



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.