

# HOUSE BILL 535

C7  
HB 579/13 – W&M

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By: **Delegates Elliott, Bates, Boteler, Clagett, Cluster, DeBoy, Dwyer, Frank, Frush, George, Glass, Hough, Howard, Impallaria, Krebs, McComas, McDermott, McDonough, Minnick, Myers, Rudolph, Schulz, Smigiel, Sophocleus, Stocksdale, Szeliga, Vitale, Weir, and Wood**

Introduced and read first time: January 29, 2014

Assigned to: Ways and Means

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## A BILL ENTITLED

AN ACT concerning

### **Veterans' Organizations – Instant Ticket Lottery Machines – Use of Proceeds**

FOR the purpose of altering the allocation of proceeds from instant ticket lottery machines operated by veterans' organizations; requiring that a certain amount of the net after-payout proceeds be used to benefit a charity and that the remainder of the proceeds be used to further the purposes of the veterans' organization; repealing a prohibition against using certain receipts from the sale of tickets from instant ticket lottery machines for a certain purpose under certain circumstances; repealing certain provisions regarding the composition of the Maryland Veterans Trust Fund; and generally relating to proceeds from instant ticket lottery machines operated by certain veterans' organizations.

BY repealing and reenacting, with amendments,  
Article – State Government  
Section 9–112, 9–120, and 9–913  
Annotated Code of Maryland  
(2009 Replacement Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

### **Article – State Government**

9–112.

(a) In this section, “veterans' organization” means an organization that is tax exempt and organized as a veterans' organization under § 501(c)(19) or § 501(c)(4) of the Internal Revenue Code.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(b) Except as provided in subsection (d) of this section, in accordance with the regulations of the Agency and this subtitle, the Director shall issue licenses to the persons and governmental units that will best serve the public convenience and promote the sale of State lottery tickets or shares.

(c) Before issuing a license to an applicant, the Director shall consider such factors as:

(1) the financial responsibility and security of the applicant and the business or activity of the applicant;

(2) the accessibility of the place of business or activity to the public;

(3) the sufficiency of existing licenses to serve the public convenience;  
and

(4) the volume of expected sales.

(d) (1) This subsection does not apply in:

(i) Caroline County;

(ii) Cecil County;

(iii) Dorchester County;

(iv) Kent County;

(v) Queen Anne's County;

(vi) Somerset County;

(vii) Talbot County;

(viii) Wicomico County; and

(ix) Worcester County.

(2) (i) Subject to subparagraph (ii) of this paragraph, the Director may issue a license under this subtitle for not more than five instant ticket lottery machines to an applicant that is a veterans' organization.

(ii) A veterans' organization that is issued a license under this subsection shall locate and operate its instant ticket lottery machines at its principal meeting hall in the county in which the veterans' organization is located.

(3) [After deduction of any commission and validation prize payout as provided under § 9–117 of this subtitle, a] **A** veterans’ organization issued a license under this subsection shall [credit the remaining receipts from the sale of tickets from instant ticket lottery machines to the State Lottery Fund established under § 9–118 of this subtitle] **USE:**

**(I) AT LEAST ONE–HALF OF THE NET AFTER–PAYOUT PROCEEDS FROM ITS INSTANT TICKET LOTTERY MACHINES FOR THE BENEFIT OF A CHARITY; AND**

**(II) THE REMAINDER OF THE PROCEEDS FROM ITS INSTANT TICKET LOTTERY MACHINES TO FURTHER THE PURPOSES OF THE VETERANS’ ORGANIZATION.**

(4) [(i) Subject to subparagraph (ii) of this paragraph, a] **A** veterans’ organization issued a license under this subsection shall purchase or lease the instant ticket lottery machines to be used by the veterans’ organization.

[(ii) An organization may not use receipts from the sale of tickets from instant ticket lottery machines that would otherwise be credited to the State Lottery Fund for the costs of purchasing or leasing instant ticket lottery machines.]

(5) The Director may adopt regulations to implement the provisions of this subsection that included restricting the location of instant ticket lottery machines in areas of a veterans’ organization’s public meeting hall that is accessible to the public.

