

LEGISLATORS' GUIDE TO COMMERCIAL GAMBLING IN MARYLAND



DEPARTMENT OF LEGISLATIVE SERVICES 2023

Legislators' Guide to Commercial Gambling in Maryland

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Ryan Bishop
Director

December 2023

The Honorable Bill Ferguson, President of the Senate
The Honorable Adrienne A. Jones, Speaker of the House of Delegates
Members of the General Assembly

President Ferguson, Speaker Jones, and Members:

In 2004, the Department of Legislative Services published the *Legislator's Guide to Video Lottery Terminals*, followed by a streamlined and updated version of that original report in 2008. During the intervening period, authorized commercial gambling activities in the State have expanded following the enactment of Chapter 1 of the 2012 second special session, Chapter 492 of 2020, and Chapter 356 of 2021. This report updates those previous publications and also includes information on the horse racing industry in the State.

The report was updated by Daneen Banks and Charity L. Scott and reviewed by George H. Butler, Jr. The manuscript was prepared by Katylee M. Cannon. We trust that this guide will be of assistance to you in your continued oversight of commercial gambling in the State.

Sincerely,

Victoria L. Gruber
Executive Director

Ryan Bishop
Director

VLG:RB/GHB/kmc

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Chapter 1. Overview of Gambling Activities in Maryland

Sections 12-102 and 12-103 of the Criminal Law Article outlaw gambling in the State. Specifically, a person may not conduct or participate in gambling activities or play a gaming device for money or anything of value. Notwithstanding the general prohibition on gambling, the State sanctions specific gambling activities; these include casino gaming (video lottery terminals and table games), wagering on sports and horse racing, and the State lottery. State law also permits a variety of limited gambling activities for certain organizations on a county-by-county basis.

Gambling Activities Permitted Under Law

Slot Machines

A slot machine is a gaming device that creates a game of chance for its players. Slot machine designs have evolved over time from the traditional Las Vegas-style, lever-activated mechanical machines that display three or more reels that spin and pay out according to the pattern of symbols when those reels stop spinning. Digital technology has led to new forms of slot machines, including video and touchscreen machines.

Slot machines were authorized throughout the State from 1937 to 1939. This was designed to provide revenues for the needy near the end of the Great Depression. Even though the original legislation had a sunset date of April 30, 1939, there were several legislative attempts to continue the practice in certain counties. The General Assembly actually passed several bills to allow for the continuation of these machines in Anne Arundel, Charles, Montgomery, and Prince George's counties, but these bills were vetoed by Governor Herbert O'Connor on the grounds that using gaming devices to raise revenue was detrimental to the overall interests of the State.

In 1941, Governor O'Connor again vetoed legislation that would have provided for slot machines in Anne Arundel and Garrett counties but signed similar legislation for Anne Arundel County in 1943. In the late 1940s, voters in Calvert, Charles, and St. Mary's counties approved a local referendum legalizing slot machines in their respective counties.

By 1949, Southern Maryland was the only place in the continental United States outside of Nevada with slot machines. It is estimated that about 6,000 slot machines were licensed in Southern Maryland at its peak. Supporters argued that the slot machines generated needed revenues and thousands of jobs, while opponents argued that the machines enriched few at the expense of many, encouraged political corruption, and created an unwholesome atmosphere.

By 1962, there was much debate about the abolition of slot machines in Southern Maryland. Governor J. Millard Tawes called for abolition that year, and this succeeded during the 1963 session. The legislation called for a gradual reduction in the number of machines per establishment over a five-year period, with complete prohibition by July 1, 1968.

Eastern Shore Slot Machines

Despite the 1963 prohibition of slot machines, many fraternal organizations continued to operate them, using State laws permitting charitable activities as the legal rationale. In 1984, the Attorney General ruled that the operation of these slot machines was illegal. However, legislation enacted in 1987 authorized certain nonprofit organizations to operate slot machines in the nine Eastern Shore counties: Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester (except for a specified area within Ocean City).

Chapter 157 of 1987 required a nonprofit organization to be located in the county for at least 5 years prior to the application for a license and to be a fraternal, religious, or war veterans' organization. Chapter 645 of 2007 expanded the list of eligible organizations that may be licensed to operate slot machines to include those that have been affiliated with a national fraternal organization for less than 5 years but have been located within an eligible county for at least 50 years before applying for a license. Finally, under Chapter 315 of 2011, the Comptroller's Office must regulate the specified slot machines.

A qualified organization may not own more than five slot machines and must own each slot machine in operation. The slot machines must be located at the principal meeting hall of the organization and cannot be operated at a private commercial facility. At least one-half of the proceeds generated from slot machines must go to charity and the remainder to the organization. An individual cannot benefit financially from the proceeds. The organization must keep accurate records of gross receipts and payouts from slot machines and must report annually under affidavit to the Comptroller's Office on the income of each machine and the disposition of these proceeds. The Comptroller's Office assesses a \$50 license fee per slot machine to cover its regulatory costs.

Video Lottery Terminals

Chapter 474 of 2008 altered the State's prohibition on slot machines to clarify which machines are legal and which are illegal. The Act provided that illegal machines are ones that read a game of chance and deliver a game of chance. However, machines that otherwise fit that description, including licensed video lottery terminals (VLT), were expressly excluded from the definition of "slot machine" under the Act and therefore permissible under State law.

The Maryland General Assembly passed VLT legislation in 2007: a constitutional amendment that was approved by the voters in November 2008; and an implementation bill contingent on passage of the constitutional amendment. There are six video lottery facilities (casinos) currently operating in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties, with the facility in Prince George's County being the

newest casino to open in December 2016. The State taxes VLT proceeds at rates ranging from 42% to 58%, depending on the casino. In fiscal 2023, VLTs generated approximately \$714.6 million in revenue for the State, including \$516.3 million for the Education Trust Fund (ETF).

For a greater detail discussion of VLT legislation, taxation, and revenue distribution see “Chapter 3. Casino Gaming in Maryland” in this *Legislative Guide to Commercial Gambling in Maryland*.

Electronic Instant Bingo Machines

Over time, it became clear that unauthorized gaming devices resembling slot machines were starting to proliferate in the State in the form of electronic instant bingo machines. Instant bingo is a game played on an electronic or electro-mechanical gaming device that contains predetermined winning and losing games and signals the issuance of a winning play. Reports surfaced of thousands of these machines in several counties located in commercial businesses such as bars, liquor stores, and bingo parlors, mainly resulting from a Maryland Court of Appeals decision in 2001.

The 2001 Court of Appeals decision in *Chesapeake Amusements, Inc. v. Riddle* held that a ticket dispensing machine with a video screen that displays the contents of the dispensed tickets and emits a musical tone that signals a winning ticket was not a slot machine under Maryland law. The key factor in this decision was that the tickets were dispensed from a pre-printed roll of tickets that was inserted into the machines by the manufacturer. Thus, the element of chance was in the tickets and not in the machine. However, the design of these machines changed rapidly over time, as new technology was developed and the legality of each new version of the machines was called into question, resulting in confusion among State and local officials, owners, and distributors of the machines.

Lawmakers responded with the enactment of Chapter 474 that, notwithstanding the slot machine prohibition under that Act, permitted a commercial bingo licensee as of July 1, 2007, or a qualified nonprofit organization to continue to operate electronic instant bingo machines for a limited period of time if (1) the machines were operated for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007; (2) the licensee or nonprofit organization does not operate more than the number of machines in operation on February 28, 2008; and (3) the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article. Chapter 603 of 2012 made this authority permanent.

The Maryland Lottery and Gaming Control Agency (MLGCA) regulates electronic instant bingo machines at 13 facilities that meet the criteria under Chapter 474. Facilities operating electronic instant bingo are located primarily in Anne Arundel and Calvert counties.

A State admissions and amusement tax is imposed on the net proceeds derived from any charge for the operation of an electronic instant bingo machine permitted under a commercial

bingo license or an electronic tip jar machine that is operated for commercial purposes (“electronic instant bingo” and “electronic tip jar” are interchangeable under State law). The State tax rate may not exceed a rate that when combined with the rate of any local tax will exceed 35%. The State generated approximately \$17.9 million from the admissions and amusement tax on electronic instant bingo and electronic tip jars in fiscal 2023.

Instant Ticket Lottery Machines

Chapter 1 of the 2012 second special session authorized MLGCA to issue certain veterans’ organizations a license for up to five instant ticket lottery machines (ITLM). An ITLM is an electronic gaming device that dispenses preprinted instant scratch tickets and utilizes a touchscreen monitor. The device scans and validates the barcode on the instant ticket as it is dispensed and displays the result of the ticket on the touchscreen monitor. The device accumulates winnings for the player and prints out a voucher at the conclusion of play that can be redeemed for cash or inserted into another ITLM for continued play.

Veterans’ organizations in counties on the Eastern Shore are not eligible. As of January 2023, there are 91 veterans’ posts that have ITLMs installed at their locations. Veterans’ organizations keep 50% of the net proceeds (after commissions and prize payouts are deducted), with an additional 10% going to the Maryland Veterans Trust Fund. The remaining proceeds go to the State General Fund. As of September 26, 2023, the ITLM Program has contributed over \$43.9 million in total profits to the participating veterans’ posts since its launch in September 2014.

Table Games

The operation of table games at casinos in the State was authorized under Chapter 1 of the 2012 second special session. Table games, such as roulette and blackjack, can be found at each of the State’s six casinos. The State taxes table games proceeds at a rate of 20%, which is distributed to the ETF (15%) and to the local jurisdictions in which the casinos are located (5%). In fiscal 2023, table games generated approximately \$106.9 million in revenue for the ETF.

For a greater detailed discussion of table games legislation, taxation, and revenue distribution, see “Chapter 3. Casino Gaming in Maryland” in this *Legislative Guide to Commercial Gambling in Maryland*.

State Lottery

The State lottery was established in 1972 through legislative action and a constitutional amendment approved by voters. Revenues generated from the lottery are credited to a special account known as the State Lottery Fund. Operating expenses of MLGCA are paid from the fund through normal budgetary procedures. The remaining funds are available as prizes, with any undistributed portion becoming part of the State’s share. Any special distributions, such as for

the Baltimore City Public School Construction Financing Fund, the Maryland Stadium Authority, and the Sports Entertainment Facilities Financing Fund, are deducted from the State's share. The remainder is credited to the General Fund. State lottery revenues for the General Fund were \$655.4 million for fiscal 2023 and estimated at \$660.6 million for fiscal 2024.

Sports Wagering

Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by the State Lottery and Gaming Control Commission. The Act also established the Sports Wagering Application Review Commission to review and award applications for sports wagering retail and mobile sports wagering licensure.

Sports wagering operations launched in December 2021 at five of the State's six casinos. The State taxes sports wagering proceeds at a rate of 15%, all of which is distributed to the Blueprint for Maryland's Future Fund (BMFF). Sports wagering handle for fiscal 2023 totaled nearly \$2.9 billion. Mobile and retail sports wagering contributed approximately \$36.6 million to the BMFF in fiscal 2023, a figure that includes \$11.4 million in sports wagering licensing fees.

For a greater detailed discussion on sports wagering legislation, taxation, and revenue distribution, see "Chapter 4. Sports Wagering in Maryland" in this *Legislative Guide to Commercial Gambling in Maryland*.

Tip Jars

Legal in numerous counties, tip jars are popular in Western Maryland and typically benefit nonprofit organizations; these may also be found in businesses such as restaurants and bars. A tip jar refers to a game of chance that involves the selling of a packet of tickets to win a prize. Tip jars are closely regulated in several counties, including Allegany, Frederick, and Washington.

While manual tip jars remain legal, Chapter 474 prohibited tip jar ticket dispensing machines that also electronically read the ticket, alert the user to a winning or losing ticket, or tabulate a user's winnings and losses. Machines that simply dispense tip jar tickets remain legal.

Commercial Bingo

Commercial bingo facilities, where customers can play traditional bingo and electronic bingo in a few cases, principally operate in Anne Arundel and Calvert counties. However, Chapter 474 placed a moratorium on new commercial bingo licenses by prohibiting the issuance of additional licenses to an entity that did not have a license by June 30, 2008. New commercial bingo licenses may now only be issued pursuant to authority granted by the General Assembly.

Nonprofit Bingo and Other Gambling Activities

Bingo may be conducted in all 24 local jurisdictions by various nonprofit entities – these include volunteer fire companies and fraternal organizations. Carnivals, bazaars, raffles, and casino-type games are allowed for nonprofit organizations on a county-by-county basis.

Each county is responsible for regulating gaming activities conducted by nonprofit organizations. There is no statewide reporting of gaming activities by these organizations. Gaming licensees may use the proceeds of gaming activities for the benefit of their own organizations but do not need to share them with other organizations.

Oversight of Local Gambling Activities

No general State oversight of local gambling activities is provided. Local gambling activities are generally regulated by county legislative bodies or sheriffs. Several counties have gaming boards that provide some level of regulatory oversight.

Chapter 2. Overview of the Horse Racing Industry in Maryland

Horse Racing in Maryland

The formation of the Maryland Jockey Club in 1743 to supervise races at an Annapolis track represents the first regulation of horse racing in Maryland. The Jockey Club began to award prizes and purses to the winners of the races they supervised. Pari-mutuel betting was introduced in Maryland in 1912 as a system that allows the bettors themselves, rather than an outside bookmaker, to set the odds. Under the pari-mutuel system, all money wagered by unsuccessful bidders is returned to successful bidders after specified deductions including track operations, taxes, and purse money.

Prior to 1920, local jurisdictions regulated the five operating horse racing tracks in Maryland. Chapter 273 of 1920 repealed local laws controlling racing, established State control over racing, and created the Maryland Racing Commission to regulate racing. Authorized racing was limited to thoroughbred racing until 1937, when the General Assembly provided for the licensing of harness racing. Harness racetracks were subsequently granted the authority to operate pari-mutuel betting in 1951.

