

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 272 (Chair, Budget and Taxation Committee)(By Request -
 Departmental - Commerce)

Budget and Taxation

Sports Wagering - Sports Wagering Assistance Fund - Repeal

This departmental bill repeals the Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance (SMWOBSWA) Fund. Instead of 5% of application and license renewal fees from Class A-1 and A-2 sports wagering facility licenses being distributed to the SMWOBSWA Fund, those revenues are distributed to the Blueprint for Maryland’s Future Fund (BMFF). **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Special fund revenues and expenditures for SMWOBSWA and general fund expenditures decrease by approximately \$3,900 in FY 2028. BMFF special fund revenues and expenditures increase correspondingly.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$0	\$0	\$0	\$0	\$0
GF Expenditure	\$0	\$0	\$0	(\$3,900)	\$0
SF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	\$0	\$0	\$3,900	\$0

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

Local Effect: None. State aid to public schools is not affected.

Small Business Effect: The Department of Commerce has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: The application fees for Class A-1 and Class A-2 sports wagering facility licenses are \$2.0 million and \$1.0 million, respectively, and the license term is five years. The license renewal fee equals 1% of the licensee's average annual proceeds from sports wagering revenues for the preceding three years, less proceeds distributed to the State. From the application and license renewal fees collected for sports wagering, the Comptroller must pay an amount to the State Lottery and Gaming Control Agency (SLGCA) necessary to reimburse SLGCA for expenses related to the issuance and renewal of sports wagering licenses, 5% collected for Class A-1 and A-2 licenses to the SMWOBSWA Fund, and the remainder to BMFF.

The SMWOBSWA Fund provides grants or loans to small, minority-owned, and women-owned businesses to facilitate participation in the sports wagering industry. Commerce administers the fund, and the fund may only be used for grants or loans to small, minority-owned, or women-owned businesses for sports wagering license application assistance, assistance with sports wagering operations, or targeted training to support participation in the sports wagering industry.

Background: Since the SMWOBSWA fund's inception, disbursements have totaled \$499,458 to assist 11 businesses.

For additional information on sports wagering, see the **Appendix – Maryland Gaming**.

State Fiscal Effect: Currently, there are four Class A-1 licensees and two Class A-2 licensees in the State, all of which are due to renew their licenses in fiscal 2028. Based on the Board of Revenue Estimates projections of the Class A-1 and A-2 licensees' taxable wins, SMWOBSWA special fund revenues and expenditures decrease by approximately \$3,900 in fiscal 2028. Correspondingly, BMFF special fund revenues and expenditures increase by approximately \$3,900 in fiscal 2028. BMFF serves as the primary funding source for the Blueprint for Maryland's Future education programs. Current projections indicate that revenues in BMFF, including prior-year fund balances, will be less than the required increases to annual expenditures under the Blueprint for Maryland's Future beginning in fiscal 2027, and general funds will be needed to support those costs. Thus, general fund expenditures for education decrease in fiscal 2028 to the same extent that BMFF expenditures increase under the bill.

To the extent any new Class A-1 licenses are issued, SMWOBSWA Fund revenues and expenditures (and general fund expenditures if after fiscal 2026) decrease by \$100,000 with corresponding increases in BMFF revenues and expenditures. Additionally, to the extent any new Class A-2 licenses are issued, SMWOBSWA Fund revenues and expenditures

(and general fund expenditures if after fiscal 2026) decrease by \$50,000 with corresponding increases in BMFF revenues and expenditures.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 224 (Chair, Ways and Means Committee)(By Request - Departmental - Commerce) - Ways and Means.