(6) The State Lottery and Gaming Control Agency shall ensure that the element of chance in the conduct of the gaming through the instant ticket lottery machines established under this subsection is consistent with the holding in the case of *Chesapeake Amusements Inc. v. Riddle*, 363 Md. 16 (2001), in that the element of chance must be wholly within the pre–printed instant lottery ticket, and that player enhancements in an instant ticket lottery machine may not affect the element of chance being wholly within the pre–printed instant lottery ticket.

(e) The Director may not issue a license to:

(1) a person or governmental unit to engage in business primarily as a licensed agent; or

(2) an individual who is under the age of 21 years.

(f) The Commission may hear and decide an appeal of a denial of a license.

(a) The Comptroller shall distribute, or cause to be distributed, the State Lottery Fund to pay:

(1) on a pro rata basis for the daily and nondaily State lottery games, the expenses of administering and operating the State lottery, as authorized under this subtitle and the State budget; and

(2) then, except as provided in § 10–113.1 of the Family Law Article and § 11–618 of the Criminal Procedure Article, the holder of each winning ticket or share.

(b) (1) By the end of the month following collection, the Comptroller shall deposit or cause to be deposited:

(i) into the Maryland Stadium Facilities Fund established under § 7–312 of the State Finance and Procurement Article from the money that remains in the State Lottery Fund, after the distribution under subsection (a) of this section, an amount not to exceed \$20,000,000 in any fiscal year;

(ii) [after June 30, 2014, into the Maryland Veterans Trust Fund 10% of the money that remains in the State Lottery Fund from the proceeds of sales of tickets from instant ticket lottery machines by veterans' organizations under § 9–112(d) of this subtitle, after the distribution under subsection (a) of this section;

(iii)] after June 30, 2014, into the Baltimore City Public School Construction Financing Fund established under § 10–656 of the Economic Development Article the money that remains in the State Lottery Fund from the proceeds of all lotteries after the distributions under subsection (a) of this section and [items] ITEM (i) [and (ii)] of this paragraph, an amount equal to \$20,000,000 in each fiscal year that bonds are outstanding and unpaid, to be paid in two installments with at least \$10,000,000 paid no later than December 1 of each fiscal year; and

[(iv)] (III) into the General Fund of the State the money that remains in the State Lottery Fund from the proceeds of all lotteries after the distributions under subsection (a) of this section and items (i)[,] AND (ii)[, and (iii)] of this paragraph.

(2) The money paid into the General Fund under this subsection is available in the fiscal year in which the money accumulates in the State Lottery Fund.

(c) The regulations of the Agency shall apportion the money in the State Lottery Fund in accordance with subsection (b) of this section.

9–913.

(a) In this subtitle the following words have the meanings indicated.

- (b) “Board” means the Board of Trustees of the Maryland Veterans Trust.
- (c) “Fund” means the Maryland Veterans Trust Fund.
- (d) “Trust” means the Maryland Veterans Trust.
- (e) (1) There is a Maryland Veterans Trust established for the purpose of providing monetary and other assistance to:
  - (i) veterans and their families; and
  - (ii) public and private programs that support veterans and their families.
- (2) There is a Maryland Veterans Trust Fund.
- (f) The Trust shall be a body corporate and shall have perpetual existence, subject to modification or termination by the General Assembly if necessary to effectuate its purpose or if its substantial purpose ceases to exist.
- (g) The Fund consists of:
  - (1) gifts and grants that the Trust receives under § 9–914.2(a)(1) of this subtitle; and
  - (2) contributions to the Fund from the sale of tickets from instant ticket lottery machines under § 9–112(d) of this title].
- (h) Money in the Fund may only be used to:
  - (1) make grants and loans under § 9–914.2(a)(3) of this subtitle;
  - (2) be invested under § 9–914.3(b) of this subtitle; and
  - (3) pay the costs of administering the Fund through distribution to an administrative cost account in the Department.
- (i) Money expended from the Fund is not intended to take the place of funding that would otherwise be appropriated to the Department.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014.