The six types of racing currently allowed in the State are mile thoroughbred racing, harness racing, special thoroughbred racing, steeplechase or hurdle racing, flat racing, and quarter horse racing. Mile thoroughbred racing – in which thoroughbred horses race at a track at least one-mile long – is conducted at Laurel Park in Anne Arundel County and Pimlico Race Course in Baltimore City. Harness racing – in which standardbred horses trot or pace in a harness while pulling drivers – is conducted at Rosecroft Raceway in Prince George's County and Ocean Downs in Worcester County.

Special thoroughbred racing takes place at the Maryland State Fair in Timonium or as a part of other fairs or special events. Steeplechase racing (where horses jump over wooden barriers), hurdle racing (where horses jump over hedges), and flat racing may be held as one-day race meetings and are currently authorized at Fair Hill in Cecil County. Quarter horse racing is also authorized but not currently conducted at Fair Hill. The details of the various tracks are discussed in the following.

Thoroughbred Racetracks

Owned by the Stronach Group, Laurel Park is located in Anne Arundel County and Howard County. Opened in 1911, the facility has a one-mile turf course and a one and one-eighth mile track.

Pimlico Race Course, also owned by the Stronach Group, is located in Baltimore City. Pimlico opened in 1870 and has a one-mile main track and a seven-eighths-mile turf course.

Owned by the Maryland Department of Natural Resources, the Cecil County Breeders' Fair, Inc., holds the license to conduct steeplechase, hurdle, and flat racing for up to eight days at the Fair Hill Natural Resources Management Area in Cecil County. Races have been conducted on a one-mile turf course at Fair Hill since 1934; however, due to pandemic restrictions in 2020, construction projects in 2021 and 2022, and ongoing land use agreement discussions in 2023, races have not been conducted at Fair Hill since 2019.

Owned by the Maryland State Fair and Agricultural Society Inc., the Maryland State Fair in Timonium offers seven days of racing on the fairground's five-eighths-mile track.

Standardbred Racetracks

Owned by the Stronach Group, Rosecroft Raceway is located in Prince George's County, five miles from Washington, DC. Opened in 1949, Rosecroft has a five-eighths-mile track.

Owned by Churchill Downs, Inc., Ocean Downs is located in Worcester County, five miles from Ocean City. Opened in 1949, the facility has a one-half-mile track. A casino opened at Ocean Downs in January 2011.

Major Annual Horse Racing Events

The Preakness Stakes is part of horse racing's triple crown, which also includes the Kentucky Derby and the Belmont Stakes.

The Maryland Million is a one-day stakes program offering purses totaling \$1 million, restricted to the progeny of nominated stallions standing in the State. The Maryland Million is run at Laurel Park.

Off-track Betting and Satellite Simulcasting

In 1988, the General Assembly authorized intertrack wagering between thoroughbred tracks that allowed betting to occur at a racetrack, while no live racing was being held. In 1993, the General Assembly expanded this authority to authorize full satellite simulcasting in the State, allowing individuals to bet on races simulcast from locations around the country from any of the State tracks and off-track betting (OTB) facilities. Additionally, Maryland races are sent by satellite signal to betting locations across the country. As of September 2023, there are eight OTB facilities located in the State: Boonsboro Events Center; Riverboat on the Potomac; Horseshoe Casino; Timonium Fair Grounds; Hollywood Casino; MGM National Harbor; Greenmount Station; and Long Shot's. In 2022, approximately \$45.9 million was wagered at these OTB facilities.

Satellite simulcasting accounts for a significant majority of all horse racing wagering that occurs in the State. In 2022, betting on out-of-state races accounted for 77% of total thoroughbred wagering and 88% of total harness wagering in the State.

Several OTB facilities in the State have also been awarded sports wagering licenses. For more information, see “Chapter 4. Sports Wagering in Maryland” of this *Legislators’ Guide to Commercial Gambling in Maryland*.

State Regulation of Horse Racing

Since 1920, the Maryland Racing Commission within the Maryland Department of Labor has regulated horse racing in the State and sought to protect and promote the public interest in all matters pertaining to horse racing and wagering. The commission is responsible for regulating, with few exceptions, the conduct of all pari-mutuel betting and other aspects of horse racing in the State. Consisting of nine members appointed by the Governor with the advice and consent of the Senate, the commission:

- approves racing dates;
- approves specific types of wagering and collects wagering taxes;
- regulates the size of the purse and stake and the price of admission;
- regulates the charge made for an article or service sold at the meets; and
- oversees drug testing laboratories, which protect the integrity of horse racing for the benefit of the betting public and competing jockeys.

Licensing

An individual, association, or corporation involved with horse racing must be licensed by the commission. The commission licenses owners, trainers, assistant trainers, jockeys, veterinarians, farriers, stable employees, mutuel employees, track employees, and vendors. A person engaged in racing in the State under an assumed name must register with the commission for permission to use the name. The commission may suspend or revoke the license of a person engaged in racing within the State who violates State racing laws or commission rules and regulations.

Racing Data

Exhibit 2.1 shows the total attendance, live racing days, total betting, and purses for Laurel, Pimlico, and Timonium racetracks between 2018 and 2022. Similarly, **Exhibit 2.2** shows the total attendance, live racing days, total betting, and purses for Rosecroft and Ocean Downs for the same time period. In 2018 and 2019, attendance at Fair Hill was 11,114 and 10,841, respectively. Steeplechase races have not been conducted at Fair Hill since 2019.

Exhibit 2.1 Thoroughbred Horse Racing in Maryland Calendar 2018-2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Laurel Racetrack					
Attendance	272,926	275,214	58,138	108,254	147,106
Live Racing Days	158	162	134	98	145
Purses	\$50,289,064	\$48,225,203	\$39,699,601	\$33,131,877	\$55,174,261
Betting on Live Racing at Laurel					
Live Racing at Laurel	\$12,991,430	\$12,534,126	\$2,656,061	\$3,490,343	\$7,538,050
Other Maryland Tracks	2,697,626	2,752,581	988,369	874,345	1,650,567
Satellite Simulcast					
Facilities in Maryland	3,452,452	3,482,922	3,027,347	2,228,028	3,080,215
Out-of-state Simulcast	353,004,877	350,298,087	302,872,853	207,899,757	303,893,225
Betting on Other In-state Races	1,353,185	1,367,491	27,376	1,812,585	1,061,078
Betting on Out-of-state Races	53,735,871	48,895,883	11,707,593	27,511,433	35,306,751
Total Betting at Laurel	\$68,080,486	\$62,797,500	\$14,391,030	\$32,814,361	\$43,905,879
Pimlico					
Attendance	129,474	124,952	31,272	55,458	69,862
Live Racing Days	12	12	6	59	21
Purses	\$5,994,747	\$5,534,958	\$4,114,074	\$20,017,503	\$10,383,318
Betting on Live Racing at Pimlico					
Live Racing at Pimlico	\$5,640,463	\$5,504,782	\$3,166	\$3,382,916	\$3,808,961
Other Maryland Tracks	1,360,912	1,456,936	52,509	2,139,745	1,204,825
Satellite Simulcast					
Facilities in Maryland	885,954	955,670	615,525	2,076,677	1,094,131
Out-of-state Simulcast	129,781,672	140,562,792	66,369,261	279,449,636	173,783,446

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Betting on Other In-state Races	1,383,157	1,291,630	691,206	587,469	794,353
Betting on Out-of-state Races	12,483,544	11,390,038	7,339,540	10,688,960	8,664,110
Total Betting at Pimlico	\$19,507,164	\$18,186,450	\$8,033,912	\$14,659,345	\$13,267,424
Timonium					
Attendance	14,096	13,206	0	10,105	9,234
Live Racing Days	7	7	0	7	7
Purses	\$1,693,353	\$1,394,225	\$0	\$2,009,470	\$2,048,770
Betting on its Live Racing at Timonium					
Live Racing at Timonium	\$660,766	\$596,163	\$0	\$520,411	\$462,134
Other Maryland Tracks	269,158	271,024	0	129,839	124,560
Satellite Simulcast Facilities in Maryland	78,107	73,916	0	68,603	62,924
Out-of-state Simulcast	3,845,992	3,325,974	0	2,563,132	2,937,941
Betting on Other In-state Races	234	305	0	81	229
Betting on Out-of-state Races	557,033	623,823	0	623,539	605,924
Total Betting at Timonium	\$1,218,033	\$1,220,291	\$0	\$1,144,031	\$1,068,287
Total Thoroughbred Purses	\$57,977,164	\$55,154,386	\$43,813,675	\$55,158,850	\$67,606,349
Total Betting at Thoroughbred Tracks in Maryland	\$88,805,683	\$82,204,241	\$22,424,942	\$48,617,737	\$58,241,590
Percentage of Betting on Out-of-state	75%	74%	85%	80%	77%

Source: Maryland Racing Commission

Exhibit 2.2
Standardbred Horse Racing in Maryland
Calendar 2018-2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Rosecroft					
Attendance*	0	0	0	0	0
Live Racing Days	59	59	45	60	60
Purses	\$5,740,701	\$7,225,498	\$5,750,511	\$6,143,686	\$8,849,628
Betting on Its Live Racing at Rosecroft					
Live Racing at Rosecroft	\$853,938	\$944,058	\$237,040	\$316,005	\$494,112
Other Maryland Tracks	117,123	187,115	94,536	119,084	76,809
Satellite Simulcast Facilities in Maryland	58,047	106,173	106,626	107,616	58,343
Out-of-state Simulcast	7,392,866	10,015,131	11,532,008	16,293,982	13,376,893
Betting on Other In-state Races	1,826,101	1,627,964	175,413	569,005	984,154
Betting on Out-of-state Races	26,080,844	22,192,960	3,896,726	8,395,353	14,882,517
Total Betting at Rosecroft	\$28,760,883	\$24,764,982	\$4,309,179	\$9,280,363	\$16,360,783
Ocean Downs					
Attendance*	33,877	38,721	0	0	0
Live Racing Days	48	47	41	44	45
Purses	\$5,172,768	\$4,888,143	\$2,852,368	\$4,017,797	\$5,805,308
Betting on Racing at Ocean Downs					
Live Racing at Ocean Downs	\$843,479	\$917,865	\$215,492	\$808,474	\$749,355
Other Maryland Tracks	117,860	129,682	6,216	68,742	93,281
Satellite Simulcast Facilities in Maryland	36,602	49,134	48,123	33,148	29,096
Out-of-state Simulcast	5,555,633	6,001,502	2,539,779	6,873,892	9,869,384
Betting on Other In-state Races	558,404	509,948	250,665	316,615	304,510
Betting on Out-of-state Races	5,918,935	5,300,107	2,998,096	3,719,829	3,922,929
Total Betting at Ocean Downs	\$7,320,818	\$6,727,920	\$3,464,253	\$4,844,918	\$4,976,794
Total Standardbred Purses	\$10,913,469	\$12,113,641	\$8,602,879	\$10,161,483	\$14,654,936
Total Betting at Standardbred Tracks in Maryland	\$36,081,701	\$31,492,902	\$7,773,432	\$14,125,281	\$21,337,577
Percentage of Betting on Out-of-state	89%	87%	89%	86%	88%

*Rosecroft and Ocean Downs do not keep a record of attendance.

Source: Maryland Racing Commission

Purses

A horse racing licensee deducts from the total amount of wagers on a race a specified amount for purses. In addition, 6.0% of video lottery terminal (VLT) proceeds, not to exceed \$100 million, is distributed to the Purse Dedication Account (PDA) to enhance horse racing purses and funds for the horse breeding industry. The PDA is under the authority of the commission. Money in the PDA is allocated 80% to the thoroughbred industry and 20% to the standardbred industry. From the funds allocated to the thoroughbred and standardbred industries, 89% is dedicated to purses.

Purses for thoroughbred racing and standardbred racing from 2018 through 2022 are shown in Exhibits 2.1 and 2.2, respectively. Due to the impact of the COVID-19 pandemic on horse racing and VLT revenue in calendar 2020 and 2021, horse racing purses have fluctuated significantly since 2018. Annual thoroughbred racing purses decreased approximately 17.8% from an average of \$60.2 million during the three nonpandemic years to an average of \$49.5 million in 2020 and 2021. In the same period, purses for standardbred racing decreased 25.4%, from an average of \$12.6 million during the three nonpandemic years to an average of \$9.4 million in 2020 and 2021.

State Taxation of Horse Racing

Any licensed person, association, or corporation conducting racing within the State must pay horse racing taxes. Traditionally, racing licensees pay taxes on the total amount wagered, known as the “handle.” In 1933, the State imposed the first tax on horse race wagering, which was first set at 1% of betting at mile thoroughbred tracks. In 1937, a State tax of 1% on betting at harness tracks and 1% on betting over \$500,000 at half-mile tracks. At that time, there were five “half-mile” tracks operating in the State, of which only Timonium remains.

The State tax increased in subsequent years up to 5.34% for mile and harness tracks and 5.5% for half-mile tracks in 1970, but it was then lowered in 1979 to 4.09% and 3.5%, respectively. In 1985, significant changes were made to the tax structure governing racing, including lowering the State tax rate on mile and harness tracks to 0.5% and exempting wagers on races conducted during the Maryland State Fair from the 3.5% tax on half-mile tracks. Finally, in 1997, the State tax rate was further reduced to 0.32% for mile tracks and harness tracks, which was initially limited to a one-year period, but was extended for two more years in 1999 and made permanent in 2000.

Finally, wagering on steeplechase racing at Fair Hill is taxed at a rate of 36% of the amount that the licensee is allowed to deduct from the handle, excluding the breakage. The commission must credit that amount to the Fair Hill Improvement Fund.

