

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 385
Ways and Means

(Delegate Olszewski, *et al.*)

Video Lottery Operation Licenses - Information on Payouts

This bill requires a video lottery operation licensee to report to the State Lottery Agency the name, date of birth, and amount of video lottery terminal (VLT) payout received if the payout was made by check as required by State Lottery Commission regulations. For any individual who is certified to be in arrears for child support payments by the Child Support Enforcement Administration (CSEA), the State Lottery Agency is required to forward the VLT payout information to CSEA in order to enforce child support orders.

Fiscal Summary

State Effect: Special fund revenues will increase to the extent that the bill increases the collection of child support for Temporary Cash Assistance (TCA) recipients. The bill's requirements can be handled with existing resources of CSEA and the State Lottery Agency.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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. The constitutional amendment provided that (1) a maximum of five VLT facility licenses may be awarded within specified areas of the

State; (2) no more than one facility license may be awarded in any county or Baltimore City; (3) a maximum of 15,000 VLTs may be authorized; and (4) VLT facilities must comply with any applicable planning and zoning laws of a local jurisdiction. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Chapter 624 of 2010 and Chapter 240 of 2011 made several changes to the VLT program implemented by Chapter 4.

Under Chapter 4, VLT facility operation licenses are awarded by the Video Lottery Facility Location Commission. The State Lottery Commission oversees VLT operations, and owns/leases VLTs and a central monitor and control system. Except for provisions related to the offering of food and beverages at facilities, the commission is required to ensure VLT licensees comply with the regulatory framework of the VLT program.

Chapter 4 allows for a maximum of 15,000 VLTs, 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 (Rocky Gap State Park). Chapter 240 of 2011 reduced the maximum allocation at Rocky Gap State Park to 1,000 VLTs.

The State Lottery Commission provides oversight for VLT implementation in the State and is required to ensure that a video lottery operation licensee complies with the requirements of holding a license. Pursuant to Chapter 4, regulations must require that VLT payouts above an amount adopted by the commission be made by check. Current regulations require a VLT facility operator to pay winnings of \$5,000 or more by check and less than that amount by cash or check unless a check is requested by the player.

The State operates several intercept programs to collect delinquent child support including the interception of tax refunds, lottery prizes, and vendor payments. CSEA, within the Department of Human Resources (DHR), is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery Agency and the Comptroller's Office. The Comptroller's Office and the State Lottery Agency are required to remit to CSEA the payment or refund up to the amount of arrearage of an obligor certified as being in arrears.

Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having certain child support or criminal restitution debt, or one of several specified forms of claims or debts owed to the State (*e.g.*, taxes). Instead, the holder of the winning ticket must report to the State Lottery Agency. The State Lottery Agency must honor lottery prize interception requests in the following order:

1. those regarding child support payments that are in arrears;

2. those regarding restitution for delinquency or crime that are in arrears; and
3. those regarding debts or claims owed to the State.

Background: The Location Commission has awarded video lottery operation licenses for VLT facility locations in Anne Arundel, Cecil, and Worcester counties. Penn Cecil in Cecil County opened in late September 2010 with 1,500 VLTs and Ocean Downs in Worcester County opened in January 2011 and currently is operating 800 VLTs. Power Plant Entertainment (PPE) Casino Resorts, LLC was awarded a license in December 2009 to operate a 4,750 VLT facility adjacent to Arundel Mills Mall in Anne Arundel County, contingent upon local zoning approval. County officials subsequently approved zoning legislation, but the legislation was petitioned to a local voter referendum at the November 2010 election. Anne Arundel County voters approved the legislation, allowing the VLT facility to go forward. Phase one of that facility is currently scheduled to open with approximately 3,000 VLTs in June 2012, with the full complement of 4,750 VLTs in operation by October 2012.

After licenses for the proposed VLT facilities in Allegany County and Baltimore City were not awarded in previous rounds of bidding, the Location Commission issued new Requests for Proposals (RFP) for those licenses in 2011. On September 23, 2011, the Location Commission received three proposals for Allegany County and two proposals for Baltimore City. However, one proposal for Baltimore City and two proposals for Allegany County were subsequently rejected by the Location Commission for failing to meet requirements contained in RFPs. The Location Commission plans to make final decisions on the remaining proposals sometime in spring 2012.

State Revenues: Special fund revenues will increase to the extent that the bill increases child support payments for TCA recipients. Recipients are required to assign support payments equally to the State and federal government as partial reimbursement for TCA payments made on behalf of the obligor. However, DHR advised it cannot determine if the bill will have an impact on child support collections.

According to the State Lottery Agency, for calendar 2011, a total of 933 VLT payouts had been issued by check. The number of VLT payouts subject to the bill's reporting requirement will increase significantly as VLT gambling expands in the State; however, revenues will increase to the extent the information allows CSEA to successfully recover additional unpaid child support.

Additional Information

Prior Introductions: HB 51 of 2011 passed in the House. It received a favorable report from the Senate Budget and Taxation Committee, but was later recommitted to the committee and no further action was taken.

Cross File: None.

Information Source(s): Department of Human Resources, Comptroller's Office, Judiciary (Administrative Office of the Courts), Maryland State Lottery Agency, Department of Legislative Services

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