

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 389
Ways and Means

(Delegate Mosby)

Gaming - Instant Ticket Lottery Machines - Fraternal Organizations

This bill adds fraternal organizations to the organizations that the State Lottery and Gaming Control Agency (SLGCA) may issue a license to for up to five instant ticket lottery (pull tab) machines. A fraternal organization, which includes a sororal organization, is any organization that is conducted solely for the benefit of its members and its beneficiaries, is operated on a lodge system with a ritualistic activity, and has a representative form of government. It does not include a college or high school fraternity or sorority or any other fraternal or sororal organization where membership is restricted wholly or largely to students or graduates of an educational institution or a professional school. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund revenues increase due to the distribution of proceeds from electronic pull tab machines beginning in FY 2019. Special fund revenues and expenditures from table games and the video lottery terminal (VLT) program may decrease and Maryland Veterans Trust Fund (MVTF) special fund revenues may decrease due to substitution effects of gaming revenues beginning in FY 2019. General fund expenditures for SLGCA may increase to implement and enforce the bill.

Local Effect: Minimal. To the extent that VLT and table game revenues decrease as a result of fraternal organizations operating pull tab machines, local impact grants decrease.

Small Business Effect: Minimal.

Analysis

Current Law: SLGCA may issue specified veterans' organizations a license for up to five pull tab machines. Veterans' organizations in counties on the Eastern Shore are not eligible.

A licensed veterans' organization must locate and operate its pull tab machines at its principal meeting hall in the county. After deductions for commissions and prize payouts, 10% of the proceeds are distributed to MVTF and the remainder goes to the general fund (via the State Lottery Fund). A licensed veterans' organization must purchase or lease the pull tab machines from SLGCA but may not use receipts from the sale of pull tabs that would otherwise go to the general fund to purchase or lease the machines.

Background: There were 77 veterans' organizations that were licensed for pull tab machines in fiscal 2017. SLGCA reports that net after payout sales for pull tab machines was \$8.4 million in fiscal 2017, and after agent commissions and expenses, general fund revenues increased by \$631,552 and MVTF funds increased by \$70,173 in fiscal 2017.

State Fiscal Effect: The impact on general fund and special fund revenues and expenditures will depend on the number of fraternal organizations that operate authorized pull tab machines, their location with respect to casinos and to veterans' organizations with pull tab machines, the actual payout rates on pull tabs that are offered, and the degree to which pull tab machines authorized by the bill constitute a substitute for casino gambling in the State. MVTF receives 10% of instant ticket proceeds only from veterans' organizations, so to the extent that revenues from pull tab machines at veterans' organizations decrease, special fund revenues to MVTF decrease. Although these impacts cannot be determined at this time, the additional machines are likely to generate increased revenues for the general fund, offset by minimal decreases in MVTF special fund revenues and special fund revenues from casinos. SLGCA advises that if at least 100 fraternal organizations operate pull tab machines, additional staff may be needed to manage the machines.

Based on U.S. Census data, there are approximately 250 fraternal organizations in the State that may be eligible to operate pull tab machines, but it is unknown how many will actually do so. *For illustrative purposes only*, if 100 fraternal organizations operate pull tab machines, general fund revenues increase by approximately \$1.0 million annually beginning in fiscal 2019, assuming the pull tab machines generate similar revenues as existing pull tab machines. This amount does not take into account any substitution effects.

Additional Information

Prior Introductions: A substantially similar bill, HB 1230 of 2017, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Lottery and Gaming Control Agency; U.S. Census Bureau; Department of Legislative Services

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