

Maryland Lottery and Gaming Control Agency

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TO: Gordon Medenica, Director
FROM: James B. Butler, Managing Director, Organizational Compliance
DATE: February 27, 2020
SUBJECT: Legislative Update - February Commission Meeting

The Maryland General Assembly (MGA) is now at the halfway point in the legislative session. To date, the MGA has introduced 3,105 bills: 1,271 Senate bills and 1,834 House bills. The MGA's bill crossover day is scheduled for March 16, where each chamber must send the opposite chamber those bills it intends to pass favorably. Below are sixteen (16) bills of interest, from the ninety-two (92) bills that I am tracking during the 2020 legislative session. In addition, the Department of Legislative Services (DLS) has requested that the Agency respond to twenty-five (25) bills in an effort to determine the fiscal and operational impact on the Agency or Commission, and to assist DLS in preparing its fiscal and policy notes on the proposed legislation.

LOTTERY BILLS OF INTEREST

SB59/HB131 - *State Lottery – Instant Ticket Lottery Machines – Fraternal Organizations (“ITLMs” for Homeless Veterans Act)*. (Sen. Young/Del. Krimm) This bill would authorize the Lottery Director to issue fraternal organizations a license for not more than five instant ticket lottery machines (ITLM). This bill also would require that 10% of the proceeds from the sale of these game tickets through ITLMs go into a special fund to be used by the Maryland Department of Housing and Community Development's Division of Neighborhood Revitalization to assist veterans and their families. In addition, the first \$100,000 of these proceeds would be distributed to the Maryland Department of Veterans Affairs' Outreach and Advocacy Program for the development and maintenance of a website and social media pages to publicize veterans' programs. The Senate Budget & Taxation Committee had a bill hearing on SB59 on January 9, and no committee vote has been taken. The House Ways & Means Committee had a bill hearing on HB131 on January 30, and no committee vote has been taken. The bill sponsors have included our recommended amendments to these bills. The bill has been submitted in past legislative sessions, but never received a favorable Committee vote.

HB500 - *State Lottery - Unclaimed Prizes - Distribution to Local Boards of Education*. (Del. Walker) As introduced in the past, this bill would transfer all funds in the Agency's promotion fund (which is funded with unclaimed player prizes) to county boards of education. By removing all funds from the promotion fund, the immediate effect will be that the Agency will be unable to conduct promotions to provide additional prizes to players as is statutorily mandated. The Agency is concerned that it will have a detrimental impact on the operations of the Agency and on its ability to meet its aggressive sales and revenue estimates. The House Ways & Means Committee had a bill hearing on HB500 on February 20, and no committee vote has been taken.

GAMING BILLS OF INTEREST

HB169 - *Expansion of Commercial Gaming - Referendum - Sports Wagering*. (Del. Patterson) This bill would authorize the Commission to issue sports wagering licenses to holders of a video lottery operation license or a license for mile thoroughbred racing or harness racing. Revenues generated by sports wagering would be used for dedicated purposes including public education. The Act would be subject to a referendum of qualified voters of the State. The House Ways & Means Committee had a bill hearing on HB169 on February 4, and no committee vote has been taken.

SB4/HB225 - Gaming - Sports Betting – Implementation. (Sen. Zucker/Del. Ebersole) HB225 would authorize a video lottery operation license and horse racing license (thoroughbred racing or a special thoroughbred racing licensee) to accept wagers on certain sporting events from individuals at their respective facilities or online through a mobile device or computer, with possibly two dedicated websites. This bill also would require the Commission to regulate sports wagering and require the Agency to provide assistance to the Commission. The term of the license would be for 15 years, and the sports wagering licensee would be required to pay a \$2,500,000 license fee and a \$250,000 annual renewal fee. The bill also would allow an individual to register for online sports wagering either in person or online and prohibit individuals on an exclusion list from making a sports wager. SB4, on the other hand, would only authorize a video lottery operation licensee to accept wagers on certain sporting events from individuals at their respective facilities or online through a mobile device or computer, with one dedicated website. The term of the license would be for 1 year, and the sports wagering licensee would be required to pay a \$2,500,000 license fee and a \$250,000 annual renewal fee. If the legislature were to pass this bill and the Governor were to sign it into law, the Act would be subject to a referendum of qualified voters of the State. The Senate Budget & Taxation Committee had a bill hearing on SB4 on January 29, and no committee vote has been taken. The House Ways & Means Committee had a bill hearing on HB225 on February 4, and no committee vote has been taken.

HB344 - Video Lottery Operation License - Expansion and Alterations. (Charles County Delegation) This bill would authorize the awarding of an additional video lottery operation license (7th Casino) and up to 1,500 additional video lottery terminals (VLTs) for a video lottery facility in Charles County on a vessel moored to a pier on the Potomac River. This bill would repeal certain prohibitions against a person owning an interest in more than one video lottery facility and alter the percentage of video lottery proceeds retained by the casino. The Act would be subject to a referendum of the qualified voters of the State for their adoption or rejection. The House Ways & Means Committee scheduled a bill hearing on February 20, but the hearing was canceled. The bill received an unfavorable report and was withdrawn by the delegation.

HB435/SB338 - Allegany County - Video Lottery Terminals - Distribution of Proceeds. (Allegany County Delegation/Sen. Edwards) This bill would modify the distribution of proceeds from VLTs at Rocky Gap Casino. Under current law, Rocky Gap has a seven percent tax reduction until 2023, when that tax reduction is scheduled to expire. This bill removes that expiration date keeping Rocky Gap's slot tax rate at 40%. The House Ways & Means Committee had a bill hearing on HB435 on February 20, and no committee vote has been taken. The Senate Budget & Taxation Committee had a bill hearing on SB338 on February 5, and no committee vote has been taken.

