

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1196 (Delegate Hornberger)
Ways and Means

**Video Lottery Facilities - Small, Minority, and Women-Owned Businesses
Account - Targeted Areas**

This bill requires the Board of Public Works (BPW) to procure the services of at least one eligible fund manager based in each targeted area by June 30, 2018, for the Small, Minority, and Women-Owned Businesses Account (SMWOBA). A targeted area is a geographical area determined by BPW to represent the jurisdictions and communities surrounding a video lottery facility. If BPW is unable to procure an eligible fund manager in a targeted area, BPW must report to the General Assembly by June 30, 2018, on the justification of the board's noncompliance. The funds that are allocated to jurisdictions and communities surrounding a video lottery facility must be made available for investments and loans in each targeted area surrounding a video lottery facility in direct proportion to the facility's contributions to SMWOBA. SMWOBA funds may be transferred to eligible fund managers representing the remaining targeted areas if the funds have been on deposit in the account for at least a year and the eligible fund manager that serves the targeted area can demonstrate that, despite outreach efforts, an eligible business has not applied for a loan or investment from SMWOBA.

Fiscal Summary

State Effect: None. The Department of Commerce (Commerce) can likely implement the bill with existing resources.

Local Effect: None.

Small Business Effect: Minimal. The bill does not affect the amount of funds within SMWOBA; it only alters the distribution of funds. Thus, some small businesses may receive more SMWOBA funds while others may receive less funds.

Analysis

Current Law: Generally, 1.5% of video lottery terminal proceeds at each video lottery facility must be distributed to SMWOBA. BPW must make grants from the account to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. BPW must ensure that fund managers allocate at least 50% of available funds to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities. BPW was required to develop criteria to define eligible fund managers (entities with significant financial or investment experience) to whom BPW would make grants, and who in turn would use those grant funds to provide investment capital and loans to businesses. BPW must set the maximum amount of grant money that fund managers may use to pay for administrative, actuarial, legal, and technical services.

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

In 2012, to assist it in its required duties, BPW entered into a memorandum of understanding (MOU) with Commerce whereby the department serves as BPW's agent for administering the program. Although BPW retains overall authority for the account and the program, the MOU delegated certain administrative and operational responsibilities to Commerce. Since 2014, with approval from BPW, Commerce has entered into contracts with eight fund managers who carry out the intent of the program to deploy the SMWOBA proceeds by lending and investing in small, minority, and women-owned businesses throughout the State. The fiscal 2018 budget for the account is \$16.9 million.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 22, 2017
fn/jrb

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

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 2017 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	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

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)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
VLTs Distribution					
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
Total VLTs	\$1,132.4	\$1,147.8	\$1,165.0	\$1,182.5	\$1,200.3
Table Games Distribution					
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
Total Table Games	\$658.5	\$666.7	\$676.7	\$686.9	\$697.2
Total VLTs and Table Games	\$1,790.9	\$1,814.5	\$1,841.8	\$1,869.4	\$1,897.4
Total Education Trust Fund	\$546.7	\$554.1	\$562.4	\$570.9	\$579.4

VLT: video lottery terminal

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