

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 780  
Ways and Means

(Harford County Delegation)

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Harford County - War Veterans' Organizations - Slot Machines

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This bill authorizes war veterans' organizations in Harford County to own and operate no more than five slot machines at the principal meeting hall of the organization. Each war veterans' organization must annually undertake an independent audit of financial statements and submit a copy of the audit report as it relates to slot machine revenue to the Harford County Sheriff's Office.

The bill takes effect July 1, 2008.

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Fiscal Summary

**State Effect:** This bill will not directly affect State operations or finances.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** In order to operate a slot machine, an organization must obtain a license from the sheriff's office and pay a fee of \$50 per machine annually to the applicable county. An 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. The slot machine must be equipped with a tamperproof meter or counter that accurately records gross receipts.

One-half of the proceeds generated from slot machines must go to charity. The remainder of the proceeds must go 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 the disposition of these proceeds. The Comptroller's Office, however, does not have authority to audit these reports.

**Current Law:** Legislation was enacted in 1987 and 2007 authorizing certain nonprofit organizations to operate slot machines in the following eight Eastern Shore counties: Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, and Wicomico. The 1987 legislation required a nonprofit organization to be located in the county for at least five years prior to the application for a license and to be a fraternal, religious, or war veterans' organization.

Legislation enacted in 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.

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**Background:** Each county is responsible for regulating gaming activities conducted by civic and charitable organizations. There is no statewide reporting of gaming activities by civic and charitable 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. However, slot machine operators must use half of the proceeds from

slot machines to benefit a charity. State gaming law requirements currently apply to 15 counties.

In fiscal 2006, 49 Eastern Shore nonprofit organizations operated slot machines. These organizations donated approximately \$3.6 million to charity. Unaudited reports with complete data were available for 46 of the organizations. These 46 organizations operated 241 machines; the total amount bet was approximately \$55.5 million, 87% of which was returned to gamblers. Of the net proceeds of approximately \$7.1 million, \$3.6 million (51%) was disbursed to charity. Legislative Services notes that in reviewing the fiscal 2006 data, it appeared that several organizations were not in compliance with the 50% charity requirement or misclassified some contributions as charitable. Several organizations also submitted returns that were incomplete or mathematically incorrect.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 804 (Harford County Senators) – Rules.

**Information Source(s):** Harford County, Department of State Police, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2008  
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