Thoroughbred licensees must pay to the commission the tax due within 10 days after each day of racing. Standardbred licensees must estimate the tax on money wagered due to the State each day. The first payment is due 33 days after the start of the meeting and includes the estimated tax for the first 30 days. Thereafter, the tax for any day must be paid to the commission

no later than 72 hours after the close of racing for that day, and the total tax due for the meeting must be paid within five days of the close of the meeting.

Exhibit 2.3 summarizes the current tax rates on horse racing wagers.

Exhibit 2.3
Horse Racing Wagering Taxes

<u>Track</u>	<u>Tax Rate on Money Wagered</u>
Thoroughbred Mile: Laurel, Pimlico	0.32% of amount bet
Thoroughbred "Half-mile": Timonium	3.5% of amount bet but no tax during the Maryland State Fair (racing has taken place only during the Maryland State Fair since 1985; therefore, no State tax has been paid since then)
Harness: Rosecroft, Ocean Downs	0.32% of amount bet
Steeplechase: Fair Hill	36% of the amount the licensee is authorized to deduct from the amount bet (excluding the breakage)

Source: Maryland Racing Commission; Department of Legislative Services

Revenue from horse racing taxes, along with total revenue from license and permit fees and uncashed pari-mutuel tickets, are credited to the horse racing special fund. In fiscal 2022, \$1.24 million of horse racing revenue was credited to the special fund, which is used for several statutory grants including grants to the Maryland Agricultural Fair Board, Maryland Million, and Maryland Standardbred Race Fund. More detailed information about annual grants from the horse racing special fund can be found in this chapter under the heading "*Distribution of Revenue.*"

Racing Takeout and Distribution

The takeout is the total amount deducted by the track from the amount bet on a race after payments by the track to the State for taxes and to other designated allocations. The racetrack retains a certain percentage of the takeout and allocates the remainder to purses and bred funds. The takeout structure has varied through the years according to factors such as the tax rate and amount paid back to the bettors. The structure also varies between the thoroughbred and standardbred tracks.

While the takeout is specified in statute, current law permits mile thoroughbred tracks to allocate by agreement the amount of the takeout retained by the racetrack to the track, the purses, and the bred funds. The agreement must be assented to by both the track and the majority of horse owners, trainers, and breeders.

The statutory takeout for mile thoroughbred tracks is shown in **Exhibit 2.4**.

Exhibit 2.4
Thoroughbred Racetracks Statutory Takeout Structure

	<u>Regular Pool</u>	<u>Two-horse Multiple</u>	<u>Three-horse Multiple First Race</u>
State Tax	0.32%	0.32%	0.32%
Purses	7.88%	8.88%	11.88%
Track ¹	7.70%	8.70%	11.70%
Bred Fund	1.10%	1.10%	1.10%
Maryland Million	1.00%	2.00%	0.75%
Total Takeout	18.00%	21.00%	25.75%
Returned to Bettors	82.00%	79.00%	74.25%
Total Handle	100.00%	100.00%	100.00%
Timonium			
State Tax ²	0.00%	0.00%	0.00%
Purses	5.00%	7.00%	13.00%
Track ¹	10.50%	10.50%	10.50%
Bred Fund	1.50%	1.50%	1.50%
Total Takeout	17.00%	19.00%	25.00%
Returned to Bettors	83.00%	81.00%	75.00%
Total Handle	100.00%	100.00%	100.00%
Fair Hill			
State Tax (Fair Hill Improvement Fund)	9.0%		
Track	16.00%		
Total Takeout	25.00%		
Returned to Bettors	75.00%		
Total Handle	100.00%		

¹ Includes 0.25% for Pension Fund

² No State tax paid during the State Fair.

The takeout at harness tracks is a tiered system that varies according to the average daily handle for the year. **Exhibit 2.5** shows the statutory takeout for harness tracks.

Exhibit 2.5
Harness Tracks Statutory Takeout Structure

	<u>Average Daily Handle</u>	<u>One-horse Regular Pool</u>	<u>Two-horse Multiple</u>	<u>Over Two-horse Multiple</u>
State Tax	First \$125,000	0.32%	0.32%	0.32%
	\$125-\$600,000	0.32%	0.32%	0.32%
	\$600,001+	0.50%	0.50%	0.50%
Track ¹	First \$125,000	18.00%	20.00%	26.00%
	\$125-\$600,000	18.00%	20.00%	26.00%
	\$600,001+	16.25%	18.25%	24.25%
Purses ²	First \$125,000	0.18%	0.18%	0.18%
	\$125-\$600,000	0.18%	0.18%	0.18%
	\$600,001+	-	-	-
Standardbred Fund ³	First \$125,000	0.50%	0.50%	1.00%
	\$125-\$600,000	1.00%	1.00%	1.50%
	\$600,001+	1.00%	1.00%	1.50%
Total Takeout ⁴	First \$125,000	18.75%	20.75%	26.75%
	\$125-\$600,000	18.75%	20.75%	26.75%
	\$600,001+	17.00%	19.00%	25.00%
Returned to Bettors	First \$125,000	81.25%	79.25%	73.25%
	\$125-\$600,000	81.25%	79.25%	73.25%
	\$600,001+	83.00%	81.00%	75.00%

¹ Amounts shown do not reflect additional deductions from track share to support purses, track facility and service improvements, and personnel-related expenses.

² As noted, additional deductions from track share also support purses.

³ Amounts shown describe deductions from track share of the takeout.

⁴ If daily average handle exceeds \$125,000, 0.25% of the handle is deducted from all pools for track employee pensions.

Special Provisions

Maryland-Bred Race Fund

The Maryland-Bred Race Fund was created in 1962 under the direction of the Maryland-Bred Race Fund Advisory Committee to develop an incentive program to encourage the improvement of thoroughbred breeding and racing. The fund is administered by the commission with the assistance and advice of the Maryland-Bred Fund Advisory Committee. The fund consists of revenues generated from 5% of the breakage (the odd cents left over after paying the successful bettors to the nearest \$0.10) plus a percentage of the amounts wagered: 1.1% of wagers at mile tracks and 1.5% of wagers at Timonium. In addition, 11% of PDA funds allocated to thoroughbred purses are distributed to the Maryland-Bred Race Fund. Money in the fund is then apportioned between purses for stakes races for Maryland-bred horses and awards given to the owners and breeders.

In order to be a registered Maryland-bred horse eligible for the awards, a horse must be foaled in Maryland. Additionally, one of the following requirements must be met: (1) the breeder of the horse must reside in Maryland for more than nine months immediately before registration; (2) the breeder of the horse keeps breeding stock continually in Maryland; (3) the horse must be conceived in Maryland in the previous season; (4) the horse's dam must have been sent to Maryland to foal and after foaling was covered by a Maryland stallion during the season of the horse's birth; or (5) if the horse's dam dies, is permanently retired, or is certified by a veterinarian as unable to be bred, the horse resided in Maryland for at least six months after the horse was foaled.

Owner awards are paid when Maryland-bred horses win races other than stakes races and certain other races. Breeders' and stallion awards are paid when a Maryland-bred horse wins or places first through third in any stakes race in the State. Finally, yearling show bonus awards are given to the four highest winning two-year-olds and three-year-olds shown at the annual Maryland Horse Breeders Association show.

In 2022, total revenues to the Maryland-Bred Race Fund totaled over \$8.9 million. Of that amount, after eligible deductions, approximately \$504,000 was paid in purses and \$7.8 million was disbursed in the form of breeder and stallion awards. The commission advises that the quality of Maryland-bred horses has improved, since the Maryland-Bred Race Fund was established more than 60 years ago.

Maryland Standardbred Race Fund

The Maryland Standardbred Race Fund was established in 1971 under the direction of the Maryland Standardbred Race Fund Advisory Committee to promote the breeding of standardbred horses in the State. The fund consists primarily of revenue from the percentage of the takeout from harness tracks as well as fees paid by owners, breeders, and stallion owners. In addition, 11% of PDA funds allocated to standardbred purses are distributed to the

Maryland Standardbred Race Fund. Funds are allocated to purses for two sets of races, the Maryland Foaled Stakes Program and the Maryland Sire Stakes program. Only standardbred horses foaled in Maryland may start in races under the Foaled Stakes Program, and only standardbred horses that are sired by a Maryland stallion may start in races under the Maryland Sire Stakes Program. A small percentage of funds are also allocated to very limited breeder and stallion awards.

In order to be a registered Maryland-bred standardbred horse eligible for the races, the horse must be foaled in Maryland. Additionally, one of the following requirements must be met: (1) the breeder of the horse must reside in Maryland for more than nine months immediately before registration; (2) the breeder of the horse keeps breeding stock continually in Maryland; (3) the horse must be conceived in Maryland in the previous season; and (4) the horse's dam must have been sent to Maryland to foal and after foaling was covered by a Maryland stallion during the season of the horse's birth. In 2022, total revenue for the Maryland Standardbred Race Fund was approximately \$2.0 million. Of this amount, \$1.78 million was allocated to the Sire Stakes Program and \$226,650 was allocated to the Foaled Stakes Program.

Maryland Jockey Injury Compensation Fund

The Maryland Jockey Injury Compensation Fund, established in 1985 as a nonprofit organization, provides a blanket workers' compensation insurance policy for thoroughbred jockeys who are licensed by the commission while participating in specified live racing or training activities at Maryland racetracks. In 2022, the fund received approximately \$908,680 funded by an assessment levied on licensed thoroughbred owners and trainers.

Distribution of Revenues

Horse Racing Special Fund

Revenue from horse racing taxes, along with total revenue from license and permit fees and uncashed pari-mutuel tickets, are credited to the horse racing special fund. The Comptroller makes the following distributions from the special fund:

- \$825,000 to the Maryland Agricultural Fair Board (for promotion of fairs and exhibits);
- \$500,000 for the Maryland Million and \$350,000 for the Sire Stakes Program;
- for as long as the Maryland State Fair remains at the Timonium Fairgrounds:
 - \$500,000 to the Maryland State Fair and Agricultural Society, Inc. (for promotion and enhancement of the fair); and
 - \$50,000 to Baltimore County (to replace former revenues);

- \$100,000 to Prince George’s County (to replace former revenues from the admissions and amusement tax);
- \$40,000 to the Great Frederick Fair to support exhibition harness races;
- \$75,000 to the Maryland Agricultural Education Foundation;
- \$20,000 to the Great Pocomoke Fair;
- up to \$500,000 for the Maryland International thoroughbred race; and
- local impact aid.

Any remaining horse racing special fund revenues are distributed to the Maryland Agricultural Education and Rural Development Assistance Fund, Maryland-Bred Race Fund, and the Maryland Standardbred Race Fund, but only in years in which revenues to the horse racing special fund are sufficient to fund all local impact aid grants. In recent years, however, revenues from the special fund have been insufficient to fulfill the expected local impact aid allocation to each jurisdiction and to the other mandated uses, mainly due to a reduction in racing days. In any fiscal year that revenues to the special fund are not sufficient to fully fund local impact aid, the Comptroller must proportionately reduce the amount of grants required to be paid.

Local Impact Aid

To assist services and facilities for communities within two miles of the Pimlico Race Course and three miles of the Laurel Park racetrack, there is impact aid for live racing. In addition, for each day that wagering is conducted at a track where live racing is not held, there is impact aid provided for simulcast wagering. Lastly, the Racing and Community Development Act of 2020 (Chapter 590), in relevant part, required the conveyance of the Bowie Training Center to the city of Bowie by December 31, 2023. The General Assembly extended the conveyance date to December 31, 2024 (Chapter 111 of 2023). Until the required conveyance, the owner of the Bowie Training Center must operate the center as a thoroughbred training facility. For each day that training facilities are open at the center, the city of Bowie receives \$50 (364 days estimated).

In addition, local impact aid for racetrack communities is partly funded from VLT proceeds. Through fiscal 2032, \$500,000 from VLT proceeds will be distributed as horse racing impact aid to Anne Arundel and Howard counties and the city of Laurel to help pay for facilities and services in communities within three miles of the Laurel Park racetrack.

History of Financial Benefits Provided to the Horse Racing Industry

The General Assembly has provided significant financial and other benefits to the horse racing industry in an effort to enhance the industry and improve the capital infrastructure at the tracks. In the last 40 years, the General Assembly has adopted the following measures:

- 1984 – Exempted harness tracks with a daily average handle of less than \$125,000 from the State tax and delayed a State tax increase for mile thoroughbred tracks from 4.09% to 4.84% until 1986.
- 1985 – Reduced the State tax on mile thoroughbred tracks from 4.09% to 0.5%; reduced the daily license fee from \$1,000 to \$25 per day; reduced the State tax on harness tracks from 0.75% to 0.5%. The legislation effectively eliminated most State tax revenues from racing.
- 1988 – Authorized intertrack wagering between mile thoroughbred tracks; and authorized certain thoroughbred tracks to conduct wagering on races simulcast from tracks outside of the State if the simulcast race is of national or local significance with a purse in excess of \$50,000.
- 1990 – Authorized harness tracks in the State to conduct intertrack simulcast wagering and broadened intertrack wagering between the thoroughbred track in Laurel and harness tracks; and required all uncashed parimutuel tickets from harness tracks paid to the Maryland Standardbred Fund Sire Stakes Program.
- 1992 – Authorized satellite simulcast betting in the State and authorized racing licensees to conduct pari-mutuel wagering on any horse race in another state or country.
- 1997 – Reduced the State tax from 0.5% to 0.32% with the 0.18% difference dedicated to purses until 1998; required, after the State lottery met the 1997 general fund revenue estimate, the next \$5 million to be allocated to a special fund for purses; and required a one-time distribution of \$500,000 from uncashed pari-mutuel tickets at mile thoroughbred tracks to support and promote the Maryland Million races.
- 1998 and 1999 – Extended the reduction in State tax to 0.32% until June 30, 2000; required any funds that were remaining in the horse racing special fund to be distributed to the Maryland-Bred Race Fund and the Standardbred Race Fund rather than the general fund; extended the distribution of \$500,000 for the Maryland Million from uncashed pari-mutuel tickets; and provided a one-time \$10 million distribution of excess lottery revenues to increase purses and bred funds.