HB569 - Gaming - Distribution of Video Lottery Terminal Proceeds - Local Impact Grants. (Del. Walker) Under current law, whenever there is shortfall in local impact grants to Anne Arundel County or Baltimore City, the statutory hold harmless provision allows additional proceeds from Prince George's County's share of local impact grants proceeds to be used to make-up the difference. This bill would require the Comptroller to pay the difference to Anne Arundel County or Baltimore City from the State's share of VLT proceeds. The House Ways & Means Committee had a bill hearing on February 20, and no committee vote has been taken.

HB630 - Gaming - Video Lottery Terminals - Hybrid Game of Chance. (Del. Grammer) This proposed bill would amend SG §9-1A-01(dd) by altering the definition of a VLT to include games of skill, or a combination of chance and skill. This broadening of the definition would allow casinos to add new games that may expand the casinos' player base. The House Ways & Means Committee bill hearing is scheduled for March 6, at 1:00 p.m.

HB1430 - Video Lottery Operator - Reconciliation of Proceeds - Uncollectible Debt. (Dels. Hornberger and Buckel) This bill would alter the definition of "proceeds" to allow a casino, under certain circumstances, to reduce (write off) the amount of its gaming proceeds received from VLTs and table games by the amount of uncollectible bad debt for up to 3 days following reasonable collection efforts and an internal determination that the player has defaulted on a promise to repay a line of credit. The House Ways & Means Committee bill hearing is scheduled for March 10, at 1:00 p.m.

SB79 - Gaming - Video Lottery Facilities and Licenses – Definitions. (Department Bill – Chair, Senate Budget & Taxation Committee) This bill would amend the current statute (SG §9-1A-01(aa)) by altering the definition of

a video lottery facility to include the word “casino”. This proposal would allow our six (6) video lottery facilities to be considered “casinos” for the purposes of the federal Bank Secrecy Act and its related regulations. This is our departmental bill, and it passed the Senate (46-0). The House Ways and Means Committee bill hearing is scheduled for March 19, at 1:00 p.m.

SB58 - *Expansion of Commercial Gaming - Referendum - Sports Wagering.* (Sen. West) This bill would authorize the Commission to issue sports wagering licenses to holders of a video lottery operation license or a license for thoroughbred racing or harness racing. Revenues generated by sports wagering would be used for dedicated purposes including public education. The Act would be subject to a referendum of qualified voters of the State. The Senate Budget & Taxation Committee had a bill hearing on SB58 on January 29, and no committee vote has been taken.

SB322 - *Public Schools - Health Education - Gambling Dangers and Addiction.* (Sen. Simonaire) This bill would require the State Department of Education, on or before December 31, 2020, to develop a program for educating children on the dangers of gambling and gambling addiction to be provided in public schools. The bill would require the program to be coordinated with other State agencies responsible for gambling addiction education and also require county boards of education to require each public middle and high school to include certain instruction in grades 6 through 12, beginning in the 2021-2022 school year and annually thereafter. This bill passed the Senate (44-2), and the House Ways & Means Committee bill hearing is scheduled for March 18, at 1:00 p.m.

SB325 - *Constitutional Amendment - Gaming – Expansion.* (Sen. King) This bill would amend the Maryland Constitution by repealing the prohibition on the authority of the General Assembly to authorize additional forms or the expansion of commercial gaming. This bill also would remove the requirement that the MGA authorize, through the use of a referendum, additional forms or the expansion of commercial gaming. The Act would be subject to a referendum of the qualified voters of the State. This bill passed the Senate (46-1), and the House Ways & Means Committee bill hearing is scheduled for March 19, at 1:00 p.m.

SB552/HB1126 - *Video Lottery Operation License – Renewal.* (Sen. King/Del. Ebersole) This bill would amend the current statute (SG §9-1A-13) by clarifying the application process for renewal of an initial video lottery operation license and each subsequent renewal thereafter. The Commission would automatically renew the license using existing qualification requirements unless it finds after conducting background investigations that the licensee is no longer qualified to hold a license. The House version of the bill would change the renewal term to 15 years as opposed to 10 years, and establish a fee based upon the number of VLTs and table games in operation. The Senate Budget & Taxation Committee had a bill hearing on SB552 on February 12, and no committee vote has been taken. The House Ways & Means Committee had a bill hearing on HB569 on February 25, and no committee vote has been taken.

SB771 - *State Lottery and Gaming Control Agency - Gaming Study - Use of Gaming Proceeds.* (Sen. Patterson) This bill would require the Agency to conduct a study on the use of funds provided to local development councils from local impact grants; to problem gambling resources; and) to the small, Minority, and Women-Owned Business Account. The bill would require the Agency to report its findings to the Governor and the MGA on or before December 1, 2020. The Senate Budget & Taxation Committee bill hearing is scheduled for March 4, at 1:00 p.m.

SB987/HB1056 - *Racing and Community Development Act of 2020.* (Sen. Guzzone/The Speaker) Starting in FY2021, this bill would transfer \$17,000,000 in the State Lottery Fund each year to the Racing and Community Development Fund until bonds for the redevelopment of Laurel Park and Pimlico racing facilities are paid in full. This bill also would alter the distribution of proceeds from VLTs to the horse racing industry in order to provide for the repayment of the bonds. The Senate Budget & Taxation Committee had a bill hearing on SB987 on February 25, and no committee vote has been taken. The House Ways & Means Committee had a bill hearing on HB1056 on February 25, and no committee vote has been taken.