

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1636
Ways and Means

(Delegate Clippinger)

Budget and Taxation

**Baltimore City - South Baltimore Gateway Community Impact District and
Distribution of Local Impact Grants**

This bill authorizes Baltimore City to establish, by ordinance, the South Baltimore Gateway Community Impact District and a corresponding management authority. The bill requires the ordinance establishing the South Baltimore Gateway Community Impact District to contain specified provisions, including the boundaries of the district, which may not be outside specified lines and must include specified neighborhoods. Beginning in fiscal 2018, at least 50% of local impact grants from video lottery terminal (VLT) proceeds distributed to Baltimore City must be distributed to the South Baltimore Gateway Community Impact District Management Authority.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: None. The bill only affects local government operations.

Local Effect: At least \$7.3 million of Baltimore City local impact grants in FY 2018 and \$7.7 million in FY 2021 are distributed to the South Baltimore Gateway Community Impact District Management Authority instead of the local development council, but the VLT proceeds must still be used for improvements in the communities surrounding the Baltimore City video lottery facility. Under the bill, the authority may have the power to borrow funds and own property.

Small Business Effect: Minimal. Small businesses in the South Baltimore Gateway Community Impact District may benefit.

Analysis

Bill Summary: The ordinance establishing the South Baltimore Gateway Community Impact District Management Authority must (1) specify the powers and functions that may be exercised and conducted by the district authority; (2) fund the authority with at least 50% of the local impact grants from video lottery proceeds distributed to Baltimore City; (3) specify the duration of the authority and define the boundaries of the district; (4) provide for the disbursement of the revenue from local impact grants to the authority; and (5) determine the organization and method of initial appointment of officers and board members of the authority.

The ordinance establishing the South Baltimore Gateway Community Impact District Management Authority may authorize the authority to (1) be a special impact district and conduct the functions that are assigned to it by the city; (2) acquire, hold, and use property necessary to achieve its purposes; (3) make contracts; (4) sue and be sued; (5) borrow and accept grants for purposes consistent with the purposes of the district authority; (6) employ and discharge personnel; (7) propose in its annual budget the allocation of local impact grants distributed to the authority; (8) adopt, amend, and modify bylaws, which must be approved by the Baltimore City Board of Estimates; (9) establish and elect officers and provide for their terms and duties; (10) contract for and purchase goods and services; and (11) do all things necessary or convenient to carry out its powers.

The authority's financial plan, including its annual budget, must be approved by the Baltimore City Board of Estimates. The South Baltimore Gateway Community Impact District Management Authority must hold a public hearing before adopting its proposed budget, and the authority must publish notice of the hearing as specified by the bill. The bill specifies members of the board.

The South Baltimore Gateway Community Impact District Management Authority may *not* (1) exercise any police or general powers other than those authorized by the State and the city; (2) pledge the full faith or credit of the city; (3) impose any taxes or charges; (4) exercise the power of eminent domain; (5) extend its life without the approval of the city council; (6) engage in competition with the private sector; (7) revert local impact grants to the city's general fund; (8) be an agency of the Baltimore City Mayor and City Council or the State; (9) employ individuals who reside outside of Baltimore City; and (10) incur debt. An officer or employee of the authority may not act as an agent or employee of the Baltimore City Mayor and City Council or the State.

In adopting an ordinance, the Baltimore City Council must consider the views of specified individuals and businesses within the South Baltimore Gateway Community Impact District and make a determination that the district will reflect a diverse mix of business and residential properties and a diverse economic, social, and racial mix. The Baltimore City

Mayor and City Council must review the effectiveness and desirability of continuing the existence of the South Baltimore Gateway Community Impact District every four years. If the continuing existence of the district is not approved, the district must cease to exist as specified by the bill. The Baltimore City Mayor and City Council may not permit a reduction in the services provided by the city in the district due to establishing the South Baltimore Gateway Community Impact District Management Authority. In the event of a dissolution of the district, any unspent funds must revert back to Baltimore City's general fund.

Current Law: Baltimore City is authorized to establish up to six community benefits district management authorities, including the Charles Village Community Benefits District and the Midtown Community Benefits District, within the city to provide services to the business interests and residents of the proposed district. In adopting an ordinance, the city council must (1) give consideration to the views of the property owners, the retail merchants, the property tenants, and the other members of the business and residential communities within the district; (2) make a determination that a district will reflect a diverse mix of business and residential properties; and (3) make a determination that a district created will reflect a diverse economic, social, and racial mix.