- 2000 – Extended permanently the State wagering tax rate of 0.32% and provided another one-time distribution of \$10 million from excess lottery funds or general funds to support the horse racing industry.
- 2002 – Dedicated the \$3.0 million that had accrued to the Racing Facility Redevelopment Fund from increased takeout to be used to enhance purses.
- 2004 – Authorized representatives of thoroughbred racing tracks, owners and trainers, and breeders to agree to allocate the takeout for purses in a way other than that specified under the law and dedicated a portion of the takeout for purses and uncashed pari-mutuel tickets to the horse racing special fund.
- 2005 – Altered the distribution of excess funds from the horse racing special fund to provide for the annual distribution of \$300,000 to the Maryland-Bred Race Fund (70%) and Maryland Standardbred Race Fund (30%); and transferred \$1.04 million that was paid into the Racing Facility Redevelopment Bond to a special fund for purses for the running of the Pimlico Special and for purses at Rosecroft Raceway.
- 2007– Repealed statutory restrictions on night thoroughbred racing and thoroughbred racing on Sundays.
- 2007 Special Session – Provided, subject to certain conditions, for the distribution of proceeds from VLTs to the horse racing industry, including 7.0% to a PDA to enhance horse racing purse and bred funds, not to exceed \$100 million annually, and 2.5% for an eight-year period to a Racetrack Facility Renewal Account (RFRA), not to exceed \$40 million annually.
- 2009 – Reduced the amount of PDA funds to be distributed to the Maryland-Bred Race Fund and the Standardbred Race Fund while increasing the amount to be allocated to thoroughbred and standardbred purses.
- 2011 – Altered the distributions and uses of the PDA and the RFRA to provide operating assistance to the State’s thoroughbred and standardbred racetracks.
- 2012 – Extended \$1.2 million annual operating assistance from the PDA to standardbred racetracks through calendar 2015.
- 2014 – Required \$500,000 in local impact aid from VLT proceeds in fiscal 2015 through 2019 to be distributed to Anne Arundel and Howard counties and the city of Laurel to help pay for facilities and services in communities within three miles of Laurel Park racetrack.

- 2015 – Extended \$1.2 million annual operating assistance distribution to standardbred racetracks through calendar 2019; authorized the organization that represents a majority of the standardbred owners and trainers in the State to apply to the Secretary of Labor for reimbursement for certain eligible expenditures of up to 2% of standardbred purses in the PDA; and extended the termination date for the Maryland Horse Racing Act by 10 years to July 1, 2024.
- 2016 – Established the Maryland International thoroughbred race to be run at Laurel Park and, from the State Lottery fund, provided funding for the race purse (\$500,000 in fiscal 2018 and 2019) and bonuses for Maryland-bred or Maryland-sired horses running in the Preakness Stakes (\$500,000 in fiscal 2017).
- 2017 – Authorized the commission to provide a one-time matching grant (not to exceed \$150,000) from the RFRA to Bowie Race Course Training Center for a specified project.
- 2018 – Extended \$500,000 distribution of horse racing local impact aid to Anne Arundel and Howard counties and the city of Laurel through fiscal 2032; extended permanently the Maryland International thoroughbred race and the \$500,000 annual distribution of State lottery revenues from the horse racing special fund to the race purse; and extended \$1.2 million annual operating assistance for standardbred tracks through calendar 2024.
- 2020 – Racing and Community Development Act provided for the redevelopment of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County as well as for the conveyance of the Bowie Race Course Training Center on or before December 31, 2023, and (1) authorized the Maryland Stadium Authority to issue up to \$375 million in 30-year bonds to finance the redevelopment of Pimlico and Laurel Park; (2) established the Racing and Community Development Financing Fund, funded primarily by bond issuance proceeds and money transferred from the State Lottery Fund; (3) established the Racing and Community Development Facilities Fund, funded primarily by one-time fund transfers from thoroughbred racing's share of the PDA and the RFRA; (4) beginning fiscal 2022, required the transfer of funds allocated to thoroughbred racing from the PDA (\$5 million) and the RFRA (80% of total funds) to the State Lottery Fund; and (5) redirected specified amounts in certain fiscal years from Rosecroft Raceway's RFRA allocation and the Pimlico Community Development Authority's share of local impact aid from VLT proceeds.
- 2022 – Authorized the Governor to include an appropriation of \$1.8 million for the Fair Hill Improvement Fund in the annual budget bill beginning in fiscal 2024 to be used exclusively for the grounds and facilities within the special event area at Fair Hill.
- 2023 – Established the Maryland Thoroughbred Racetrack Operating Authority (see the following); made permanent the annual distribution from the PDA to Ocean Downs Race Course for financial assistance for operating losses and altered the annual distribution

amount to equal up to \$30,000 per live racing day; and extended the termination date for the Maryland Horse Racing Act and Maryland Racing Commission to July 1, 2034, subject to the evaluation and reestablishment provisions of the Maryland Program Evaluation Act.

Maryland Thoroughbred Racetrack Operating Authority

The Racing and Community Redevelopment Act of 2020 provided for the redevelopment of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County as well as for the conveyance of the Bowie Race Course Training Center on or before December 31, 2023. During the 2023 session, the General Assembly passed legislation addressing concerns about significant delays in the redevelopment timeline for Pimlico and Laurel Park. Chapter 111 established the Maryland Thoroughbred Racetrack Operating Authority with the stated purpose of maintaining the State as a best-in-class thoroughbred racing venue. Consisting of nine voting members appointed by the Governor with the advice and consent of the Senate, the authority may:

- in coordination with other State entities, develop new and existing horse racing and training facilities in the State;
- subject to legislative review and comment on an executive order or determination by the commission that a thoroughbred racing licensee is unable to support the minimum number of live racing days: (1) manage and oversee day-to-day thoroughbred horse racing operations, live racing days, and assets in the State; and (2) in coordination with the Maryland Economic Development Corporation, acquire property or contractual interests;
- enter into any agreements, leases, partnerships, or contracts necessary to support and sustain Maryland thoroughbred racing and pari-mutuel wagering activity and ensure compliance with commission rules and regulations; and
- authorize or create a separate body, entity, or holding company to carry out any provisions of the Act.

The Act also established the Maryland Racing Operations Fund as a special, nonlapsing fund to assist the authority in financing the acquisition, construction, rehabilitation, or other capital or operating expenses of thoroughbred racetracks in the State. Funding provided in the fiscal 2023 capital budget for Pimlico Race Course demolition (\$5 million) and redevelopment at Laurel Park (\$10 million) was redirected to the Maryland Racing Operations Fund.

Finally, Chapter 111 extended the deadline for the conveyance of the Bowie Race Course Training Center to December 31, 2024, and altered provisions relating to the transfer of funds to the city of Bowie for remediation costs of the property.

The Maryland Thoroughbred Racetrack Operating Authority held its first meeting on August 23, 2023, and is expected to submit its first report to the General Assembly by December 1, 2023.

Chapter 3. Casino Gaming in Maryland

Background

After several years of debate, the Maryland General Assembly passed video lottery terminal (VLT) legislation in 2007 – a constitutional amendment that was approved by the voters in November 2008 and an implementation bill contingent on passage of the constitutional amendment. The 2007 legislation authorized a total of 15,000 VLTs at five locations in the State. During the second special session of 2012, the General Assembly adopted Chapter 1, which authorized a sixth VLT facility (casino) at a location in Prince George’s County. Chapter 1 also authorized casino licensees to operate table games.

Casinos currently operate in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George’s, and Worcester counties, with the facility in Prince George’s County being the newest casino to open in December 2016. Since September 27, 2010, when the first casino in the State opened to the public in Cecil County, casino gaming has generated approximately \$7.1 billion in revenue for the State, including \$5.3 billion for the Education Trust Fund (ETF).

Authorization and Implementation Legislation – VLTs and Table Games

2007 Special Session

Governor Martin J. O’Malley introduced two pieces of VLT gambling legislation, which passed during the 2007 special session – House Bill 4 (Chapter 5) and Senate Bill 3 (Chapter 4).

Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized 15,000 VLTs at five locations in the State – Baltimore City and Allegany, Anne Arundel, Cecil, and Worcester counties. Under the amendment, additional forms or an expansion of commercial gaming on or after November 15, 2008, may only be authorized by an act of the General Assembly and through a referendum that is approved by the voters in a general election.

Chapter 4 established the operational and regulatory framework for the proposed VLT program and was contingent on ratification of Chapter 5 by the voters. The Act created a Video Lottery Facility Location Commission (VLFLC) to receive and evaluate casino proposals. The Act also specified that the State Lottery Commission (reconstituted as the State Lottery and Gaming Control Commission (SLGCC) in 2012) must regulate the operation of VLTs, including the licensing of operators and operation of a central system. A detailed summary of the significant provisions of Chapter 4 may be found in **Appendix 1** of this report.

2012 Second Special Session

During the second special session of 2012, the General Assembly passed comprehensive gaming legislation (Chapter 1) that allowed a sixth casino in Prince George's County, subject to voter approval. The voters of Maryland approved this expansion of gaming in November 2012.

VLFLC was authorized to award the license for a casino in Prince George's County within a geographic radius that included both National Harbor and Rosecroft Raceway. An applicant for the Prince George's County license could request to operate a maximum of 3,000 VLTs and receive up to 38% of VLT proceeds.

Upon the issuance of a Prince George's County casino license: (1) the Anne Arundel County and Baltimore City licensees were authorized to receive an additional 8% and 7% of VLT revenues, respectively, for certain marketing and capital improvement allowances and (2) the percentage of VLT revenues distributed to the Purse Dedication Account for horse racing purses and bred funds was reduced from 7% to 6%.

In addition, Chapter 1 increased the authorized maximum number of VLTs in the State from 15,000 to 16,500, and casinos were authorized to operate 24 hours per day, seven days a week. Finally, the Act reconstituted the nine-member State Lottery Commission as a seven-member SLGCC. SLGCC generally performs functions previously carried out by the State Lottery Commission as well as new functions specific to gaming, including additional regulatory and research responsibilities.

Table Games

s Chapter 1 of the 2012 second special Session also authorized casino licensees to offer table games. Prior to the issuance of the Prince George's County casino license, 80% of table game revenues were distributed to licensees, and 20% of table game revenues were distributed to the ETF. Since the issuance of the Prince George's County license, licensees continue to receive 80% of table game revenues; however, of the balance, 15% is distributed to the ETF, and 5% is distributed to local jurisdictions where a casino is located.

Award of Licenses and Launch of Casino Gaming Operations

Video Lottery Facility Location Commission

Established under Chapter 4, the members of VLFLC were appointed by the Governor, the President of the Senate, and the Speaker of the House of Delegates. VLFLC was created to receive and evaluate proposals from applicants for casino licenses and to award those licenses.

VLFLC's evaluation of proposals included market analyses, economic impact analyses, an analysis of each proposal's financial viability, site visits to proposed facility locations, public hearings, and a review of traffic impact studies by the State Highway Administration. Competitive sealed bids were scored as follows:

- 70% on business and market factors, including the highest potential benefit to the State and percentage of Minority Business Enterprise equity ownership;
- 15% on economic development factors; and
- 15% on location siting factors.

After awarding the sixth and final casino license to MGM Resorts International in Prince George's County, VLFLC's work was completed, and it was officially dissolved.

Anne Arundel, Cecil, and Worcester Counties

On December 19, 2008, VLFLC issued a request for proposals (RFP) for casino licenses in all five authorized locations. VLFLC received six proposals (two for Anne Arundel County and one for each of the other four locations) by the February 2, 2009, deadline. On February 12, 2009, VLFLC determined that only four of those proposals met the minimum requirements of the statute and the RFP; two proposals (one for Anne Arundel County and one for Allegany County) failed to meet the minimum requirements and were rejected.

On September 23, 2009, Ocean Enterprise 589, LLC (Ocean Downs) was awarded a license to operate a casino with 800 VLTs at Ocean Downs Racetrack in the Town of Berlin (Worcester County). The Ocean Downs casino opened with 750 VLTs on January 4, 2011. In calendar 2023, Ocean Downs has generated \$67.0 million in gross gaming revenues as of August 31, 2023.

On October 21, 2009, Penn Cecil Maryland Inc. was awarded a license to operate a casino with 1,500 VLTs in Perryville in Cecil County. Hollywood Casino opened to the public with 1,500 VLTs on September 27, 2010, and debuted 20 table games in March 2013. In calendar 2023, Hollywood Casino has generated \$59.0 million in gross gaming revenues as of August 31, 2023.

On December 7, 2009, PPE Casino Resorts, LLC was awarded a license to operate a casino with 4,750 VLTs adjacent to the Arundel Mills Mall in Anne Arundel County. In June 2012, Live! Casino opened with 3,171 VLTs and debuted 122 table games and a 52-table poker room in calendar 2013. In calendar 2023, Live! Casino has generated \$475.1 million in gross gaming revenues as of August 31, 2023.

Allegany County

After rejecting in February 2009 the single proposal received for Allegany County, VLFLC made several recommendations to the General Assembly related to the Allegany County location with the hope that the location could be made more attractive to potential applicants. In response, Chapter 624 was enacted in 2010, which altered several provisions regarding the Allegany County casino location. Under Chapter 624, contingent upon the purchase of the Rocky Gap Lodge and Golf Resort by the licensee, 2.5% of VLT proceeds from the Allegany County casino for the first five years of operations that would otherwise be distributed to the Racetrack Facility Renewal Account would instead be distributed to the Allegany County casino licensee. Following the enactment of Chapter 624, VLFLC issued a new RFP for the Allegany County location in July 2010, but no proposals were received by the November 2010 deadline.

