

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulation
Maryland State Lottery and Gaming Control Agency
(DLS Control No. 16-035)**

Overview and Legal and Fiscal Impact

The regulation exempts from registration and certification requirements certain vendors that provide video lottery operators with luxury gifts used to attract gamblers who wager large amounts of money but requires an operator purchasing goods or services from an exempted vendor to include in the operator's report to the State Lottery and Gaming Commission the name of each vendor used.

The regulation presents no legal issues of concern.

Registration and certification fee revenues increase by approximately \$63,000 annually due to imposing a new registration fee and increasing the existing certification fee.

Regulation of COMAR Affected

Maryland State Lottery and Gaming Control Agency:

Gaming Provisions: Investigation and Licensing: COMAR 36.03.02.17

Legal Analysis

Background

A vendor that conducts business with a video lottery operation applicant or licensee must be registered or certified by the commission, depending on the value of the goods and services provided, unless the vendor qualifies for an exemption.

Summary of Regulation

The regulation exempts from registration and certification requirements those vendors that provide or anticipate providing expensive goods and services solely to be given to a player. The exemption is directed toward vendors who provide specialty items that a video lottery operator would use to attract to its facility gamblers who wager large amounts of money. Under the regulation, these items may include leisure or recreational travel, lodging, vehicles, entertainment, dining, clothing, jewelry, and gift cards. It is anticipated that the exemption from the registration and certification requirements will make vendors more willing to provide these goods and services.

The regulation requires that a video lottery operator who purchases goods or services from an exempt vendor include in the operator's report to the State Lottery and Gaming Commission the name of each exempt vendor that the operator uses.

The regulation also imposes a registration fee of \$100 and a renewal fee of \$100 for registered vendors and a certification fee of \$1,000 and a renewal fee of \$500 for certified vendors. In addition, in order to provide small vendors relief from meeting registration and certification requirements, the regulation raises the minimum value of goods and services provided by a vendor that trigger registration requirements from the current \$2,500 threshold to \$10,000. Similarly, the regulations raise the minimum value of goods and services that trigger certification requirements from the current \$100,000 calendar year threshold to \$300,000 for goods or services provided to a single video lottery applicant or licensee, and \$600,000 for goods or services provided to multiple video lottery applicants or licensees.

The regulation increases the time that a vendor's registration or certification remains in effect from three years to five years. Finally, the regulation states that the commission's decision to deny the renewal of a vendor registration or certification does not give rise to an appeal right under the contested case provisions of the Administrative Procedure Act.

Legal Issues

The regulation presents no legal issues of concern.

Statutory Authority and Legislative Intent

The State Lottery and Gaming Control Agency cites § 9-1A-04(a) and (d) of the State Government Article as authority for the regulation. Section 9-1A-04(a) and (d) require the commission to make a determination on license applications and adopt regulations to carry out all aspects of the video lottery terminal subtitle, including the types and values of promotional items that may be given away to encourage play of video lottery terminals and table games.

This authority is correct and complete. The regulation complies with the legislative intent of the law.

Fiscal Analysis

Registration and certification fee revenues increase by approximately \$63,000 annually due to imposing a new registration fee and increasing the existing certification fee.

Agency Estimate of Projected Fiscal Impact

The regulation exempts specified vendors from registration and certification requirements, imposes a registration fee, increases the certification fee, and increases the time that a vendor's registration or certification remains in effect. The department advises that the regulation has no impact on State or local governments. The Department of Legislative Services disagrees but notes

that the impact is minimal; the regulation increases special fund revenues by approximately \$63,000 annually. The department anticipates approximately 430 vendors being required to register or renew their registration each year, so revenues increase \$43,000 as a result of imposing a \$100 registration fee. Some vendors who are currently certified will fall below the certification threshold and will be required to register instead. The department anticipates approximately 40 vendors being certified annually, so revenues increase \$20,000 as a result of imposing a \$1,000 certification fee instead of the current \$500 certification fee. After five years, these vendors must pay a \$500 renewal fee. The number of large vendors who will be required to be certified in the out-years cannot be estimated but is expected to increase with six casinos open as the demand for goods and services increases.

Increasing the time that a vendor's registration or certification remains in effect does not materially affect State finances. The certification renewal fee is increased from \$500 to \$1,000 to compensate for the increase in the renewal period. The registration renewal fee of \$100 is the same as the initial registration fee, and under the regulations, additional vendors will have to pay the registration fee. Further, construction vendors are not expected to renew their certifications once construction of the sixth authorized casino in Maryland is completed.

Exempting vendors from certification or registration requirements if they provide or anticipate providing goods and services solely to be given to a player has no material effect on State finances because these vendors do not currently pay registration fees and few currently pay certification fees.

Impact on Budget

There is no material impact on the State operating or capital budget.

Agency Estimate of Projected Small Business Impact

The department advises that the regulation has minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs.

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