

HOUSE BILL 340

C7
SB 260/18 – B&T

9lr1704

By: **Delegates McKay and Wilson**

Introduced and read first time: January 28, 2019

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **State Lottery – Instant Ticket Lottery Machines – Fraternal Organizations**
3 **“Slots” for Homeless Veterans Act)**

4 FOR the purpose of authorizing the Director of the State Lottery and Gaming Control
5 Agency to issue certain fraternal organizations a license for not more than a certain
6 number of instant ticket lottery machines for the sale of certain lottery machine
7 tickets under certain circumstances; providing for the distribution of the proceeds
8 from certain lottery machine ticket sales by a fraternal organization; authorizing
9 certain fraternal organizations to purchase or lease certain lottery machines from
10 certain vendors; making technical corrections; defining certain terms; and generally
11 relating to the operation of and proceeds from instant ticket lottery machines in the
12 State.

13 BY repealing and reenacting, with amendments,
14 Article – State Government
15 Section 9–112
16 Annotated Code of Maryland
17 (2014 Replacement Volume and 2018 Supplement)

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

20 **Article – State Government**

21 9–112.

22 (a) **(1)** In this section[, “veterans”] **THE FOLLOWING WORDS HAVE THE**
23 **MEANINGS INDICATED.**

24 **(2) (I) “FRATERNAL ORGANIZATION” MEANS A NONPROFIT**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 ORGANIZATION THAT:

- 2 1. IS A BONA FIDE FRATERNAL ORGANIZATION;
- 3 2. IS OPERATED UNDER THE LODGE SYSTEM;
- 4 3. IS CONDUCTED SOLELY FOR THE BENEFIT OF ITS
5 MEMBERS AND ITS BENEFICIARIES; AND
- 6 4. HAS BEEN LOCATED IN A COUNTY IN WHICH THIS
7 SECTION APPLIES FOR AT LEAST 5 YEARS BEFORE THE ORGANIZATION APPLIES FOR
8 A LICENSE UNDER SUBSECTION (B) OF THIS SECTION.

9 (II) "FRATERNAL ORGANIZATION" INCLUDES A SORORAL
10 ORGANIZATION.

11 (III) "FRATERNAL ORGANIZATION" DOES NOT INCLUDE:

- 12 1. ANY COLLEGE OR HIGH SCHOOL FRATERNITY OR
13 SORORITY; OR
- 14 2. ANY OTHER FRATERNAL OR SORORAL ORGANIZATION
15 THE MEMBERSHIP OF WHICH IS RESTRICTED IN WHOLE OR IN PART TO STUDENTS
16 OR GRADUATES OF AN EDUCATIONAL INSTITUTION OR A PROFESSIONAL SCHOOL.

17 (3) "VENDOR" MEANS A BUSINESS ENTITY THAT:

18 (I) OWNS, SERVICES, AND MAINTAINS INSTANT TICKET
19 LOTTERY MACHINES FOR USE IN ESTABLISHMENTS APPROVED BY THE AGENCY; AND

20 (II) HAS BEEN ESTABLISHED AND OPERATING IN THE STATE
21 FOR AT LEAST 5 YEARS.

22 (4) "VETERANS' organization" means an organization that is tax exempt
23 and organized as a veterans' organization under § 501(c)(19) or § 501(c)(4) of the Internal
24 Revenue Code.

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

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

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

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

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

5 (4) the volume of expected sales.

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

7 (i) Caroline County;

8 (ii) Cecil County;

9 (iii) Dorchester County;

10 (iv) Kent County;

11 (v) Queen Anne's County;

12 (vi) Somerset County;

13 (vii) Talbot County;

14 (viii) Wicomico County; and

15 (ix) Worcester County.

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

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

23 (3) **(I)** After deduction of any commission and validation prize payout
24 as provided under § 9–117 of this subtitle, a veterans' organization issued a license under
25 this subsection shall credit the remaining receipts from the sale of tickets from instant
26 ticket lottery machines to the State Lottery Fund established under § 9–118 of this subtitle.