In an effort to provide further incentives for potential applicants for the Allegany County location, Chapter 240 of 2011 increased the Allegany County licensee's share of the proceeds to 50% for the first 10 years of operations and reduced all other revenue distributions, except for the former State Lottery Agency, for the same time period. The Act also waived the initial license fee for up to 500 VLTs. VLFLC issued another RFP for Allegany County in June 2011 and received three proposals on September 23, 2011, one of which was subsequently rejected for failing to meet various requirements contained in the RFP.

On April 26, 2012, Evitts Resort, LLC (Evitts) was awarded a casino license to operate 850 VLTs at a facility adjacent to the Rocky Gap Lodge and Resort, subject to certain contingencies. However, Evitts failed to secure the requisite construction financing for the facility and subsequently received approval from VLFLC to instead operate a casino with 500 VLTs in the lodge's existing conference center space, again subject to certain contingencies. That facility, the Rocky Gap Casino, opened to the public on May 22, 2013. In calendar 2023, Rocky Gap Casino has generated \$42.7 million in gross gaming revenues as of August 31, 2023.

Baltimore City

In December 2009, VLFLC rejected the single proposal for Baltimore City, finding that the proposal was not in the best interest of the State. The applicant's appeal of VLFLC's decision was denied by the State Board of Contract Appeals in December 2010 and later by the Baltimore City Circuit Court in June 2011. VLFLC issued another RFP for the Baltimore City license in April 2011 and on September 23, 2011, VLFLC received two proposals. However, one of the proposals was subsequently rejected by VLFLC for failing to submit an initial license fee as required by statute and the RFP.

On July 31, 2012, CBAC Gaming, LLC was awarded a license to operate a casino with 3,750 VLTs on Russell Street in Baltimore City. However, CBAC Gaming was subsequently granted approval to open with 2,500 VLTs and 130 table games. The Baltimore City facility,

Horseshoe Casino, opened on August 26, 2014. In calendar 2023, Horseshoe Casino has generated \$133.3 million in gross gaming revenues as of August 31, 2023.

Prince George’s County

VLFLC awarded the casino license in Prince George’s County to MGM National Harbor, LLC on December 23, 2013, but subsequently approved a request to change the date of the license award to August 14, 2014, to coincide with the county’s issuance of a building permit to MGM. The MGM Casino opened on December 8, 2016. In calendar 2023, MGM Casino has generated \$567.3 million in gross gaming revenues as of August 31, 2023.

The opening date and the number of VLTs and table games in operation for each casino as of September 2023 are shown in **Exhibit 3.1**.

Exhibit 3.1
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	671	19
Ocean Downs	Worcester	January 2011	866	19
Live! Casino	Anne Arundel	June 2012	3,853	179
Rocky Gap Casino	Allegany	May 2013	621	16
Horseshoe Casino	Baltimore City	August 2014	1,410	122
MGM National Harbor	Prince George’s	December 2016	2,301	209

VLT: video lottery terminal

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

Post-implementation Casino Gaming Legislation

Many legislative changes have been made to the State’s casino gaming program since the 2012 second special session. Significant changes include the establishment of a casino license renewal fee, altering the distribution of local impact grants and how those funds may be spent, requiring SLGCC to transfer ownership of VLTs to the casino licensees, adjustments to the operator share of VLT proceeds and the VLT maximum payout percentage, and authorizing licensees to carry forward losses for up to seven days. **Exhibit 3.2** summarizes current casino gaming law.

Exhibit 3.2
Casino Gaming
Summary of Current Law

Administration	<p>Maryland Lottery and Gaming Control Agency (MLGCA) is the administrative entity, with the State Lottery and Gaming Control Commission (SLGCC) providing oversight.</p> <p>SLGCC:</p> <ul style="list-style-type: none"> • seven members; and • formerly the State Lottery Commission.
Licenses	<p>License to operate one video lottery terminal (VLT) and table games facility (casino) in each of the following six locations: Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties.</p>
Locations and Maximum Number of VLTs Authorized	<p>Maximum of 16,500 VLTs in operation:</p> <ul style="list-style-type: none"> • 4,750 VLTs at Live! Casino in Anne Arundel County; • 3,750 VLTs at Horseshoe Casino in Baltimore City; • 3,000 VLTs at MGM National Harbor Casino in Prince George's County; • 2,500 VLTs at Ocean Downs Casino in Worcester County; • 2,500 VLTs at Hollywood Casino in Cecil County; and • 1,500 VLTs at Rocky Gap Casino Resort in Allegany County.

Ownership of VLTs	<p>SLGCC owns/leases central monitor and control system.</p> <p>VLTs and associated equipment and software owned or leased by the casino licensee.</p> <ul style="list-style-type: none"> • At the casino gaming program's inception, SLGCC owned/leased VLTs. • Casinos gradually assumed ownership of the machines and associated equipment and software, as required by law. • Casinos authorized to receive an additional percentage of VLT revenues when they assumed ownership of their VLTs. • VLTs, any associated equipment and software, and table games owned or leased by casino licensee are exempt from property tax.
Limits on License Ownership	A person may not own an interest in more than one casino.
License Fees	<p>Initial license fee of at least \$3 million for every 500 VLTs. For the licensee in Allegany County, the first \$3 million of the initial license fee was waived.</p> <p>License Renewal Fee</p> <ul style="list-style-type: none"> • For each five-year period of the initial renewal term, the fee is 0.75% of the average annual proceeds from the operation of VLTs and table games at its casino for the preceding three-year period, to be paid in equal annual installments and credited to the Education Trust Fund (ETF). • 20% of the fees collected are distributed back to the licensee for marketing, advertising, and promotions that exclusively target out-of-state audiences.
License Duration	<p>Casino license: 15 years (must reapply at least one year before initial term expires).</p> <p>Five-year terms for all other licensees (manufacturer, supplier, maintenance, employees, etc.).</p>
Construction and Procurement	License applicant must meet State Minority Business Enterprise (MBE) requirements for construction/procurement contracts and to the extent possible meet county MBE requirements if they exceed the State requirement. Requirement sunsets on July 1, 2025.

VLT and Table Games Proceeds	<p>VLT and table game proceeds electronically transferred daily to the State Lottery Fund.</p> <ul style="list-style-type: none"> • If a casino 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 a following day for up to seven days. <p>Admissions and amusement tax may not be imposed on any proceeds from the operation of VLTs and table games.</p>
Distribution of VLT Proceeds	<p>Business Investment</p> <p>1.5% to the small, minority, and women-owned business account.</p> <p>Lottery (Administration)</p> <p>1% to MLCGA for administrative costs.</p> <p>Local Impact Tax</p> <p>5.5% to the local jurisdiction in which the casino operates:</p> <ul style="list-style-type: none"> • Allegany, Cecil, and Worcester counties receive 100% of the local impact taxes paid by the casinos in their respective jurisdictions; and • Local impact taxes paid by the casinos in Anne Arundel County, Baltimore City, and Prince George's County are pooled together and distributed as follows: <ul style="list-style-type: none"> • \$200,000 for Allegany County; • \$130,000 for Cecil County and \$70,000 for the Town of Perryville; • \$200,000 for Worcester County; and • \$120,000 for the Town of Forest Heights; then • 82% distributed in three equal parts to Baltimore City and Anne Arundel and Prince George's counties (any amount of local impact funds distributed to Anne Arundel County or Baltimore City as a result of a specified hold harmless provision must be paid from the State Lottery Fund); and • through fiscal 2032, 18% to the Pimlico Community Development Authority for racing impact aid (85% of which must be used in a manner

consistent with the Park Heights Master Plan) and from which the following amounts must be paid:

- \$1,000,000 to Prince George's County for public safety projects within 5 miles of Rosecroft Raceway;
- \$500,000 to communities within 3 miles of Laurel Race Course;
- \$3,500,000 to the State Lottery Fund; and
- the greater of \$2,400,000 or 24% of the total amount to Park Heights Renaissance, Inc.

Horse Racing Industry

6% to the Purse Dedication Account (PDA) to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually.

For the first 16 years of operations at each casino, 1% to the Racetrack Facility Renewal Fund (RFRA), not to exceed \$20 million annually.

Licensee

42% to 58% to casino licensees:

	<u>Hollywood</u>	<u>Ocean Downs</u>	<u>Live!</u>	<u>Rocky Gap</u>	<u>Horseshoe</u>	<u>MGM</u>
% Stated in the License Application	33%	33%	33%	33%	33%	38%
VLT Ownership Bonus	6%	10%	8%	10%	6%	6%
Capital Improvement and Marketing Bonus	3%	10%	8%	15%	8%	n/a
Licensee Share of VLT Proceeds	42%	53%	49%	58%	47%	44%

Education Trust Fund

The remainder to the ETF (27% to 43%).

<p>Use of VLT Proceeds</p>	<p>Small, Minority, and Women-owned Business Account</p> <p>Small, Minority, and Women-owned Business Account (SMWOBA) funds, administered by the Department of Commerce, are used to provide investment capital, direct equity investments, and similar investments and loans to small, minority, and women-owned businesses (at least 50% of VLT proceeds in SMWOBA to be used to support businesses located near a casino);</p> <p>Purse Dedication Account</p> <p>Money in the PDA is allocated with 80% for the thoroughbred industry and 20% for the standardbred industry:</p> <ul style="list-style-type: none"> • from the funds allocated to the thoroughbred industry: <ul style="list-style-type: none"> • 89% to thoroughbred purses; • 11% to the Maryland-bred Race Fund; and • \$100,000 to Fair Hill; • from the funds allocated to the standardbred industry: <ul style="list-style-type: none"> • 89% to standardbred purses;* and • 11% to the Standardbred Race Fund. <p>* Specified amounts of PDA funds allocated to standardbred purses may be used to (1) provide financial assistance to Ocean Downs and Rosecroft for operating losses and (2) reimburse standardbred owners and trainers organization for wellness and retirement program expenditures.</p> <p>Racetrack Facility Renewal Fund</p> <p>Money in the RFRA is allocated as follows:</p> <ul style="list-style-type: none"> • 80% to the State Lottery Fund in accordance with the Racing and Community Development Act of 2020; and
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- 20% to Rosecroft* and Ocean Downs, contingent on the licensee conducting a minimum number of live racing days, submitting a capital construction plan, and spending at least \$300,000 in matching funds.

* From the amount allocated to Rosecroft, \$200,000 must be transferred annually to Employ Prince George's, Inc. for workforce development and small, minority, and women-owned business development.

Local Impact Grants

Grants must be used for improvements primarily in the communities in immediate proximity of casinos and may be used for infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements.

Local development councils in each casino jurisdiction advise, comment, and make recommendations on county plans regarding expenditures of local impact grant funds.

Allegany County

- Grants may be used to pay down debt incurred for improvements to Rocky Gap State Park.
- At least 20% must be used for capital projects for municipalities and nonprofit organizations in the county.

Baltimore City

- At least 50% must be distributed to the South Baltimore Gateway Community Impact District Management Authority for community grants and improvements.
- Beginning fiscal 2033, \$3,500,000 is distributed to State Lottery Fund in accordance with the Racing and Community Development Act of 2020.

Prince George's County

- 40%, not to exceed \$15,000,000, must be utilized to address infrastructure needs related to Maryland Route 210.
- \$125,000 must be distributed to communities within 2.5 miles northeast of MGM.

	<p>Worcester County</p> <ul style="list-style-type: none"> Local impact grants must be distributed: 60% to Worcester County, 20% to Ocean City, and 10% each to the Town of Berlin and the Ocean Pines Association. <p>Education Trust Fund</p> <p>Money in the ETF used for Bridge to Excellence in Public Schools Act funding (including the Geographic Cost of Education Index), public school construction, and supplemental funding for education and public schools.</p>
Distribution of Table Games Proceeds	<p>Licensee</p> <p>80% to the casino licensee;</p> <p>Local Impact Tax</p> <p>5% to the local jurisdiction where the casino is located:</p> <ul style="list-style-type: none"> amount distributed to Baltimore City must be used to fund school construction projects (50%) and the maintenance, operation, and construction of recreational facilities (50%); and <p>Education Trust Fund</p> <p>Remainder to the ETF (15%).</p>
Unclaimed Winnings	<p>Unclaimed jackpots after 182 days are distributed as follows:</p> <ul style="list-style-type: none"> 2.5% to the SMWOBA; 9.5% in local impact grants; 10.0% to the PDA established under the authority of the State Racing Commission; 1.5% to the RFRA; and the remainder (76.5%) to the ETF.

Maryland Veterans Trust Fund	Casino operators must offer players the opportunity to donate to the Maryland Veterans Trust Fund when receiving cash on payout. Donation boxes are required near casino exits.
Problem Gambling Fund	<p>\$425 annual fee per VLT and \$500 per table game to be paid by casino licensees for the Problem Gambling Fund.</p> <ul style="list-style-type: none"> • Under Chapter 1 of the Second Special Session of 2012, the State was prohibited from charging a table game license fee; however, SLGCC later established by regulation a \$500 annual fee per table game to benefit the Problem Gambling Fund. • Money in the Fund must be used to establish a 24-hour hotline and an outreach program for compulsive and problem gamblers and to develop and implement free or reduced cost problem gambling treatment and prevention programs. • Fund administered by the Maryland Department of Health.
Annual VLT Payout Percentage	85% minimum.
Age Restrictions	Individuals under the age of 21 or intoxicated are prohibited from playing VLTs.
Free Food and Beverage Restrictions	Free food and alcoholic beverages are generally prohibited.
Operating Hours	365 days a year/24 hours a day.
Exclusion Policy	SLGCC must establish a list of individuals to be excluded from casinos.
Voluntary Exclusion Policy	Casino operators must establish procedures that permit self-exclusion for individuals with gambling problems.
State Lottery Games	Casinos may offer any State Lottery games.
Paycheck Cashing	Consumers prohibited from cashing paychecks.

