

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 403 (Delegate Ebersole)
 Ways and Means

Video Lottery Operation License - Renewal

This bill imposes on a video lottery operation licensee an annual license renewal fee of \$500 for each video lottery terminal (VLT) and table game that is authorized for operation at the video lottery facility, to be distributed to the Education Trust Fund (ETF). The fee is indexed to inflation beginning October 1, 2022. The State Lottery and Gaming Control Commission (SLGCC) must renew a video lottery operation license upon proper application for license renewal and payment of the license renewal fee unless SLGCC finds that the licensee is no longer qualified to hold a license. A renewal of a video lottery operation license is for a term of 15 years, instead of 10 years under current law. Before denying an application, SLGCC must provide the video lottery operation licensee an opportunity for a hearing.

Fiscal Summary

State Effect: The bill has no immediate fiscal effect because the first video lottery operation license renewal is not until FY 2026. ETF revenues increase by \$914,800 in FY 2026 and, once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fees, ETF revenues increase by over \$7.0 million annually beginning in FY 2032, assuming 2% inflation.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$0	\$0	\$0	\$0	\$914,800
Expenditure	0	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$914,800

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: At least two years but not more than five years before the video lottery operation license expires, the licensee must file with SLGCC a notice of intent to apply for a renewal of the license. At least one year but not more than five years before a video lottery operation license term ends, a video lottery operation licensee may file an application to renew a video lottery operation license.

Current Law: A video lottery operation license initially expires 15 years from the date on which the video lottery facility is issued the license by SLGCC. Two years before a video lottery operation license expires, the licensee must file with SLGCC a notice of intent to reapply for the license. Within 1 year of the end of the initial 15-year license term, a video lottery operation licensee may reapply for a 10-year license term. If a video lottery operation licensee has its license revoked or otherwise surrenders the license, the license reverts to the State.

Licensees paid an initial license fee of at least \$3 million for every 500 VLTs (except for the Allegany County facility licensee), which accrued to ETF. Licensees 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.

Appendix – Maryland Gaming provides the status of casino gaming in Maryland as of December 2020.

State Fiscal Effect: A video lottery operation licensee must pay an annual license renewal fee of \$500 (indexed to inflation) for each VLT and table game, which is to be distributed to ETF. The bill has no immediate fiscal effect because the first video lottery operation license renewal is not until fiscal 2026, at which time ETF revenues increase by \$914,800. Once all video lottery operation licensees have renewed their licenses and are subject to annual renewal fees by fiscal 2032, ETF revenues increase by at least \$7.1 million annually, assuming 2% inflation, as shown in **Exhibit 1**.

Exhibit 1
License Renewal Fee Revenues by
Video Lottery Operation Licensee
Fiscal 2026-2032

<u>Licensee</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Cecil County	\$436,200	\$444,900	\$453,800	\$462,900	\$472,200	\$481,600	\$491,300
Worcester County	478,600	488,200	498,000	507,900	518,100	528,400	539,000
Anne Arundel County	-	2,173,500	2,217,000	2,261,300	2,306,500	2,352,700	2,399,700
Allegany County	-	-	375,000	382,500	390,200	398,000	406,000
Baltimore City	-	-	-	-	1,287,100	1,312,800	1,339,100
Prince George's County	-	-	-	-	-	-	1,908,600
Total	\$914,800	\$3,106,600	\$3,543,800	\$3,614,600	\$4,974,100	\$5,073,500	\$7,083,700

Source: Department of Legislative Services

Additional Information

Prior Introductions: HB 1126 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 18, 2021
rh/jrb

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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 (VLT) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2020 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	502	16
Ocean Downs	Worcester	January 2011	601	18
Maryland Live!	Anne Arundel	June 2012	2,614	184
Rocky Gap Casino	Allegany	May 2013	405	16
Horseshoe Casino	Baltimore City	August 2014	817	152
MGM National Harbor	Prince George’s	December 2016	1,519	204

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 2022 through 2026 are shown in **Exhibit 2**. A total of \$1.8 billion in gross gaming revenues is projected in fiscal 2022, including \$543.9 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 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
VLTs Distribution					
Education Trust Fund	\$449.0	\$454.6	\$459.8	\$465.7	\$471.6
Lottery Operations	11.7	11.9	12.6	12.7	12.9
Purse Dedication Account	68.6	69.5	72.3	73.2	74.1
Racetrack Renewal Account	11.2	11.4	12.0	12.2	12.4
Local Impact Grants	63.6	64.5	66.2	67.1	67.9
Business Investment	17.2	17.4	18.1	18.3	18.5
Licensees	553.0	560.1	563.4	570.6	577.9
Total VLTs	\$1,174.4	\$1,189.3	\$1,204.4	\$1,219.7	\$1,235.3
Table Games Distribution					
Education Trust Fund	\$94.9	\$96.1	\$97.4	\$98.6	\$99.9
Local Impact Grants	31.6	32.0	32.5	32.9	33.3
Licensees	506.3	512.8	519.4	526.0	532.8
Total Table Games	\$632.8	\$641.0	\$649.2	\$657.6	\$666.0
Total VLTs and Table Games	\$1,807.2	\$1,830.2	\$1,853.6	\$1,877.3	\$1,901.3
Total Education Trust Fund	\$543.9	\$550.8	\$557.2	\$564.3	\$571.5

VLT: video lottery terminal

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