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

Fiscal Note History: First Reader - January 15, 2024
js/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 (VLTs) allotted in the State. The opening date and the number of VLTs and table games in operation for each facility as of December 2023 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	709	22
Ocean Downs	Worcester	January 2011	845	19
Maryland Live!	Anne Arundel	June 2012	3,849	179
Rocky Gap Casino	Allegany	May 2013	616	16
Horseshoe Casino	Baltimore City	August 2014	1,401	122
MGM National Harbor	Prince George’s	December 2016	2,266	207

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

Video Lottery Terminals and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2025 through 2029 are shown in **Exhibit 2**. A total of \$2.0 billion in gross gaming revenues is projected in fiscal 2025, including \$596.7 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 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
VLTs Distribution					
Education Trust Fund	\$500.9	\$506.7	\$514.3	\$521.0	\$533.3
Lottery Operations	13.3	13.4	13.6	13.8	13.9
Purse Dedication Account	79.6	80.6	81.5	82.6	83.7
Racetrack Renewal Account	13.3	13.4	12.0	12.1	6.9
Local Impact Grants	73.0	73.8	74.7	75.7	76.7
Business Investment	19.9	20.1	20.4	20.6	20.9
Licensees	627.2	634.5	641.9	650.4	658.9
Total VLTs	\$1,327.2	\$1,342.6	\$1,358.3	\$1,376.2	\$1,394.3
Table Games Distribution					
Education Trust Fund	\$95.8	\$97.0	\$98.2	\$99.5	\$100.9
Local Impact Grants	31.9	32.3	32.7	33.2	33.6
Licensees	510.8	517.2	523.7	530.8	538.0
Total Table Games	\$638.5	\$646.5	\$654.6	\$663.5	\$672.6
Total VLTs and Table Games	\$1,965.7	\$1,989.1	\$2,012.9	\$2,039.7	\$2,066.8
Total Education Trust Fund	\$596.7	\$603.7	\$612.5	\$620.6	\$634.2

VLT: video lottery terminal

Note: Numbers may not sum to total due to rounding.

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

Chapter 492 of 2020, a constitutional amendment approved by the voters at the November 2020 general election, authorized sports and event wagering, contingent upon implementation legislation passed by the General Assembly. Chapter 356 of 2021 implemented sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. Licensees receive 85% of proceeds from sports wagering and fantasy gaming and the State receives 15%, as well as license fee revenues. State revenues from sports wagering and fantasy gaming and their distributions are shown in **Exhibit 3**.

Exhibit 3
Distribution of Estimated State Sports Wagering and
Fantasy Competition Revenues
Current Law
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
State Revenues					
Sports Wagering – Retail	\$2.1	\$2.1	\$2.1	\$2.2	\$2.2
Sports Wagering – Mobile	47.2	47.9	48.6	49.4	50.1
Sports Wagering License Fees	0.0	0.0	0.0	0.1	1.8
Fantasy Competition	1.0	1.0	1.0	1.1	1.1
Total	\$50.3	\$51.0	\$51.8	\$52.7	\$55.2
Distribution					
Blueprint for Maryland’s Future Fund ¹	\$50.3	\$51.0	\$51.8	\$52.8	\$55.2
SMWOBSWA Fund ²	0.0	0.0	0.0	0.0	0.0
Problem Gambling Fund ³	1.3	1.3	1.3	1.4	1.4

SMWOBSWA: Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance

¹ The Blueprint for Maryland’s Future Fund is intended to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students in Maryland.

² Five percent of the class A-1 license fees (\$2.0 million each) and of the class A-2 license fees (\$1.0 million each) are paid into the SMWOBSWA Fund. Five percent of renewal fees are transferred to the SMWOBSWA Fund.

³ Player winnings not claimed within 182 days are distributed to the Problem Gambling Fund.

Note: Numbers may not sum to total due to rounding.

Source: Board of Revenue Estimates; Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Sports Wagering - Sports Wagering Assistance Fund - Repeal

BILL NUMBER: SB0272

PREPARED BY: Michael Siers

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Sports Wagering Assistance Fund (SWAF) was created to enable small, minority-, and women-owned businesses to obtain licenses to operate sports wagering facilities in Maryland. The program was funded through five percent of all Class A sports wagering licensing fees. The statute establishing SWAF did not include a sunset date even though the program was designed to operate only for a short period of time. In FY 2022, three companies received four awards totaling \$95,000. The program is currently inactive and unfunded (because no new Class A sports wagering licenses are being issued).

This proposal would eliminate SWAF. Because the program is not currently utilized and does not have a funding stream, sunsetting the program would have no economic impact on Maryland small businesses.