Additional Consumer Protections	<p>SLGCC regulations to reduce or mitigate the effects of problem gambling including:</p> <ul style="list-style-type: none"> • limits on dollar amount accepted by VLTs; • payout of winnings above a certain amount by check; • limits on ATM numbers, locations, and maximum withdrawals; • conspicuous disclosures related to VLT payouts and odds; • prohibitions on the use of credit and debit cards to play VLTs or table games; and • consumer records of spending levels to the extent that marketing measures track spending.
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Source: Department of Legislative Services

Maryland Casino Gaming Revenue

Following the lifting of COVID-19 capacity restrictions, Maryland's casinos produced record-setting revenues in fiscal 2022 totaling \$2.0 billion. Those gaming revenues were \$256.1 million more than in fiscal 2021 and \$241.2 million more than the previous record set in fiscal 2019. Five of the 10 best months in the history of the State's casino program occurred during fiscal 2022.

The record setting revenues continued in fiscal 2023 with gaming revenues totaling approximately \$2.1 billion, or \$58.5 million more than in fiscal 2021. Nearly two-thirds of total gaming revenues in fiscal 2023 were from VLTs. The two best months in the history of the State's casino program occurred during fiscal 2023 – \$212.9 million in October 2022 and \$181.5 million in July 2022.

Exhibit 3.3 shows gross VLT and table game revenues in Maryland for fiscal 2016 through 2023 by facility. **Exhibit 3.4** shows the same revenues by fund.

Exhibit 3.3
Gross Gaming Revenues Generated by Facility
Fiscal 2016-2023
(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
VLTs								
Allegany	\$41.3	\$45.1	\$46.5	\$48.9	\$36.8	\$53.4	\$58.5	\$57.2
Anne Arundel	408.8	371.9	369.5	411.8	315.8	432.7	498.4	498.8
Baltimore City	168.3	168.7	156.3	144.6	96.4	137.4	137.1	135.3
Cecil	65.7	63.1	64.9	65.2	48.2	75.4	80.1	74.2
Prince George's		177.5	345.3	384.8	279.4	386.6	472.7	493.0
Worcester	57.6	59.6	64.1	69.8	52.6	75.0	85.0	89.3
Total VLTs	\$741.7	\$885.9	\$1,046.7	\$1,125.1	\$829.3	\$1,160.4	\$1,331.8	\$1,347.9
Table Games								
Allegany	\$6.6	\$7.6	\$7.6	\$7.2	\$5.6	\$7.2	\$7.1	\$6.4
Anne Arundel	242	219.8	190.1	177.6	133.7	189.8	215.6	210.2
Baltimore City	142.1	135.3	110.8	105.6	65.8	62.2	74.1	70.0
Cecil	11.6	11.3	10.4	9.6	7.6	11.1	12.8	13.7
Prince George's		160.9	310	326.6	231.5	305.6	350.4	402.6
Worcester			3.3	8.6	6.5	9.4	10.0	9.7
Total Table Games	\$402.3	\$535.1	\$632.3	\$635.2	\$450.7	\$585.3	\$670.0	\$712.5
Total VLTs and Table Games	\$1,144.0	\$1,420.9	\$1,679.0	\$1,760.4	\$1,280.0	\$1,745.7	\$2,001.8	\$2,060.3

VLT: video lottery terminal

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 3.4
Gross Gaming Revenues Generated by Fund
Fiscal 2016-2023
(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
VLTs								
Education Trust Fund	\$322.0	\$361.7	\$401.8	\$447.4	\$329.2	\$443.6	\$511.1	\$516.3
Lottery Operations	7.8	9.3	10.5	11.2	8.3	11.6	13.3	13.5
Purse Dedication Account	50.1	54.6	61.2	65.9	48.5	67.8	78.0	79.0
Racetrack Renewal Account	7	8.4	10	10.8	7.9	11.1	12.8	12.9
Local Impact Grants	39.7	47.5	56.8	61.1	45.0	62.9	72.4	73.2
Business Investment	10.8	12.9	0	0	0.0	17.0	19.6	19.8
General Fund	0	0	15.3	0	0	0.0	0.0	0.0
Licensees	304.3	391.3	491	528.8	390.3	546.5	624.6	633.2
Total VLTs	\$741.7	\$885.9	\$1,046.7	\$1,125.2	\$829.3	\$1,160.4	\$1,331.8	\$1,347.9
Table Games								
Education Trust Fund	\$80.5	\$89.5	\$94.8	\$95.3	\$67.6	\$87.8	\$100.5	\$106.9
Local Impact Grants	0	17.6	31.6	31.8	22.5	29.3	33.5	35.6
Licensees	321.8	428.1	505.8	508.2	360.6	468.3	536.0	570.0
Total Table Games	\$402.3	\$535.1	\$632.3	\$635.2	\$450.7	\$585.3	\$670.0	\$712.5
Total VLTs and Table Games	\$1,143.9	\$1,420.9	\$1,679.0	\$1,760.4	\$1,280.0	\$1,745.7	\$2,001.8	\$2,060.3
Total Education Trust Fund	\$402.5	\$451.2	\$496.7	\$542.7	\$396.8	\$531.4	\$611.6	\$623.2

VLT: video lottery terminal

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Projected Casino Gaming Revenues

The estimated revenues from Maryland's VLTs and table games in fiscal 2024 through 2028 are shown in **Exhibit 3.5**. A total of \$2.0 billion in gross gaming revenues is projected in fiscal 2024, including \$604.9 million to be distributed to the ETF.

Exhibit 3.5
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
Fiscal 2024-2028
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
VLTs Distribution					
Education Trust Fund	\$503.4	\$509.3	\$515.1	\$522.7	\$529.6
Lottery Operations	20.0	20.2	20.5	20.7	21.0
Purse Dedication Account	13.3	13.5	13.6	12.2	12.4
Racetrack Renewal Account	13.3	13.5	13.6	13.8	14.0
Local Impact Grants	73.3	74.1	75.0	75.9	76.9
Business Investment	79.9	80.9	81.8	82.8	83.9
Licensees	629.1	636.6	644.0	651.5	660.0
Total VLTs	\$1,332.4	\$1,348.0	\$1,363.7	\$1,379.6	\$1,397.6
Table Games Distribution					
Education Trust Fund	\$101.5	\$102.8	\$104.0	\$105.3	\$106.7
Local Impact Grants	33.8	34.3	34.7	35.1	35.6
Licensees	541.4	548.0	554.8	561.6	569.2
Total Table Games	\$676.7	\$685.0	\$693.5	\$702.1	\$711.6
Total VLTs and Table Games	\$2,009.1	\$2,033.0	\$2,057.1	\$2,081.6	\$2,109.2
Total Education Trust Fund	\$604.9	\$612.0	\$619.2	\$628.0	\$636.3

VLT: video lottery terminal

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

Casino Gaming in Surrounding States

Maryland's competition for casino gaming revenue comes primarily from three surrounding states: Delaware, Pennsylvania, and West Virginia. In Virginia, the General Assembly approved legislation in 2019 to allow voters in five cities to decide whether the state should license a casino in their city. In the November 2020 general election, voters approved casinos in Bristol (Hard Rock), Danville (Caesars), Norfolk (Pamunkey), and Portsmouth (Rivers). Voters have twice rejected plans for a casino in Richmond.

Delaware

In July 1994, VLT legislation passed, authorizing slots at Delaware's three racetracks – Delaware Park, Bally's Dover (formerly Dover Downs), and Harrington Raceway. In May 2010, table games were introduced at Delaware's racetrack casinos (racinos). As of August 31, 2023, Delaware's racinos have generated approximately \$322.6 million in gaming revenues in calendar 2023.

As of September 2023, Delaware Park operates 1,861 VLTs and 54 table games; Bally's Dover operates 2,014 VLTs and 30 table games; and Harrington Raceway operates 1,321 VLTs and 22 table games.

Pennsylvania

In 2004, Pennsylvania lawmakers passed the Pennsylvania Race Horse Development and Gaming Act to help the state's struggling racetracks. The legislation allowed the public to play VLTs at racetracks, stand-alone casinos, and resort casinos. Racetracks and stand-alone casinos could install up to 5,000 VLTs, while resort casinos were limited to 600. Casinos in the state have been permitted to operate table games since July 2010. Racinos and stand-alone casinos were allowed up to 250 table games, while resort casinos were limited to a maximum of 50 table games.

There are 17 racinos and casinos with approximately 25,206 VLTs and 1,394 table games operating in Pennsylvania. In calendar 2023, Pennsylvania's racinos and casinos have generated approximately \$2.3 billion in gaming revenue as of August 31, 2023.

Finally, the Truck Stop and Satellite Casino Act of 2017 authorized up to five video gaming terminals (VGT) at each approved truck stop. As of August 31, 2023, a total of 69 VGT establishments in Pennsylvania generated approximately \$27.8 million in gaming revenue in calendar 2023.

West Virginia

In 1994, VLTs were authorized at West Virginia's four thoroughbred and greyhound racetracks – Hollywood Casino at Charles Town Races, Mardi Gras Racetrack in Charleston, Mountaineer Racetrack in New Cumberland, and Wheeling Island Racetrack. In 2007, West Virginia authorized the state's four existing racinos to offer table games. Both gambling measures were subject to voter approval via local referendum. The Greenbrier Resort became the state's fifth VLT location with table games in 2009. As of September 9, 2023, West Virginia's racinos and Greenbrier Resort have generated approximately \$428.9 million in gaming revenues in calendar 2023.

As of July 1, 2023, Hollywood Casino at Charles Town Races operated 1,801 VLTs and 96 table games; Mardi Gras Racetrack operated 641 VLTs and 45 table games; Mountaineer Racetrack operated 1,045 VLTs and 26 table games; Wheeling Island operated 912 VLTs and 30 table games; and Greenbrier Resort operated 131 VLTs and 30 table games.

In 2001, the West Virginia Legislature passed the Limited Video Lottery (LVL) Act, allowing for a limited number of video lottery terminals at licensed West Virginia bars, clubs, and fraternal organizations. The measure restricted the total number of LVL terminals to no more than 9,000. West Virginia's LVL locations generated approximately \$483.8 million in gaming revenues in fiscal 2023.

As of July 1, 2023, 8,647 of the 9,000 authorized limited video lottery machines were operating at 1,171 licensed locations throughout West Virginia.

Virginia

In 2020, the voters of Bristol, Danville, Norfolk, and Portsmouth approved casinos in their city. The first casino to open was Hard Rock Bristol, which opened a temporary facility on July 8, 2022. The permanent Hard Rock Bristol is expected to open in July 2024. Rivers Casino Portsmouth soon followed with its opening on January 23, 2023. Caesar's Virginia in Danville opened an interim casino on May 15, 2023. The permanent casino is expected to open in late 2024. As of August 31, 2023, Virginia's casinos have generated approximately \$343.8 million in gross gaming revenues in calendar 2023.

As of September 2023, Rivers Casino operates 1,459 VLTs and 81 table games Caesar's Virginia operates 826 VLTs and 25 table games; Hard Rock Bristol operates 920 VLTs and 29 table games; and the casino license for HeadWaters Resort & Casino in Norfolk is still pending.

Exhibit 3.6 shows fiscal 2023 VLT and table games revenue for Delaware, Pennsylvania, Virginia, and West Virginia as well as information on the number of VLTs, table games, and facilities operating in those states as of September 2023.

Exhibit 3.6
Casino Gaming in Maryland and Surrounding States

<u>State</u>	<u>Locations</u>	<u>Fiscal 2023 Revenue (\$ in Millions)</u>	<u>VLTs</u>	<u>Table Games</u>
<i>Casinos</i>				
Maryland	6	\$2,060.3	9,722	564
Pennsylvania	17	3,426.3	25,206	1,394
Delaware	3	468.1	5,196	106
West Virginia	5	608.7	4,530	227
Virginia	3	313.4	3,205	135
<i>VGT</i>				
Pennsylvania	69	42.1	345	n/a
<i>LVL</i>				
West Virginia	1,171	483.8	8,647	n/a

LVL: limited video lottery
VGT: video gaming terminal
VLT: video lottery terminal

Source: Maryland State Lottery; Pennsylvania Gaming Control Board; Delaware Lottery; Virginia Lottery, West Virginia Lottery

Chapter 4. Sports Wagering in Maryland

Background

In 1992, the federal Professional Amateur Sports Protection Act (PASPA) made betting on sports illegal under federal law in all but four states (Delaware, Montana, Nevada, and Oregon) that authorized sports betting before the law took effect. New Jersey challenged the PASPA in the U.S. Supreme Court in *Murphy v. National Collegiate Athletic Association*, arguing that the law violated the U.S. Constitution by “commandeering” the states into enforcing federal law. The U.S. Supreme Court ruled in May 2018 that the PASPA was unconstitutional, leaving states free to authorize sports betting.

One month after the ruling in *Murphy*, New Jersey’s sports betting operations went live and betting began in Mississippi and West Virginia, coinciding with the start of the regular professional football season. In Maryland, a constitutional amendment approved by voters at the November 2020 general election authorized sports betting in the State.

As of September 2023, sports betting operations are underway in 35 states (including Maryland) and the District of Columbia and will soon be underway in 3 more (Maine, Nebraska, and Vermont). According to Legal Sports Report, the sports betting industry in the United States has generated approximately \$3.6 billion in state taxes.

