvest in their facilities to keep them competitive and attractive, and potential lenders and investors look for clarity around the process to renew licenses before they commit funding for capital improvements.

Senate Bill 537 clarifies the process to renew the State's Video Lottery Terminal (VLT) operation licenses at the end of their initial and any subsequent terms and sets the renewal term to ten years. The bill further allows the State Lottery and Gaming Control Commission (Commission) to establish a renewal application process and to set the license fee for renewal.

The bill also sets a process for VLT licensees to appeal should the Commission find that the licensee no longer qualifies to hold a license. By allowing the Commission to set the standards for renewal, we will ensure that VLT operators continue to meet and uphold the rigorous qualification requirements imposed on them through Maryland law.

I respectfully request a favorable report on Senate Bill 537.

SB537 LOI - MLGCA.pdf

Uploaded by: Sean Ford

Position: INFO



March 1, 2023

Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

Re: Letter of Information – Senate Bill 537 - Gaming - Video Lottery Operation License - Renewal

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee:

The Maryland Lottery and Gaming Control Agency (“MLGCA” or “Agency”) submits this letter of information to the Budget and Taxation Committee (“Committee”), as background information regarding Senate Bill 537 - Gaming - Video Lottery Operation License – Renewal.

This proposed legislation would amend the current statute (State Government Article §9-1A-13) by describing the application process for renewal of an initial video lottery operation license and each subsequent renewal thereafter. The Commission would renew the license using existing qualification requirements unless it finds, after conducting background investigations, that the licensee is no longer qualified to hold a license.

MLGCA notes that there is no statutory provision directing where any fees collected to renew a video lottery operator license would be transferred. It is assumed that they would be deposited into the Education Trust Fund. Establishing an application process for license renewal is critical this legislative session as the first Casino (Hollywood Casino in Perryville, Cecil County) will have to begin the renewal process this year.

Thank you for your consideration of this information, as the Agency takes no position on this proposed bill. If you should have any questions or need more information about this subject, please do not hesitate to contact Sean Ford, MLGCA’s Director of Legislation and Policy Development, at 410-230-8988 or sean.ford@maryland.gov.

Sincerely,

John A. Martin
Director

cc: All Committee Members
Senator King