27 **(II) AFTER DEDUCTION OF A VALIDATION PRIZE PAYOUT, A**
28 **FRATERNAL ORGANIZATION ISSUED A LICENSE UNDER THIS SUBSECTION SHALL**

1 REMIT THE RECEIPTS FROM THE SALE OF TICKETS FROM INSTANT TICKET LOTTERY
2 MACHINES TO THE COMPTROLLER TO BE DISTRIBUTED AS PROVIDED IN
3 SUBPARAGRAPH (III) OF THIS PARAGRAPH.

4 (III) ON A PROPERLY APPROVED TRANSMITTAL PREPARED BY
5 THE COMMISSION, THE COMPTROLLER SHALL PAY THE FOLLOWING AMOUNTS
6 FROM THE PROCEEDS OF SALES OF TICKETS FROM INSTANT TICKET LOTTERY
7 MACHINES OPERATED BY A FRATERNAL ORGANIZATION:

8 1. 10% INTO A SPECIAL FUND TO BE USED BY THE
9 DIVISION OF NEIGHBORHOOD REVITALIZATION IN THE DEPARTMENT OF HOUSING
10 AND COMMUNITY DEVELOPMENT TO ASSIST VETERANS AND THEIR FAMILIES,
11 PROVIDED THAT THE FIRST \$100,000 DISTRIBUTED UNDER THIS ITEM SHALL BE
12 DISTRIBUTED TO THE OUTREACH AND ADVOCACY PROGRAM IN THE DEPARTMENT
13 OF VETERANS AFFAIRS FOR THE DEVELOPMENT AND MAINTENANCE OF A WEBSITE
14 AND SOCIAL MEDIA PAGES TO PUBLICIZE VETERANS' PROGRAMS; AND

15 2. FROM THE REMAINING PROCEEDS OF SALES OF
16 TICKETS FROM INSTANT TICKET LOTTERY MACHINES OPERATED BY A FRATERNAL
17 ORGANIZATION:

18 A. 50% TO THE FRATERNAL ORGANIZATION; AND

19 B. 50% IN THE MANNER SPECIFIED IN SUBPARAGRAPH
20 (IV) OF THIS PARAGRAPH.

21 (IV) THE AMOUNT THE COMPTROLLER IS REQUIRED TO PAY
22 UNDER SUBPARAGRAPH (III)2B OF THIS PARAGRAPH SHALL BE DISTRIBUTED AS
23 FOLLOWS:

24 1. FIRST, AN AMOUNT NECESSARY TO PAY FOR THE
25 PURCHASE OR LEASE OF THE INSTANT TICKET LOTTERY MACHINES TO THE ENTITY
26 PURCHASING OR LEASING THE INSTANT TICKET LOTTERY MACHINES;

27 2. SECOND, AN AMOUNT NECESSARY TO OVERSEE AND
28 MANAGE THE OPERATION OF INSTANT TICKET LOTTERY MACHINES BY THE
29 FRATERNAL ORGANIZATION TO THE STATE LOTTERY FUND ESTABLISHED UNDER §
30 9-118 OF THIS SUBTITLE; AND

31 3. ANY REMAINING AMOUNT TO THE GENERAL FUND OF
32 THE STATE.

33 (4) (i) Subject to subparagraph (ii) of this paragraph, a veterans'
34 organization OR FRATERNAL ORGANIZATION issued a license under this subsection shall

1 purchase or lease the instant ticket lottery machines to be used by the veterans'
2 organization **OR FRATERNAL ORGANIZATION.**

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

6 (iii) **A FRATERNAL ORGANIZATION MAY PURCHASE OR LEASE
7 ITS INSTANT TICKET LOTTERY MACHINES FROM ANY VENDOR THAT IS APPROVED BY
8 THE AGENCY TO SELL OR LEASE INSTANT TICKET LOTTERY MACHINES TO A
9 FRATERNAL ORGANIZATION.**

10 (5) The Director may adopt regulations to implement the provisions of this
11 subsection that [~~included~~] **INCLUDE** restricting the location of instant ticket lottery
12 machines in areas of a veterans' organization's **OR FRATERNAL ORGANIZATION'S** public
13 meeting hall that is accessible to the public.

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

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

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

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

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

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
27 1, 2019.