

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 465

(Senator Guzzone, *et al.*)

Budget and Taxation

Ways and Means

**Maryland E–Nnovation Initiative Program and Admissions and Amusement Tax
 Distributions – Extensions and Alterations**

This bill alters the distribution of State admissions and amusement (A&A) tax revenues by (1) extending a budget mandate for the Maryland E-Nnovation Initiative Fund; (2) altering specified requirements under the Maryland E-Nnovation Initiative Program; (3) providing a distribution of revenues from the A&A tax on electronic bingo to the Town of Chesapeake Beach and the Michael Erin Busch Sports Fund, contingent upon the taking effect of Senate Bill 1076/House Bill 1659 of 2020; and (4) maintaining the required \$1 million distribution to the Maryland State Arts Council (MSAC) beyond fiscal 2021. Under current law, the distribution to MSAC would have been provided to the Special Fund for the Preservation of Cultural Arts in Maryland (POCA), beginning in fiscal 2022. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Special fund revenues to the E-Nnovation Initiative Fund and other distributions of State A&A tax revenues continue beyond FY 2021. General fund revenues decrease by at least \$8.5 million beginning in FY 2022.

Local Effect: Town of Chesapeake Beach revenues increase by \$300,000 annually beginning in FY 2021. Municipal expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The bill extends the distribution of specified A&A tax revenues to the E-Nnovation Initiative Fund. The bill specifies that from the tax rate attributable to 5% on electronic bingo, \$300,000 must be distributed to the Town of Chesapeake Beach annually beginning in fiscal 2021. In addition, beginning in fiscal 2021, \$500,000 must be distributed to the Michael Erin Busch Fund annually, contingent on the taking effect of Senate Bill 1076/House Bill 1659 of 2020. The bill maintains the required \$1 million distribution to MSAC beyond fiscal 2021.

Current Law: The State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine that is operated for commercial purposes. The combined State and local tax rate may not exceed 35%. The tax is only imposed in Anne Arundel and Calvert counties.

In fiscal 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the Maryland E-Nnovation Initiative Fund and revenues attributable to a 5% tax rate are distributed to MSAC (\$1.0 million) and POCA (remaining revenues). From the revenues distributed to POCA, \$250,000 is distributed to the Arts Council of Anne Arundel County beginning in fiscal 2019, and \$250,000 is distributed to the Maryland Historical Society beginning in fiscal 2020. After fiscal 2021, revenues attributable to the 20% tax rate are distributed to the general fund and revenues attributable to a 5% tax rate are distributed to POCA.

Background: The State generated \$13.7 million from the A&A tax on electronic bingo and electronic tip jars in fiscal 2019. **Exhibit 1** shows the revenue distribution from the tax in fiscal 2019.

Exhibit 1
State A&A Tax Distributions
Fiscal 2019

<u>Organization</u>	<u>Amount</u>
Preservation of Cultural Arts in Maryland	\$1,032,156
Maryland State Arts Council	1,000,000
Boys & Girls Club (Town of North Beach)	50,000
Calvert County Youth Recreational Opportunities Fund	1,150,207
Town of North Beach	381,328
Town of Chesapeake Beach	718,879
Maryland E-Nnovation Initiative Fund	9,128,623
Arts Council of Anne Arundel County	<u>250,000</u>
Total	\$13,711,193

A&A: admissions and amusement

Source: Department of Legislative Services

MSAC and POCA

MSAC supports the visual, literary, and performing arts by providing grants, technical assistance, and other support services to arts organizations and presenters, county art councils, schools, Arts and Entertainment Districts, and individual artists. MSAC also manages the Maryland Public Art Initiative, Maryland Traditions, and other programs that advance the arts across the State. The proposed fiscal 2021 State budget includes \$27.6 million in funding for MSAC, including \$1 million from the State A&A tax. MSAC is administered by the Department of Commerce.

POCA provides emergency grants to eligible cultural arts organizations, including museums or similar entities to prevent the closure or termination of a cultural arts organization. The Department of Commerce administers the allocation of funding under the program. The proposed fiscal 2021 State budget includes \$1 million in funding for the program.

Michael Erin Busch Fund

Senate Bill 1076/House Bill 1659 of 2020 establish the Youth and Amateur Sports Grants Program, administered by Maryland Sports in the Maryland Stadium Authority (MSA), to (1) bring new youth and amateur sporting events to the State and (2) attract sports fans,

participants, and tourists. The Michael Erin Busch Sports Fund is established in MSA for the administration of the program. The fund may only be used to provide grants, subject to specified conditions, and for administrative expenses.

State Fiscal Effect: While overall special fund revenues are unchanged, the bill alters the distribution of State A&A tax revenue beginning in fiscal 2022. The bill continues the distribution of at least \$8.5 million to the E-Nnovation Initiative Fund. Under current law, beginning in fiscal 2022, revenues otherwise distributed to the E-Nnovation Initiative Fund are distributed to the general fund, so as a result, general fund revenues decrease by at least \$8.5 million beginning in fiscal 2022.

In addition, by maintaining the current \$1 million distribution to MSAC beyond fiscal 2021, and by distributing \$300,000 to the Town of Chesapeake Beach and \$500,000 to the Michael Erin Busch Fund, the bill will reduce the funding amount available to POCA. Under current law, POCA is scheduled to receive all of the revenues attributable from the 5% tax rate on electronic bingo and tip jars beginning in fiscal 2022. Under the bill, funding for MSAC will increase by \$1 million, funding for the Town of Chesapeake Beach will increase by \$300,000, and funding for the Michael Erin Busch Fund will increase by \$500,000. Funding for POCA will decrease by the same amount.

Local Fiscal Effect: Town of Chesapeake Beach revenues increase by \$300,000 annually beginning in fiscal 2021. Municipal expenditures are not affected.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 135 (Delegate Lierman, *et al.*) - Ways and Means.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Budget and Management; Department of Legislative Services

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