

**Department of Legislative Services**  
 Maryland General Assembly  
 2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 90 (Chair, Ways and Means Committee)(By Request -  
 Departmental - Lottery and Gaming Control Agency)

Ways and Means

**Gaming - Reconciliation of Proceeds - Licensee Payments**

This departmental bill alters the definition of video lottery terminal (VLT) and table game “proceeds” so that, consistent with regulations adopted by the State Lottery and Gaming Control Commission (SLGCC), if a video lottery operation licensee returns to successful players more than the amount of money bet through VLTs or table games on a given day, the licensee may subtract that amount from the proceeds of a following day. SLGCC must adopt regulations that (1) allow a video lottery operation licensee to reduce the amount of proceeds when a licensee returns to successful players more than the amount of money bet through VLTs or table games on a given day and (2) establish the length of time for such a reduction to continue.

The bill takes effect July 1, 2017.

**Fiscal Summary**

**State Effect:** General fund expenditures increase due to a decrease in special fund revenues to the Education Trust Fund (ETF) of approximately \$1.82 million in FY 2018 and \$1.92 million in FY 2022 as a result of allowing video lottery operation licensees to carry over table game losses.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	(\$1.82)	(\$1.84)	(\$1.87)	(\$1.89)	(\$1.92)
GF Expenditure	\$1.82	\$1.84	\$1.87	\$1.89	\$1.92
SF Expenditure	(\$1.82)	(\$1.84)	(\$1.87)	(\$1.89)	(\$1.92)
Net Effect	(\$1.82)	(\$1.84)	(\$1.87)	(\$1.89)	(\$1.92)

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

**Local Effect:** Local revenues decrease by approximately \$605,000 in FY 2018 and by \$640,600 in FY 2022 due to local impact grants decreasing from video lottery operation licensees carrying over table game losses.

**Small Business Effect:** The State Lottery and Gaming Control Agency (SLGCA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

**Current Law:** Proceeds are the amounts bet through VLTs and table games that are not returned to successful players. Proceeds do not include money given away by a video lottery operation licensee as free promotional play and used by players to bet in a VLT or at a table game. After the first fiscal year of operations, the exclusion of money for promotional play may not exceed a percentage of VLT and table game proceeds in the prior fiscal year as set by SLGCC in regulations.

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

SLGCA advises that several states, including Indiana, Mississippi, New Jersey, and Pennsylvania, allow for a casino to carryover losses. In Pennsylvania, the tax on table game revenues is payable on a weekly basis.

SLGCA advises that, since the inception of VLTs in 2010, there have been two instances of negative VLT proceeds totaling \$52,818, and since the implementation of table games in 2013, there have been 159 instances of negative table game proceeds totaling \$11.4 million. **Exhibit 1** shows the negative table game proceeds by facility since fiscal 2013.

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**Exhibit 1**  
**Negative Table Game Proceeds by Facility**

<b><u>Table Games</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017 YTD</u></b>
Allegany County	-	(\$99,500)	(\$119,600)	(\$157,500)	(\$170,400)
Anne Arundel County	-	-	(119,200)	(1,775,400)	(347,500)
Baltimore City	-	-	(572,600)	(3,393,800)	(4,424,700)
Cecil County	(1,600)	(28,600)	(65,700)	(77,800)	(49,000)
Prince George's County	-	-	-	-	-
<b>Total</b>	<b>(\$1,600)</b>	<b>(\$128,100)</b>	<b>(\$877,100)</b>	<b>(\$5,404,500)</b>	<b>(\$4,991,600)</b>

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

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**State Revenues:** Since only two instances of negative VLT proceeds have occurred, the Department of Legislative Services assumes that allowing a video lottery operation licensee to carry over VLT losses does not materially affect VLT revenues. However, the Department of Legislative Services estimates that negative table game proceeds will total \$12.1 million in fiscal 2018 based on historical trends of negative table game proceeds and expected growth in table game revenues. Negative table game proceeds for Prince George's County are estimated to be similar to those of video lottery facilities in Anne Arundel County and Baltimore City.

