

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 437 (Senator Edwards)
 Budget and Taxation

Allegany County - Video Lottery Terminals - Distribution of Proceeds

This bill permanently continues the current distribution of video lottery terminal (VLT) proceeds from the video lottery facility in Allegany County, instead of altering the distribution after the first 10 years of operations as scheduled under current law. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Education Trust Fund (ETF) special fund revenues and special fund expenditures increase by \$41,600 in FY 2023 and \$504,000 in FY 2024. State Lottery and Gaming Control Agency (SLGCA) special fund revenues and expenditures from VLT proceeds decrease by \$41,600 in FY 2023, offset by an increase in general fund expenditures. Special fund revenues and expenditures to the Small, Minority, and Women-Owned Businesses Account (SMWOBA), the Purse Dedication Account (PDA), and the Racetrack Facility Renewal Account (RFRA) decrease beginning in FY 2023.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$0	\$0	\$0	(\$218,300)	(\$2,645,900)
GF Expenditure	\$0	\$0	\$0	\$41,600	\$504,000
SF Expenditure	\$0	\$0	\$0	(\$218,300)	(\$2,645,900)
Net Effect	\$0	\$0	\$0	(\$41,600)	(\$504,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Allegany County revenues decrease by approximately \$72,800 in FY 2023 and by approximately \$882,000 annually thereafter due to the distribution of local impact grants from VLT revenues not increasing as scheduled under current law in FY 2023.

Small Business Effect: Potential meaningful.

Analysis

Current Law: For the first 10 years of operations at a video lottery facility in Allegany County, gross VLT proceeds from the facility are distributed as follows:

- 0.75% to SMWOBA (although in fiscal 2019 and 2020, that amount goes to ETF);
- 1% to SLGCA for administrative costs;
- 3.75% to local impact grants;
- 2.5% to PDA for horse racing purses and bred funds;
- 60% to the licensee; and
- the remainder to ETF (32%).

After 10 years of operations, the distribution of VLT proceeds at the facility in Allegany County is generally similar to the distribution at other video lottery facilities, except that the licensee share will be 53% if a 2.5% capital investment requirement is met and the distribution to SLGCA is 2%. Assuming the 2.5% capital investment requirement is met, gross VLT proceeds from the facility are distributed as follows:

- 1.5% to SMWOBA to provide investment capital and loans to small, minority, and women-owned businesses in the State;
- 2% to SLGCA for administrative costs;
- 5.5% to local impact grants;
- 6% to PDA for horse racing purses and bred funds;
- 1.0% to RFRA for racetrack capital construction and improvements;
- 53% to the licensee; and
- the remainder to ETF (31%).

Background: The video lottery facility in Allegany County opened in May 2013. **Appendix – Maryland Gaming** provides detailed background on gaming in Maryland.

State Fiscal Effect: The bill alters the distribution of VLT revenues from the facility in Allegany County beginning in May 2023, as shown in **Exhibit 1**. Thus, ETF revenues and expenditures increase by approximately \$41,600 in fiscal 2023 and by \$504,000 in fiscal 2024. Special fund revenues and expenditures for SLGCA decrease by \$41,600 in fiscal 2023, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures to PDA, RFRA, and SMWOBA decrease by \$145,500, \$41,600, and \$31,200, respectively, in fiscal 2023. The Department of Legislative Services assumes that to the extent less funds are available to PDA, RFRA, and SMWOBA, these programs would provide less funding to eligible businesses and

individuals. The distribution of VLT proceeds to the video lottery operation licensee in Allegany County increases by \$291,100 in fiscal 2023 and by \$3.5 million in fiscal 2024.

Exhibit 1
Revenue Effect of Altering the Distribution
of VLT Revenues from Allegany County
Fiscal 2023-2024

	<u>FY 2023</u>	<u>FY 2024</u>
ETF	\$41,600	\$504,000
SLGCA	(41,600)	(504,000)
PDA	(145,500)	(1,764,000)
RFRA	(41,600)	(504,000)
SMWOBA	(31,200)	(378,000)
Local Impact	(72,800)	(882,000)
Licensee	291,100	3,527,900

ETF: Education Trust Fund

PDA: Purse Dedication Account

RFRA: Racetrack Facility Renewal Account

SLGCA: State Lottery and Gaming Control Agency

SMWOBA: Small, Minority, and Women-Owned Businesses Account

VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Legislative Services

Local Revenues: Allegany County revenues decrease by approximately \$72,800 in fiscal 2023 and by approximately \$882,000 annually thereafter due to the distribution of local impact grants remaining at 3.75% of VLT proceeds at the facility in Allegany County instead of increasing to 5.5% of VLT proceeds.

Small Business Effect: Eligible fund managers provide investment capital and loans to small, minority, and women-owned businesses in the State with funds from SMWOBA. Thus, small businesses receive \$31,200 less in investment capital and loans in fiscal 2023 and approximately \$378,000 less annually thereafter beginning in fiscal 2024.

Additional Information

Prior Introductions: None.

Cross File: HB 538 (Delegate Buckel) - Ways and Means.

Information Source(s): Allegany County; Comptroller's Office; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2019
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Appendix – Maryland Gaming

The State of Maryland has authorized and awarded six video lottery operation licenses in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George’s, and Worcester counties with a maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. The opening date and the number of VLTs and table games for each facility as of January 2019 are shown in **Exhibit 1**.

Exhibit 1 Number of VLTs and Table Games in Maryland

<u>Casino</u>	<u>County</u>	<u>Opening Date</u>	<u>VLTs</u>	<u>Table Games</u>
Hollywood Casino	Cecil	September 2010	822	19
Ocean Downs	Worcester	January 2011	892	18
Maryland Live!	Anne Arundel	June 2012	3,825	198
Rocky Gap Casino	Allegany	May 2013	665	17
Horseshoe Casino	Baltimore City	August 2014	2,194	158
MGM National Harbor	Prince George’s	December 2016	3,137	198

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2020 through 2024 are shown in **Exhibit 2**. A total of \$1.78 billion in gross gaming revenues is projected in fiscal 2020, including \$528.8 million to be distributed to the Education Trust Fund.

Exhibit 2
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
(\$ in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
VLTs Distribution					
Education Trust Fund	\$430.1	\$419.6	\$425.7	\$429.5	\$433.8
Lottery Operations	11.2	11.4	11.5	11.6	11.8
Purse Dedication Account	65.6	66.5	67.5	68.1	70.5
Racetrack Renewal Account	10.7	10.9	11.0	11.1	11.8
Local Impact Grants	60.8	61.7	62.6	63.1	64.6
Business Investment	0.0	16.7	16.9	17.1	17.6
Licenses	542.2	550.0	557.9	562.9	565.0
Total VLTs	\$1,120.6	\$1,136.7	\$1,153.1	\$1,163.4	\$1,175.1
Table Games Distribution					
Education Trust Fund	\$98.7	\$100.2	\$101.7	\$102.6	\$103.6
Local Impact Grants	32.9	33.4	33.9	34.2	34.5
Licenses	526.4	534.3	542.4	547.2	552.7
Total Table Games	\$658.0	\$667.9	\$677.9	\$684.0	\$690.9
Total VLTs and Table Games	\$1,778.5	\$1,804.6	\$1,831.0	\$1,847.5	\$1,866.0
Total Education Trust Fund	\$528.8	\$519.8	\$527.4	\$532.1	\$537.4

VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Budget and Management; Department of Legislative Services
