

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1298 (Delegate Walker)  
 Ways and Means

Gaming - Distribution of Video Lottery Terminal Proceeds - Local Impact Grants

This bill requires any amount of local impact grants distributed to Anne Arundel County or Baltimore City as a result of a specified hold harmless provision to be paid by the Comptroller from video lottery terminal (VLT) proceeds. **The bill takes effect July 1, 2021.**

Fiscal Summary

**State Effect:** Education Trust Fund revenues and expenditures decrease by \$1.5 million in FY 2022 and by \$1.1 million in FY 2026. Special fund revenues and expenditures for local impact grants increase by \$3.7 million in FY 2022 and by \$2.7 million in FY 2026, and other special fund revenues and expenditures decrease by \$361,900 in FY 2022 and by \$273,000 in FY 2026. General fund expenditures increase by \$1.5 million in FY 2022 and by \$29,900 in FY 2026.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$1.8	\$1.8	\$1.5	\$1.4	\$1.3
GF Expenditure	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0
SF Expenditure	\$1.8	\$1.8	\$1.5	\$1.4	\$1.3
Net Effect	(\$1.5)	\$0.0	\$0.0	\$0.0	\$0.0

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

**Local Effect:** Prince George’s County revenues and expenditures increase by \$3.9 million in FY 2022 and by \$2.9 million in FY 2026. Local impact grants to other jurisdictions decrease by \$211,800 in FY 2022 and by \$157,300 in FY 2026.

**Small Business Effect:** Minimal.

## Analysis

**Current Law/Background:** Generally, the distribution of gross VLT proceeds from a video lottery facility is as follows:

- 1% to the State Lottery and Gaming Control Agency (SLGCA);
- 5.5% to local impact grants;
- 6% to the Purse Dedication Account (PDA);
- 1% to the Racetrack Facility Renewal Account (RFRA);
- 1.5% to the Small, Minority, and Women-Owned Businesses Account (SMWOBA);
- 6% to the video lottery operation licensee if the video lottery operation licensee owns or leases each VLT device and the associated equipment and software;
- 33% (the amount stated in the accepted video lottery operation license application); and
- the remainder to the Education Trust Fund (ETF).

The VLT local impact grants are distributed by the Division of Racing within the Maryland Department of Labor to local governments in which a video lottery facility is operating.

Generally, 82% of the local impact grants must go to the local jurisdictions with video lottery facilities to be used for infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements primarily in the communities in immediate proximity to the video lottery facilities.

For Anne Arundel and Prince George's counties and Baltimore City, the local impact grants attributable to the 82% must be evenly split between the three jurisdictions. However, Anne Arundel County and Baltimore City may not receive less than the amount they received in the fiscal year before the video lottery operation license for Prince George's County was issued (fiscal 2016). To the extent that this hold harmless provision results in a distribution to Baltimore City or Anne Arundel County that exceeds one-third of the amount to be distributed among the three jurisdictions, the Prince George's County impact grant is reduced by the equivalent amount.

**State Fiscal Effect:** In fiscal 2016, the fiscal year before the video lottery operation license for Prince George's County was issued, Anne Arundel County received \$18.4 million, and Baltimore City received \$7.6 million in local impact grants attributable to the 82% distribution. Thus, the hold harmless provision guarantees that Anne Arundel County and Baltimore City annually receive no less than those amounts.

Since fiscal 2017, the one-third split has resulted in substantially more local impact grant funding for Baltimore City than it received in fiscal 2016, thus, Prince George’s County’s local impact grants are not affected by Baltimore City local impact funding results. However, the hold harmless provision does result in annual impact grant funding for Anne Arundel County that exceeds its otherwise one-third split. Thus, the one-third split for Prince George’s County is reduced by an equivalent amount each year. In fiscal 2022, this amount is estimated to be \$3.9 million. Over time, the effect of the hold harmless provision will decrease as VLT proceeds and, thus, local impact grant funding, increase. By fiscal 2026, for example, the equal and opposite impact on Anne Arundel County and Prince George’s County is estimated at \$2.9 million. It is also estimated that the hold harmless provision will no longer impact distributions among the three jurisdictions by fiscal 2039.

The bill requires local impact grants distributed to Anne Arundel County as a result of the hold harmless provision to be distributed from VLT proceeds before other required VLT revenue distributions are made, instead of being allocated from Prince George’s County’s local impact grants. Thus, the bill alters the distribution of \$3.9 million of VLT revenues in fiscal 2022 and the distribution of \$2.9 million by fiscal 2026, as shown in **Exhibit 1**.

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**Exhibit 1**  
**Revenue Effect of the Legislation**  
**Fiscal 2022-2026**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
ETF	(\$1,494,000)	(\$1,420,800)	(\$1,245,000)	(\$1,168,900)	(\$1,091,600)
Local Impact Grants	3,696,100	3,515,400	3,081,600	2,893,300	2,702,300
SMWOBA	(57,300)	(54,500)	(48,900)	(45,900)	(42,900)
PDA	(228,200)	(217,100)	(195,700)	(183,700)	(171,600)
RFRA	(37,300)	(35,500)	(32,600)	(30,600)	(28,600)
SLGCA	(39,100)	(37,200)	(34,100)	(32,000)	(29,900)
Licenses	(1,840,300)	(1,750,400)	(1,525,300)	(1,432,200)	(1,337,700)

ETF: Education Trust Fund  
PDA: Purse Dedication Account  
RFRA: Racetrack Facility Renewal Account  
SLGCA: State Lottery and Gaming Control Agency  
SMWOBA: Small, Minority, and Women-Owned Businesses Account

Source: Department of Legislative Services

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ETF revenues decrease by \$1.5 million in fiscal 2022 and by \$1.1 million in fiscal 2026. 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 through fiscal 2022. However, pursuant to Chapter 357 of 2018, 100% of ETF revenues must be used for supplemental education funding beginning in fiscal 2023. Thus, general fund expenditures increase by \$1.5 million in fiscal 2022.

Special fund revenues and expenditures for SLGCA decrease by \$39,100 in fiscal 2022, resulting in a corresponding increase in general fund expenditures. Special fund revenues and expenditures to PDA, RFRA, and SMWOBA decrease by \$228,200, \$37,300, and \$57,300, respectively, in fiscal 2022. The Department of Legislative Services assumes that to the extent less funds are available to PDA, RFRA, and SMWOBA, these programs would provide less funding to eligible businesses and individuals. The distribution of VLT proceeds to video lottery operation licensees decreases by \$1.8 million in fiscal 2022 and by \$1.4 million in fiscal 2026.

**Local Fiscal Effect:** Local revenues for Prince George's County increase by \$3.9 million in fiscal 2022 and by \$2.9 million in fiscal 2026. These revenues must be spent as local impact grants on infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements in the communities in immediate proximity to the video lottery facility in Prince George's County. Local impact grants to other jurisdictions decrease by approximately \$211,800 in fiscal 2022 and by \$157,300 in fiscal 2026.

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### Additional Information

**Prior Introductions:** HB 569 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):** Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 2021  
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