

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 797 (Senators Gallion and Hershey)
 Budget and Taxation

Cecil County - Video Lottery Terminals - Distribution of Proceeds

This bill, beginning July 1, 2021, increases from 33% to 40% the percentage of the proceeds from video lottery terminals (VLTs) that is paid to the video lottery operation licensee for the Cecil County video lottery facility (in addition to the percentage for owning or leasing VLTs). To receive these additional proceeds, the equivalent of 7% of the proceeds from VLTs at the facility must be spent by the licensee on specified marketing, advertising, and promotional costs, as well as capital improvements at the facility. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: Education Trust Fund (ETF) special fund revenues and expenditures decrease by \$4.7 million in FY 2022 and by \$4.9 million in FY 2026, accompanied by a corresponding increase in general fund expenditures.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	(\$4,735,800)	(\$4,778,400)	(\$4,821,400)	(\$4,864,800)	(\$4,908,600)
GF Expenditure	\$4,735,800	\$4,778,400	\$4,821,400	\$4,864,800	\$4,908,600
SF Expenditure	(\$4,735,800)	(\$4,778,400)	(\$4,821,400)	(\$4,864,800)	(\$4,908,600)
Net Effect	(\$4,735,800)	(\$4,778,400)	(\$4,821,400)	(\$4,864,800)	(\$4,908,600)

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

Local Effect: None. Local impact grant revenues are not affected.

Small Business Effect: Potential meaningful. Small businesses that provide marketing, advertising, and promotional products and services, and those in the construction field, may benefit substantially.

Analysis

Current Law: VLT proceeds from the Cecil County facility are distributed as follows:

- 1.5% to the Small, Minority, and Women-Owned Businesses Account;
- 1% to the State Lottery and Gaming Control Agency for administrative costs;
- 5.5% to local impact grants;
- 6% to the Purse Dedication Account for horse racing purses and bred funds;
- 1% to the Racetrack Facility Renewal Account;
- 6% to the licensee for owning or leasing each VLT device and the associated equipment and software;
- 33% to the licensee; and
- the remainder (46%) to ETF.

A video lottery operation licensee is responsible for all marketing, advertising, and promotion for its video lottery operation.

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

State Fiscal Effect: The bill alters the distribution of VLT revenues from the facility in Cecil County, beginning in fiscal 2022, by providing an increased portion to the video lottery operation licensee for the facility. Assuming that the licensee meets the spending requirement under the bill in each year, ETF revenues and expenditures decrease by approximately \$4.7 million in fiscal 2022 and by \$4.9 million in fiscal 2026, resulting in a corresponding increase in general fund expenditures for State aid to public schools.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 859 (Cecil County Delegation) - Ways and Means.

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

Fiscal Note History: First Reader - February 15, 2021
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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