Sports Wagering Legislation

Authorization and Implementation

In Maryland, the legalization of sports betting was considered an expansion of commercial gaming. Chapter 5 of the 2007 special session amended the Maryland Constitution so that after November 15, 2008, the General Assembly may only authorize additional forms or an expansion of commercial gaming if approved through a referendum by a majority of the voters in a general election. Chapter 492 of 2020, a constitutional amendment approved by Maryland voters at the November 2020 general election, authorized sports and event wagering in Maryland contingent upon implementation legislation passed by the General Assembly.

Chapter 356 of 2021 established the operational and regulatory framework for the State’s sports wagering program. Sports wagering licenses are awarded by the Sports Wagering Application Review Commission (SWARC), the members of which were appointed by the Governor, the President of the Senate, and the Speaker of the House of Delegates. The State Lottery and Gaming Control Commission (SLGCC) must qualify an applicant before a license may be awarded by SWARC through a process that includes background investigations of the applicants and their principals. On award of a license by SWARC, SLGCC must issue a license to an applicant that meets the requirements for licensure. SLGCC is required to generally regulate

sports wagering to the same extent that it regulates the operation of video lottery terminals and table games in the State.

A summary of the sports wagering provisions under Chapter 356 is provided in **Exhibit 4.1**.

Exhibit 4.1
Summary of Sports Wagering Implementing Legislation

Oversight	State Lottery and Gaming Control Commission (SLGCC)	
Licenses	<p>10 Class A and 7 Class B designated sports wagering facility licensees</p> <p>Up to 30 Class B-1 or B-2 facility licenses awarded on a competitive basis</p> <ul style="list-style-type: none"> Class B-2 licenses are reserved for applicants with less than 25 employees or \$3,000,000 in annual gross receipts <p>Up to 60 mobile sports wagering licenses awarded on a competitive basis</p>	
Designated Sports Wagering Facility Licensees	<p>Class A-1</p> <p>Class A-2</p> <p>Class B</p>	<ul style="list-style-type: none"> Three video lottery facilities – Live! in Anne Arundel County, Horseshoe in Baltimore City, and MGM National Harbor in Prince George’s County Three professional sports stadiums/teams – M&T Bank Stadium and Oriole Park in Baltimore City and FedEx Field in Prince George’s County Three video lottery facilities – Rocky Gap in Allegany County, Hollywood in Cecil County, and Ocean Downs in Worcester County Maryland Jockey Club (operator of Laurel Park and Pimlico racecourses) Maryland State Fairgrounds four off-track betting locations – Greenmount Station in Carroll County, Riverboat on the Potomac in Charles County, Long Shot’s in Frederick County, and Chesapeake Gaming in Washington County two commercial bingo facilities with at least 200 machines – Bingo World in Anne Arundel County and Rod ‘N’ Reel in Calvert County

Sports Wagering Application Review Commission (SWARC)	<p>7 members:</p> <ul style="list-style-type: none"> • 3 appointed by the Governor, including the chair; • 2 appointed by the Senate President; and • 2 appointed by the House Speaker <p>Staffed by SLGCC and the Department of Legislative Services (DLS)</p> <p>DLS must contract with an independent consultant to assist SWARC in the review and analysis of license applications</p>
License Restrictions	<p>Class A licensees are not eligible for a Class B license</p> <p>Class B licenses may not be awarded for facilities within:</p> <ul style="list-style-type: none"> • a 15-mile radius of a Class A facility in Allegany, Cecil, or Worcester counties; or • a 1.5-mile radius of a Class A facility in any other county <p>Licensees may only sell or transfer ownership of the license if the licensee was actively engaged in Maryland sports wagering operations for at least three years</p> <p>Mobile licensees may not contract with more than one online sports wagering operator to conduct sports wagering on the licensee's behalf</p>
License Duration	Five years (must reapply at the end of license term)
Application Fees	<p>Applicants for a sports wagering license must pay a nonrefundable application fee:</p> <ul style="list-style-type: none"> • Class A-1 (\$2,000,000) • Class A-2 (\$1,000,000) • Class B-1 (\$250,000) • Class B-2 (\$50,000) • Mobile license (\$500,000)
License Renewal Fee	1% of the licensee's average annual proceeds from sports wagering revenues for the preceding three years, less proceeds distributed to the State

Distribution of Sports Wagering Proceeds and Fees	<p><i>Distribution of Proceeds:</i></p> <ul style="list-style-type: none"> • 85% to the sports wagering licensee; and • the remainder (15%) to the Blueprint for Maryland’s Future Fund (BMFF) <p><i>Distribution of Application and License Renewal Fees:</i></p> <ul style="list-style-type: none"> • amount necessary to reimburse the Maryland Lottery and Gaming Control Agency for expenses related to the issuance and renewal of sports wagering licenses; • 5% collected for Class A licenses to the Small, Minority-owned, and Women-owned Business Sports Wagering Assistance Fund; and • remainder to the BMFF
BMFF	<p>Created by Chapter 771 of 2019 as the successor to the Commission on Innovation and Excellence in Education Fund</p> <p>Purpose of the fund is 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</p>
Small, Minority-owned, and Women-owned Business Sports Wagering Assistance Fund	<p>Created to provide grants or loans to small, minority-owned, and women-owned businesses to facilitate participation in the sports wagering industry</p>
Problem Gambling Fund	<p>Expenditures from the Problem Gambling Fund may be used to develop and implement free or reduced-cost problem gambling treatment and prevention programs targeted at individuals with problem gambling issues related to sports wagering</p> <p>Winning wagers on a sporting event that are not claimed within 182 days become the property of the State and are distributed to the Problem Gambling Fund</p>

Construction and Procurement	<p>To the extent practicable and authorized by the U.S. Constitution, licensees must meet State Minority Business Enterprise (MBE) requirements for construction/procurement contracts. Requirement sunsets on July 1, 2024</p> <p>Within six months of the issuance of a sports wagering license, the Governor’s Office of Small, Minority, and Women Business Affairs — in consultation with the Office of the Attorney General and the licensee — must establish a clear plan for setting reasonable and appropriate MBE participation goals for the procurement of goods and services related to sports wagering</p>
Competitive License Award Considerations	<p>When awarding competitive licenses, SWARC must:</p> <ul style="list-style-type: none"> • consider whether a facility will be located in an opportunity or enterprise zone; • consider allowing early access to the mobile sports wagering market for applicants that have a meaningful partnership with minorities, women, and minority or women-owned businesses; • actively seek to achieve racial, ethnic, and gender diversity when awarding licenses; • encourage small, minority, or women-owned businesses to apply for sports wagering licenses; and • determine and declare that awarding the license is in the public interest
Permissible Wagers	<p>Wagers on “sporting events” made by an individual physically present at a licensed facility, including wagers made on a self-service kiosk, device, or machine located in the licensed facility</p> <p>Mobile wagers made by an individual physically located in Maryland</p>

Prohibited Wagers	<p>Wagers on high school sports or athletic events are not permitted.</p> <p>Wagers are not permitted if made by individuals who are:</p> <ul style="list-style-type: none"> • under the age of 21; • not physically present in the State; • athletes, coaches, or referees; • managers, handlers, or athletic trainers in a position of authority or influence over athletes; • directors or employees of a sports governing entity or any of its member teams; • identified on a mandatory or voluntary sports wagering exclusion list; or • officers and employees of a sports wagering licensee or operator
Consumer Protections	<p>Mobile licensees must have in place technical and operational measures to prevent access by underage and other prohibited individuals</p> <p>SLGCC to adopt regulations that establish:</p> <ul style="list-style-type: none"> • a list of individuals to be excluded from a sports wagering facility or website; • maximum wager amounts that may be accepted from a single bettor on a single sporting event; and • acceptable forms of payment and advance deposit methods by bettors

Source: Department of Legislative Services

Post-implementation Sports Wagering Legislation

2022 Session

Chapter 257 of 2022 altered the Class B license exclusion zones established under Chapter 356 by providing that, for applications for a sports wagering facility license submitted before June 1, 2025, SWARC may not award a Class B license for a location within (1) a 15-mile radius of a certain Class B sports wagering facility in Charles County; (2) a 10-mile radius of a certain Class B sports wagering facility in Carroll County; or (3) a 5-mile radius of a certain

Class B sports wagering facility in Frederick County. In addition, the Act authorized SWARC to award a Class B license within a 15-mile radius of a video lottery facility located in Allegany County before the issuance of a Class A sports wagering license to that facility.

Chapter 255 of 2022 prohibited the admissions and amusement tax from being imposed on any proceeds from sports wagering.

2023 Session

Chapter 638 of 2023 required SLGCC to license independent evaluators to evaluate and rate sports wagering content provided by sports wagering experts, sports wagering influencers, and content partners. A sports wagering licensee or operator that advertises in the State may contract with a licensed independent evaluator. The Act also authorized SLGCC and SWARC to consider a request received in writing on or before December 31, 2023, to amend a Class B-2 sports wagering facility license application for the purpose of altering the facility's proposed location, if the applicant was awarded a sports wagering facility license on or before February 15, 2023.

Chapters 700 and 701 of 2023 prohibited an institution of higher education from entering into a contract with a regulated gaming entity or its agent, if, under the terms of the contract, the institution of higher education receives a commission, a bonus, or any other incentive payment based on the success of securing student participation in sports wagering or online sports wagering. In addition, the Acts prohibited an institution of higher education from entering into a contract with a sports marketing entity that enters into a contract with a regulated gaming entity, or an agent thereof, if any of the entities involved receives a commission, a bonus, or any other incentive payments under the conditions described above.

Award of Licenses and Launch of Sports Wagering Operations

Designated Licenses

In September 2021, SLGCC began accepting applications from designated licensees for sports wagering facility licenses. SLGCC approved alternative licensing standards, effectively expediting the qualification process for applicants that currently hold Maryland gaming licenses. SWARC approved sports wagering facility licenses for these applicants and, as of September 2023, all but 1 (Chesapeake Gaming) of the 10 gaming licensees have launched sports wagering operations at their facilities. In addition, a license to operate sports wagering at FedEx Field in Prince George's County was awarded in August 2022. **Exhibit 4.2** shows the revenues generated at these facilities and distributions to the Blueprint for Maryland's Future Fund (BMFF). Applications from all but four of the remaining designated licensees (M&T Bank Stadium, Oriole Park, Rocky Gap Casino, and Rod 'N' Reel) are in progress.

Exhibit 4.2
Maryland Sports Wagering Revenue
December 2021 to August 2023

	<u>First Bet Placed</u>	<u>Total Handle¹</u>	<u>Revenue²</u>	<u>BMFF</u>
Designated Facility				
MGM National Harbor	12/9/21	\$139,038,052	\$15,436,271	\$2,316,012
Live! Casino and Hotel	12/10/21	169,818,457	20,068,329	3,010,249
Horseshoe Casino	12/10/21	64,375,743	7,967,119	1,195,068
Ocean Downs Casino	12/17/21	25,564,412	3,586,651	537,998
Hollywood Casino	12/23/21	29,316,019	2,684,565	402,685
Bingo World	8/1/22	8,637,722	1,329,673	199,451
Riverboat on the Potomac	9/8/22	2,396,647	185,983	27,897
Greenmount	10/28/22	1,058,956	163,411	24,512
Long Shot's in Frederick	11/18/22	1,744,893	303,917	45,588
Maryland Stadium Sub	1/1/23	2,704,217	104,616	15,692
Green Turtle – Canton ³	9/1/23	1,630	1,626	244
Whitman Gaming ⁴	9/2/23	2,105	2,093	314
Total		\$444,658,853	\$51,834,254	\$7,775,710
Mobile Wagering				
BetMGM	11/23/22	\$289,196,518	\$9,887,596	\$1,483,139
Bingo World	11/23/22	28,887,016	663,478	99,522
Horseshoe Casino	11/23/22	143,944,110	4,948,025	742,204
Draft Kings	11/23/22	1,052,412,824	43,395,677	6,509,352
Hollywood Casino	11/23/22	84,367,130	3,341,436	501,215
Live! Casino	11/23/22	1,478,752,366	111,627,466	16,744,120
Riverboat on the Potomac	11/23/22	34,854,032	883,940	132,591
Long Shot's	2/9/23	6,990,826	27,563	4,134
SuperBook	4/13/23	2,359,317	106,663	15,999
Maryland Stadium Sub	6/1/23	10,180,982	0.00	0.00
Crab Sports	7/13/23	496,080	1,018	153
Greenmount	8/10/23	180,496	12,460	1,869
Total		\$3,132,621,697	\$174,895,322	\$26,234,298

BMFF: Blueprint for Maryland's Future Fund

¹ Handle is the total amount of all wagers.

² Revenue is gross gaming revenue (handle minus total win) minus various payouts (e.g., promotional credits, excise taxes, losses carried forward.).

³ Controlled demonstrations on August 28 and 30, 2023.

⁴ Controlled demonstrations on August 29 and 31, 2023.

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

Source: Maryland Lottery and Gaming Control Agency

Competitive Licenses

Chapter 356 required SWARC to actively seek to achieve racial, ethnic, and gender diversity when awarding competitive facility and mobile licenses and encourage small, minority, and women-owned businesses to apply. Before SWARC could begin accepting applications for competitive Class B facility and mobile sports wagering licenses, SWARC was tasked with adopting emergency regulations governing the application process that are based on an evaluation of an industry analysis and disparity study, which was completed in August 2022.

Based on available data from the industry analysis and disparity study, SWARC concluded that it cannot, consistent with the U.S. Constitution, apply race- and gender-conscious measures in connection with the award of sports wagering licenses. As a consequence, the emergency regulations instead require applicants to demonstrate at least 5% ownership by individuals with a net worth of no more than \$1.847 million. In addition, as a part of the application process, SWARC required applicants to submit a diversity plan to SWARC within 30 days of an award of a license to the applicant.

