

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 88 (Delegates Kipke and Costa)
Ways and Means

Video Lottery Facilities - Electronic Benefit Cards - Prohibition

This bill prohibits automated teller machines located at video lottery terminal facilities from accepting electronic benefit cards, debit cards, or similar items issued by the Department of Human Resources (DHR) for the purpose of accessing Temporary Cash Assistance (TCA).

Fiscal Summary

State Effect: None. The State Lottery Commission can adopt regulations with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background:

Video Lottery Facilities

During the 2007 special session, the General Assembly adopted two pieces of legislation pertaining to VLT gambling – Chapter 4 (Senate Bill 3) and Chapter 5 (House Bill 4). Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified restrictions. The constitutional amendment provided that (1) a maximum of five VLT facility licenses may be awarded within specified areas of the State; (2) no more than one facility license may be awarded in any county or Baltimore City; (3) a maximum of

15,000 VLTs may be authorized; and (4) VLT facilities must comply with any applicable planning and zoning laws of a local jurisdiction. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Chapter 624 of 2010 made several changes to the VLT program implemented by Chapter 4. Chapter 4 required the State Lottery Commission to adopt certain regulations to “protect the public interest” including regulations that limit the number and maximum withdrawal amounts from ATMs and prohibit the use of specified negotiable instruments at video lottery facilities and the use of credit cards and similar devices in VLTs.

VLT facility operation licenses are awarded by the Video Lottery Facility Location Commission. The State Lottery Commission oversees VLT operations and owns/leases VLTs and a central monitor and control system. The maximum of 15,000 VLTs are distributed as follows under the statute: 4,750 VLTs in Anne Arundel County; 3,750 VLTs in Baltimore City; 2,500 VLTs in Worcester County; 2,500 VLTs in Cecil County; and 1,500 VLTs in Allegany County (Rocky Gap State Park). The State Lottery Commission may reprimand or fine a licensee, or suspend or revoke a license for a violation of statute, regulation, or condition that the commission sets. Each violation is subject to a penalty not to exceed \$5,000 for each day a licensee is in violation.

The Video Lottery Facility Location Commission has awarded video lottery operation licenses for VLT facility locations in Anne Arundel, Cecil, and Worcester counties. Penn Cecil in Cecil County opened in late September 2010 with 1,500 VLTs and Ocean Downs in Worcester County opened in January 2010 with 750 (increasing to 800 in the near future) VLTs. Power Plant Entertainment (PPE) Casino Resorts, LLC was awarded a license in December 2009 to operate a 4,750 VLT facility adjacent to Arundel Mills Mall in Anne Arundel County, contingent upon local zoning approval. County officials subsequently approved zoning legislation, but the legislation was petitioned to a local voter referendum at the November 2010 election. Anne Arundel County voters approved the legislation, allowing the VLT facility to go forward. PPE plans to open a 2,000 VLT temporary facility by the end of 2011, with a permanent facility scheduled to open by the end of 2012. The licenses for Baltimore City and Allegany County are yet to be awarded.

Temporary Cash Assistance

As one of the components of the Family Investment Program, TCA provides monetary help to families with dependent children when available resources do not fully address the families’ needs. Recipients must meet a variety of financial and technical requirements and comply with substance abuse provisions and other eligibility conditions. The fiscal 2011 budget includes \$138.5 million in funding (of which \$124.4 million is federal funds) and assumes an average of a little less than 64,000 monthly recipients receiving an average benefit of \$186 per month per recipient.

The maximum benefit in fiscal 2011 is estimated to be \$574 month for a three-person household.

The Department of Human Resources operates an electronic benefit transfer (EBT) system under agreement with the U.S. Department of Health and Human Services and pursuant to U.S. Department of Agriculture regulations. The EBT card operates like a debit card and can be used at ATMs and also at stores through a point of sale machine. DHR advises that it is not aware of any EBT card restrictions. The State Lottery Agency advises that it could not determine if EBT cards could be accessed at existing VLT facilities in the State. The VLT facility operators procure ATMs for the facilities within specifications set in regulation.

TCA Card and Benefit Restrictions

Several states have restricted or proposed to restrict EBT card usage in response to published reports that TCA recipients in Washington and California were accessing benefits in casinos and other venues. The *Los Angeles Times* published a series of reports determining that EBT cards could be used at many of the casinos located in the state, and \$69 million in public assistance money was spent or withdrawn outside of the state, a portion of which occurred in popular vacation spots such as Hawaii, Las Vegas, and Miami as well as cruise ships. The *Times* estimated that the out-of-state spending represented less than 1% of the \$10.8 billion in public assistance money spent during the period examined. California state officials later determined that public assistance recipients withdrew \$1.8 million in benefits in casinos between October 2009 and May 2010. Governor Arnold Schwarzenegger directed EBT card access to be restricted, and as a result California EBT cardholders cannot access cash benefits at adult entertainment venues, gambling locations, spa/massage parlors, cannabis retailers, tobacco retailers, tattoo/piercing shops, bail bonds, and cruise ships.

In September 2010 Washington state announced plans to monitor California's policy and examine ways to restrict access to EBT cards at casinos after published newspaper accounts stated that EBT cards were being used to access money at casinos and adult venues in Washington. Using public assistance for gambling is expressly prohibited under state law.

In addition, other states have sought to prevent EBT card usage at casinos and for the purchase of alcohol, firearms, and purchases at nightclubs and adult entertainment venues and tattoo or body art shops. Debit cards for welfare recipients will not work in ATMs in Pennsylvania casinos due to regulations, but debit cards for unemployment benefits work in those same ATMs, according to the Pennsylvania Gaming Control Board.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): California EBT Card Website (www.ebt.ca.gov), Department of Human Resources, *Los Angeles Times*, King Broadcasting Company, Maryland State Lottery Agency, *Republican Herald*, Washington State Department of Social and Health Services, Department of Legislative Services

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