

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 584
Ways and Means

(Delegates Hornberger and Kaiser)

Video Lottery Operator - Reconciliation of Proceeds - Uncollectible Debt

This 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), a video lottery operator may reduce the amount of proceeds for up to seven days by the amount of a counter check deemed uncollectible. A video lottery operator may reduce the amount notwithstanding the forgiveness of the uncollectible counter check, in whole or in part, based on a good faith belief that the player's business could be retained in good standing. A counter check is a negotiable instrument accepted after June 30, 2022, by a video lottery operator as a promise by a player to repay a line of credit of at least \$250,000. A video lottery operator must report at least quarterly to specified committees of the General Assembly, if applicable, relating to the uncollectible counter check or forgiven debt and whether the player was a first-time debtor of the operator. **The bill takes effect July 1, 2022, and terminates June 30, 2024.**

Fiscal Summary

State Effect: Special fund revenues and expenditures may decrease in FY 2023 and 2024 to the extent that counter checks are deemed uncollectible. General fund expenditures increase in FY 2023 and 2024 to the extent that Education Trust Fund (ETF) revenues and expenditures decrease.

Local Effect: To the extent that gaming revenues decrease as a result of counter checks deemed uncollectible, local impact grants decrease in FY 2023 and 2024.

Small Business Effect: Minimal.

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. 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 up to seven following days.

Appendix – Maryland Gaming provides detailed background on gaming in Maryland, including the distribution of revenues to ETF and to local governments in the form of local impact grants.

State Fiscal Effect: The bill enables video lottery operation licensees to write off bad debts against their gaming proceeds, thereby reducing gaming revenues. Thus, ETF special fund revenues and expenditures may decrease in fiscal 2023 and 2024. General fund expenditures in support of public schools increase in fiscal 2023 and 2024 to the extent that ETF revenues and expenditures decrease in those years.

Additional Information

Prior Introductions: HB 546 of 2021 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1430 of 2020 passed the House with amendments and was referred to the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 7, 2022
fnu2/jrb

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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 2021 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	733	18
Ocean Downs	Worcester	January 2011	810	18
Maryland Live!	Anne Arundel	June 2012	3,786	187
Rocky Gap Casino	Allegany	May 2013	630	16
Horseshoe Casino	Baltimore City	August 2014	1,451	145
MGM National Harbor	Prince George’s	December 2016	2,128	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 2023 through 2027 are shown in **Exhibit 2**. A total of \$1.9 billion in gross gaming revenues is projected in fiscal 2023, including \$598.2 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 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
VLTs Distribution					
Education Trust Fund	\$504.1	\$503.8	\$510.2	\$516.8	\$523.5
Lottery Operations	13.2	13.3	13.5	13.7	13.9
Purse Dedication Account	77.1	80.1	81.1	82.2	83.2
Racetrack Renewal Account	12.6	13.3	13.5	13.7	13.9
Local Impact Grants	71.5	73.4	74.4	75.3	76.3
Business Investment	19.3	20.0	20.3	20.5	20.8
Licensees	620.3	630.9	639.0	647.2	655.6
Total VLTs	\$1,318.1	\$1,335.0	\$1,352.1	\$1,369.5	\$1,387.1
Table Games Distribution					
Education Trust Fund	\$94.1	\$95.3	\$96.6	\$97.9	\$99.2
Local Impact Grants	31.4	31.8	32.2	32.6	33.1
Licensees	501.7	508.3	515.1	521.9	528.9
Total Table Games	\$627.1	\$635.4	\$643.9	\$652.4	\$661.1
Total VLTs and Table Games	\$1,945.2	\$1,970.4	\$1,995.9	\$2,021.9	\$2,048.2
Total Education Trust Fund	\$598.2	\$599.1	\$606.8	\$614.7	\$622.6

VLT: video lottery terminal

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