The emergency regulations were approved by the Joint Committee on Administrative, Executive, and Legislative Review on September 2, 2022. SWARC opened the application process for competitive sports wagering licenses on September 6, 2022, and the application period closed on October 21, 2022.

As of September 2023, SWARC has awarded 5 of the 30 authorized competitive Class B facility licenses and 16 of the 60 authorized mobile licenses:

Facility Licensees

- Canton Gaming – Greene Turtle, Canton
- Canton Gaming – Greene Turtle, Towson
- Kathe P. Hospitality – Michael’s on the South River, Riva
- Long Shot’s – Hagerstown
- Whitman Gaming, Inc. – Sports & Social, North Bethesda

Mobile Licensees

- Arundel Amusements, Inc. (Bingo World & Bet Rivers Sportsbook)
- Bally’s Interactive

- BetMGM Maryland Sports LLC
- Crab Sports
- Crown MD Online Gaming LLC (DraftKings)
- CZR Maryland Mobile Opportunity LLC (Horseshoe Casino Baltimore)
- Greenmount OTB LLC
- Long Shot's LLC
- Maryland Stadium Sub LLC
- PENN Maryland OSB LLC (Hollywood Casino Perryville)
- PPE Maryland Mobile LLC (Live! Casino & Hotel)
- Queen Sportsbook Maryland LLC
- Riverboat on the Potomac
- SBOPCO, LLC (SuperBook)
- Veterans Services Corp.
- WSI US, LLC (WynnBET)

While none of the 5 Class B facility licensees have launched sports betting operations as of September 2023, 12 of the 16 mobile licensees have begun accepting online bets. The revenues generated under those licenses and distributions to the BMFF are shown in Exhibit 4.2.

Projected Revenues

The estimated State revenues from sports wagering in fiscal 2024 through 2028 are shown in **Exhibit 4.3**.

Exhibit 4.3
Distribution of Estimated State Sports Wagering Revenues
Fiscal 2024-2028
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
State Revenues					
Sports Wagering – Retail	\$1.7	\$2.1	\$2.1	\$2.1	\$2.2
Sports Wagering – Mobile	32.1	45.1	45.8	46.5	47.2
Sports Wagering License Fees	0.0	0.0	0.0	0.0	0.1
Total	\$33.8	\$47.2	\$47.9	\$48.6	\$49.4
Distribution					
BMFF	\$33.8	\$47.2	\$47.9	\$48.6	\$49.4
SWAF ¹	0.0	0.0	0.0	0.0	0.0
Problem Gambling Fund ²	1.7	1.3	1.3	1.3	1.4

BMFF: Blueprint for Maryland's Future Fund

SWAF: Small, Minority-owned, and Women-owned Business Sports Wagering Assistance

¹ 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 SWAF. Five percent of renewal fees are transferred to the SWAF.

² Player winnings not claimed within 182 days are distributed to the Problem Gambling Fund.

Source: Board of Revenue Estimates; Department of Legislative Services

Sports Wagering in Surrounding States

As of September 2023, sports wagering operations are underway in the District of Columbia and 35 states, including all of Maryland's surrounding states. Betting in the District of Columbia is limited to the DC Lottery's mobile platform and four physical sportsbooks. In Delaware, betting is in-person only at its three racetracks. Pennsylvania, Virginia, and West Virginia offer mobile and in-person sports wagering. **Exhibit 4.4** shows how the surrounding states have structured their sports wagering operations and the revenues generated since going live.

Exhibit 4.4 Sports Wagering in Surrounding States

<u>State</u>	<u>First Bet Placed</u>	<u>Tax Rate</u>	<u>Active Betting Locations</u>	<u>Mobile Betting</u>	<u>Sportsbook Data (Launch Date through August 2023)</u>
Delaware	6/5/18	59.8%-60.2% (includes % for race purses)	Racetracks (3)	No	Handle ³ – \$570,231,756 Revenue ⁴ – \$112,195,366 State Share – \$66,237,883
West Virginia	8/30/18	10%	Racetracks (4) and the private club at Greenbriar	Yes	Handle – \$2,075,670,352 Revenue – \$174,836,402 State Share – \$17,485,550
Pennsylvania	11/17/18	36% (includes a 2% local share)	Casinos and racetracks (17)	Yes	Handle – \$23,159,889,163 Revenue – \$1,886,906,147 State Share – \$470,192,881
Washington, DC	5/8/20	10%	Capital One Arena, Nationals Park, and Grand Central Restaurant, Bar, & Sportsbook ¹	Yes	Handle – \$606,421,179 Revenue – \$74,928,775 District Share – \$18,925,684
Virginia	1/21/21	15%	Casinos (3) ²	Yes	Handle ⁵ – \$11,041,917,705 Revenue – \$1,069,954,642 State Share – \$110,710,133

¹ Betting locations authorized in Washington, DC but not yet active include lottery retailers, private sports betting facilities, Audi Field, and St. Elizabeth's East Entertainment and Sports Arena.

² Betting locations authorized in Virginia but not yet active include one unbuilt casino, two auto racing tracks, and a professional football stadium (if the Washington Football Team relocates from Maryland to Virginia).

³ Handle is the total amount of all wagers.

⁴ Revenue is gross gaming revenue (handle minus total win) minus various payouts (e.g., promotional credits, excise taxes, vendor fees) to arrive at "taxable" revenue.

⁵ Sportsbook data updated only through July 2023.

Source: Department of Legislative Services

Appendix 1

A summary of Senate Bill 3 (Chapter 4 of the 2007 special session) is provided below.

	Summary of Video Lottery Terminal Implementing Legislation
Oversight	<p>Nine-member State Lottery Commission:</p> <ul style="list-style-type: none"> • no elected officials may be appointed to the commission; • addition of four members to existing five-member commission; and • member of Lottery Commission as liaison to Racing Commission and vice versa. <p>State Lottery Commission owns/leases video lottery terminals (VLT) and central monitor and control system.</p>
Licenses	<p>Up to five licenses to be awarded (eligible locations specified).</p> <p>No more than one in any county.</p>
Locations and Number of VLTs	<p>15,000 machines:</p> <ul style="list-style-type: none"> • 4,750 VLTs at a location in Anne Arundel County within two miles of Route 295; • 3,750 VLTs in Baltimore City, in a nonresidential area within one-half mile of Interstate 95 and Route 295, and not adjacent to or within one-quarter mile of residential property and on city-owned land; • 2,500 VLTs at a location in Worcester County within one mile of the intersection of Route 50 and Route 589; • 2,500 VLTs at a location in Cecil County within two miles of Interstate 95; and • 1,500 VLTs on State property in Allegany County associated with the Rocky Gap State Park in a building physically separate from the Rocky Gap Lodge and Golf Resort. <p>Video Lottery Facility Location Commission may alter 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.</p>

Video Lottery Facility Location Commission	<p>Seven members:</p> <ul style="list-style-type: none"> • three appointed by the Governor, including the chair; • two appointed by the Senate President; and • two appointed by the House Speaker.
Limits on License Ownership	Prohibits ownership in more than one video lottery operation license.
Business Investment Lottery (Administration) Local Government Horse Racing Industry Licensee (Operator) Education Trust Fund	<p><u>Percentage of Gross VLT Revenue</u></p> <p>1.5% to a small, minority, and women-owned business investment account;</p> <p>2% to the State Lottery for administrative costs, with other costs provided for in the annual State budget;</p> <p>5.5% to local governments in which a video lottery facility is operating, 18% of which would go for 15 years (starting in fiscal 2012 and ending in fiscal 2027) to Baltimore City through the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft (\$1 million annually);</p> <p>7% to a purse dedication account to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually;</p> <p>2.5% for an eight-year period to a Racetrack Renewal Fund, not to exceed \$40 million annually;</p> <p>33% to video lottery operation licensees; and</p> <p>the remainder to Education Trust Fund (48.5%).</p>
Education Trust Fund	To be used for the Bridge to Excellence in Public Schools Act funding (including the Geographic Cost of Education Index), public school construction, and public higher education construction, including community colleges.

Purse Dedication Account	<p>Provides for the distribution to be allocated with 80% of the funds for the thoroughbred industry and 20% of the funds to the standardbred industry:</p> <ul style="list-style-type: none"> • from the proceeds allocated to the thoroughbred industry: <ul style="list-style-type: none"> • 85% to thoroughbred purses; • 15% to the Maryland-bred Race Fund; and • \$100,000 to Fair Hill. • from the proceeds allocated to the standardbred industry: <ul style="list-style-type: none"> • 85% to standardbred purses; and • 15% to the Standardbred Race Fund. <p>Requires the State Racing Commission to conduct a study on the account's impact on the racing industry and make a recommendation regarding the account's continuation by 2014.</p>
Racetrack Facility Renewal Account	<p>Provides for distribution of the funds in matching grants:</p> <ul style="list-style-type: none"> • 80% to Pimlico, Laurel, and Timonium; and • 20% to Rosecroft and Ocean Downs. <p>\$1 million per year for five years could be allocated to Timonium with no matching fund requirement.</p>
License Fees	Initial license fee of at least \$3 million for every 500 VLTs (as a result, up to \$90 million to accrue to the Education Trust Fund) due with bid submission by February 1, 2009.
License Duration	15 years (must reapply at the end of license term).

Construction and Procurement	<p>License applicant must meet State Minority Business Enterprise (MBE) requirements for construction/procurement contracts and to the extent possible meet county MBE requirements if they exceed the State requirement. Requirement sunsets on July 1, 2011.</p> <p>License applicant must invest \$25 million in construction and related costs for every 500 VLTs proposed in bid.</p>
Small, Minority, and Women-owned Business Investment	<p>1.5% of gross VLT proceeds to support investment capital and loans to small, minority, and women-owned businesses (at least 50% to fund businesses near a VLT facility).</p>
License Award Factors	<p>Video Lottery Facility Location Commission to evaluate competitive sealed bids based on:</p> <ul style="list-style-type: none"> • 70% on business and market factors, including the highest potential benefit to the State and percentage of MBE equity ownership; • 15% on economic development factors; and • 15% on location siting factors.
<p>Racing Days</p> <p>Preakness Stakes</p> <p>Racing Improvement Plans</p>	<p><u>Eligibility for Purse Subsidies and Racetrack Renewal Funds</u></p> <p>Laurel/Pimlico must maintain a combined minimum of 220 live racing days to be eligible for racetrack renewal funds; Rosecroft must maintain at least 90 live racing days and Ocean Downs at least 40 live racing days to be eligible. The Racing Commission is required to award at least 40 racing days to Pimlico Race Course.</p> <p>The VLT and/or horse racing licensee conducting the Preakness must run the event at Pimlico – or conditionally, another location in Maryland – to maintain eligibility for a VLT license and/or racetrack renewal funds.</p> <p>Horse racing licensees must develop a racing improvement plan to improve the quality and marketing of horse racing – including \$1.5 million of annual capital maintenance and improvements at horse racing facilities to be eligible for purse subsidies/racetrack renewal funds.</p>

Laurel Park	<p>If a video lottery operation license is issued to Laurel Park:</p> <ul style="list-style-type: none"> the licensee must maintain Bowie Training Center operations or convey the training center property to the State under Program Open Space; and local impact grants would be distributed: <ul style="list-style-type: none"> 70% to Anne Arundel County; 13% to Howard County; 5% to Prince George's County; and 12% to the City of Laurel.
Baltimore City	95% of revenues received by Baltimore City through a partnership with a video lottery operation licensee shall be used to reduce real property taxes and for public school construction.
Worcester County	<p>Maryland Department of Transportation may pay for and undertake road construction along Route 589 near the area where the facility is located.</p> <p>Within a 10-mile radius of the facilities, the video lottery operation licensee may not build public accommodations (<i>e.g.</i>, a hotel), a conference/convention center, nor amusement rides. Moreover, dancing, live music, and live entertainment are not allowed.</p> <p>Local impact grants would be distributed: 70% to Worcester County, 20% to Ocean City, and 10% to the Town of Berlin.</p>
Local Development Council	Creation of Local Development Council in each area where a VLT facility is located to advise, comment, and make recommendations on county plans regarding local government revenue.
Problem Gambling Fund and Prevalence Study	<p>\$425 annual fee per VLT terminal to be paid by VLT licensees for a Problem Gambling Fund administered by the Maryland Department of Health (MDH) (15,000 VLTs = \$6.4 million annually).</p> <p>Requires MDH to conduct a problem and pathological gambling prevalence study to measure the rate of problem and pathological gambling in the State.</p>

Annual VLT Payout Percentage	87% minimum.
Age Restrictions	Individuals under the age of 21 or intoxicated are prohibited from playing VLTs.
Free Food and Beverage Restrictions	Free food and alcoholic beverages are generally prohibited.
Exclusion Policy	By regulation, the commission shall provide for the establishment of a list of individuals to be excluded from VLT facilities.
Voluntary Exclusion Policy	VLT facilities required to develop procedures that permit self-exclusion from facilities for individuals with gambling problems.
State Lottery Games	p VLT facility may offer any State Lottery games.
Paycheck Cashing	Prohibits consumers from cashing paychecks.
Additional Consumer Protections	<p>Commission to adopt regulations to reduce or mitigate the effects of problem gaming including:</p> <ul style="list-style-type: none"> • limits on dollar amount accepted by VLTs; • payout of winnings above a certain amount by check; • limits on ATM numbers, locations, and maximum withdrawals; conspicuous disclosures related to VLT payouts and odds; and • consumer records of spending levels to the extent that marketing measures track spending.
Campaign Finance	Requires entities contributing more than \$10,000 to a campaign regarding the constitutional amendment to report four weeks before the November 2008 referendum.