From the VLT proceeds at each video lottery facility, generally 5.5% are distributed as local impact grants to local governments in which a video lottery facility is operating. Generally, 82% of the local impact aid must go to the local jurisdictions with video lottery facilities to be used for infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements in the communities in immediate proximity to the video lottery facilities.

A local development council (LDC) must be established in each area where a VLT facility is located. Prior to spending local impact grant funds, a county or municipality must develop, in consultation with the LDC, a multi-year plan for services and improvements to be used with local impact grant funds. A county or municipality must submit the plan to the LDC for review and comment before adopting the plan or spending grant funds.

The LDC must advise the county or municipality on the impact of the facility on the communities and the needs and priorities of the communities in immediate proximity to the facility. An LDC has 45 days to review, comment, and make recommendations on the plan. At the request of an LDC, the county or municipality must hold a public hearing on the plan, and Baltimore City must hold a public hearing on the plan for specified local impact grant funds. A county or municipality must make best efforts to accommodate the recommendations of the LDC and any testimony presented at the hearing before adopting the plan.

[The South Baltimore Gateway Master Plan](#) identifies key potential redevelopment sites and makes a range of recommendations related to connectivity and quality of life of residents. One of its recommendations included establishing a community impact district.

Baltimore City advises that the boundaries for the proposed community impact district include the communities that are in immediate proximity to the VLT facility in Baltimore City.

Background: Appendix – Maryland Gaming provides detailed background on gaming in Maryland.

Local Fiscal Effect: Beginning in fiscal 2018, at least 50% of specified local impact grants from VLT proceeds distributed to Baltimore City must be distributed to the South Baltimore Gateway Community Impact District Management Authority. **Exhibit 1** shows the estimated local impact grants to be distributed from VLT proceeds to Baltimore City assuming 50% is distributed to the authority. The remaining 50% will still be distributed to the city to be allocated in accordance with the multi-year plan developed in consultation with the LDC.

Exhibit 1
Baltimore City Local Impact Grants from VLT Proceeds
Fiscal 2017-2021

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
South Baltimore Gateway Community	\$0	\$7,328,795	\$7,433,195	\$7,545,923	\$7,660,341
Local Development Council	10,826,451	7,328,795	7,433,195	7,545,923	7,660,341
Total	\$10,826,451	\$14,657,591	\$14,866,389	\$15,091,845	\$15,320,683

Source: Board of Revenue Estimates; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: SB 1164 (Senator Ferguson) - Budget and Taxation.

Information Source(s): Baltimore City, Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

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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. Five casinos are currently operating in Maryland, with the sixth casino, MGM National Harbor, LLC, expected to open in fiscal 2017. The opening date and the number of VLTs and table games for each facility as of January 2016 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	850	22
Ocean Downs	Worcester	January 2011	800	-
Maryland Live!	Anne Arundel	June 2012	3,994	206
Rocky Gap Casino	Allegany	May 2013	631	18
Horseshoe Casino	Baltimore City	August 2014	2,202	178
MGM National Harbor	Prince George's	January 2017*	3,600*	140*

*Projected

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

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2017 through 2021 are shown in **Exhibit 2**. In total, \$1.38 billion in gross gaming revenues is projected in fiscal 2017, including \$458.8 million to be distributed to the Education Trust Fund (ETF).

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
VLTs Distribution					
Education Trust Fund	\$382.8	\$453.9	\$460.1	\$467.0	\$474.0
Lottery Operations	9.7	11.9	12.0	12.2	12.4
Purse Dedication Account	58.0	67.4	68.3	69.3	70.4
Racetrack Renewal Account	8.9	11.1	11.2	11.4	11.6
Local Impact Grants	50.2	61.9	62.8	63.7	64.7
Business Investment	13.7	16.9	17.1	17.4	17.6
Licenses	408.4	523.1	530.0	537.9	546.0
Total VLTs	\$931.6	\$1,146.1	\$1,161.5	\$1,178.9	\$1,196.6
Table Games Distribution					
Education Trust Fund	\$76.0	\$79.7	\$80.7	\$81.9	\$83.1
Local Impact Grants	12.7	26.6	26.9	27.3	27.7
Licensee	355.0	424.9	430.3	436.8	443.3
Total Table Games	\$443.7	\$531.1	\$537.9	\$545.9	\$554.1
Total VLT and Table Games	\$1,375.4	\$1,677.3	\$1,699.4	\$1,724.9	\$1,750.7
Total Education Trust Fund	\$458.8	\$533.6	\$540.8	\$548.9	\$557.1

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