

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 1066  
Ways and Means

(Delegate Weir)

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Video Lottery Terminals - Expansion to Alcoholic Beverages Licensed  
Establishments and Fraternal Organizations

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This proposed constitutional amendment increases from 15,000 to 20,000 the maximum number of video lottery terminals (VLTs) that may be authorized for operation in the State. The amendment authorizes the State to issue video lottery operation licenses throughout the State to holders of Class B or Class D alcoholic beverages licenses that offer, in the licensed establishments, a Keno-type game or a video gaming device operated for amusement or entertainment only. The amendment also authorizes issuance of video lottery operation licenses to nonprofit fraternal organizations throughout the State that hold an alcoholic beverages license.

After November 15, 2010, the General Assembly may only authorize additional forms or expansion of gaming if approved through a referendum by a majority of the voters in a general election.

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Fiscal Summary

**State Effect:** If this constitutional amendment is approved by the General Assembly and voters, VLTs in the State will still be limited to a maximum number. Separate legislation (HB 1288) has been introduced to implement the additional VLTs authorized by this amendment.

**Local Effect:** If approved by the General Assembly, this constitutional amendment will be submitted to the voters at the 2010 general election. The amendment's requirements can be handled using existing resources within the local boards of election.

**Small Business Effect:** None.

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## Analysis

**Current Law/Background:** During the 2007 special session, the General Assembly adopted two pieces of legislation pertaining to VLT gambling – Chapter 4 (Senate Bill 3) and Chapter 5 (House Bill 4). Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified restrictions. Among the restrictions, the General Assembly may only authorize additional forms or expansion of commercial gaming after approval of a referendum by the majority of Maryland voters during a general election.

Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Under Chapter 4, VLT facility operation licenses are awarded by a Video Lottery Facility Location Commission (Location Commission). The State Lottery Commission will oversee VLT operations and will own/lease the VLTs and a central monitor and control system. Chapter 4 allows for a maximum of 15,000 machines, distributed as follows: 4,750 VLTs in Anne Arundel County; 3,750 VLTs in Baltimore City; 2,500 VLTs in Worcester County; 2,500 VLTs in Cecil County; and 1,500 VLTs in Allegany County. In addition, geographic parameters for each jurisdiction within which a VLT facility may be located are provided. The Location Commission may alter VLT allocations if warranted by an evaluation of market and other factors; however, no more than 4,750 VLTs may be placed at any one location.

The allocation of the gross VLT revenues, after payouts to bettors, is as follows:

- **Small, Minority, and Women-owned Business Investment Account:** 1.5% to a small, minority, and women-owned business investment account;
- **State Lottery:** 2.0% to the lottery for administrative costs, with other costs provided for in the annual State budget;
- **Local Impact Grants:** 5.5% to local governments where a video lottery facility is operating, 18.0% of which would go for 15 years (starting in fiscal 2012) to Baltimore City through the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft (\$1 million annually);
- **Horse Racing Industry:** 7.0% to a purse dedication account to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually; and 2.5% for an eight-year period to a Racetrack Facility Redevelopment Account, not to exceed \$40 million annually;
- **Licensee (Operator):** 33.0% to video lottery operation licensees; and

- **Education Trust Fund:** the remainder (48.5 to 51.0%) to the Education Trust Fund.

### *West Virginia VLTs*

Limited numbers of VLTs (Limited Video Lottery, or LVL) are available at licensed West Virginia bars, clubs, and fraternal organizations. Licensed retail premises may operate up to 5 VLTs whereas eligible fraternal societies and veteran's organizations may operate up to 10 VLTs. As of June 30, 2009, 7,960 of the 9,000 maximum authorized were operating at over 1,600 licensed locations throughout the state. In fiscal 2009, West Virginia's LVL gross income totaled \$412 million. Gross income from over 10,000 VLTs at four West Virginia racetracks totaled \$848 million in fiscal 2009. South Dakota and Oregon also regulate and operate LVL.

**Local Fiscal Effect:** The Maryland Constitution requires that proposed amendments to the constitution be publicized either (1) in at least two newspapers in each county, if available, and in at least three newspapers in Baltimore City once a week for four weeks immediately preceding the general election; or (2) by order of the Governor in a manner provided by law. State law requires local boards of elections to publicize proposed amendments to the constitution either in newspapers or on specimen ballots; local boards of elections are responsible for the costs associated with these requirements. It is anticipated that the fiscal 2011 budgets of local election boards will contain funding for notifying qualified voters about proposed constitutional amendments for the 2010 general election in newspapers or on specimen ballots.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Maryland State Lottery Agency, Department of Legislative Services

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mpc/rhh

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