ETF revenues are currently budgeted for the State foundation program, the State's largest education aid formula. Thus, any decrease in ETF revenues increases general fund appropriations for the State foundation program by an equal amount. ETF revenues decrease by approximately \$1.82 million in fiscal 2018 and by \$1.92 million in fiscal 2022, as shown in **Exhibit 2**. The distribution of table game proceeds to the video lottery operation licensees increases by \$2.42 million in fiscal 2018 and by \$2.56 million in fiscal 2022. However, to the extent that allowing licensees to carry forward losses encourages larger bets and high-stakes gambling, the impact on table game revenues could be less.

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**Exhibit 2**  
**Revenue Effect of Allowing Licensees**  
**To Carryover Table Game Losses**  
**Fiscal 2018-2022**

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Education Trust Fund	(\$1,815,000)	(\$1,837,600)	(\$1,865,200)	(\$1,893,300)	(\$1,921,700)
Local Impact Grants	(605,000)	(612,500)	(621,700)	(631,100)	(640,600)
Licensees	2,420,000	2,450,100	2,486,900	2,524,400	2,562,300

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

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**Local Revenues:** Local government revenues decrease by approximately \$605,000 in fiscal 2018 and by \$640,600 in fiscal 2022, as shown in Exhibit 2, due to local impact grants decreasing from video lottery operation licensees carrying over table game losses.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 496 (Chair, Budget and Taxation Committee) (By Request - Departmental - Lottery and Gaming Control Agency – Budget and Taxation Committee).

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

**Fiscal Note History:** First Reader - February 6, 2017  
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## Appendix – Maryland Gaming

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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 2017 are shown in **Exhibit 1**.

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### 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	20
Ocean Downs	Worcester	January 2011	800	-
Maryland Live!	Anne Arundel	June 2012	3,906	209
Rocky Gap Casino	Allegany	May 2013	662	17
Horseshoe Casino	Baltimore City	August 2014	2,202	179
MGM National Harbor	Prince George's	December 2016	3,237	165

VLT: video lottery terminal

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

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### *VLT and Table Game Revenues*

The estimated revenues from VLTs and table games in fiscal 2018 through 2022 are shown in **Exhibit 2**. A total of \$1.79 billion in gross gaming revenues is projected in fiscal 2018, including \$546.7 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)**

	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>
<b>VLTs Distribution</b>					
Education Trust Fund	\$447.9	\$454.1	\$460.9	\$467.8	\$474.8
Lottery Operations	11.8	11.9	12.1	12.3	12.5
Purse Dedication Account	66.4	67.3	68.3	69.3	70.3
Racetrack Renewal Account	10.9	11.0	11.2	11.3	11.5
Local Impact Grants	61.0	61.9	62.8	63.7	64.7
Business Investment	16.6	16.9	17.1	17.4	17.6
Licenses	517.8	524.8	532.6	540.6	548.7
<b>Total VLTs</b>	<b>\$1,132.4</b>	<b>\$1,147.8</b>	<b>\$1,165.0</b>	<b>\$1,182.5</b>	<b>\$1,200.3</b>
<b>Table Games Distribution</b>					
Education Trust Fund	\$98.8	\$100.0	\$101.5	\$103.0	\$104.6
Local Impact Grants	32.9	33.3	33.8	34.3	34.9
Licenses	526.8	533.4	541.4	549.5	557.7
<b>Total Table Games</b>	<b>\$658.5</b>	<b>\$666.7</b>	<b>\$676.7</b>	<b>\$686.9</b>	<b>\$697.2</b>
<b>Total VLTs and Table Games</b>	<b>\$1,790.9</b>	<b>\$1,814.5</b>	<b>\$1,841.8</b>	<b>\$1,869.4</b>	<b>\$1,897.4</b>
<b>Total Education Trust Fund</b>	<b>\$546.7</b>	<b>\$554.1</b>	<b>\$562.4</b>	<b>\$570.9</b>	<b>\$579.4</b>

VLT: video lottery terminal

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Gaming – Reconciliation of Proceeds – Licensee Payments

BILL NUMBER: SB 496/HB 90

PREPARED BY: James B. Butler

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS