

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulations
Maryland State Lottery and Gaming Control Agency
(DLS Control No. 15-380)**

Overview and Legal and Fiscal Impact

The regulations (1) reflect recent legislation that clarifies that, under the regulations, a conviction or act that was prosecuted or committed by an applicant for a video lottery operation license that serves to disqualify the applicant may have occurred in any jurisdiction; (2) delete obsolete language; (3) remove references to “sponsored” licenses, which will no longer be issued due to recent legislation; (4) provide reduced application and license fees and a more abbreviated background investigation for certain categories of licenses; and (5) clarify that a manufacturer license applicant receives a reconsideration meeting if the application is recommended for denial.

The regulations present no legal issues of concern.

Application and license fee revenues increase minimally due to the issuance of a new category of manufacturer and contractor licenses.

Regulations of COMAR Affected

Maryland State Lottery and Gaming Control Agency:

Gaming Provisions: Investigation and Licensing: COMAR 36.03.02.12, .13, .14, and .16
Video Lottery Operation License: COMAR 36.03.03.04

Legal Analysis

Background

Chapter 299 of 2015 clarified that the Maryland State Lottery and Gaming Control Commission is required to disqualify an applicant for a video lottery operation license on the basis of a conviction for an offense under the laws of “any jurisdiction” that is a criminal offense involving moral turpitude or a gambling offense, including the commission of an act “within the prior 7 years” even if the act was not prosecuted. Chapter 299 took effect on October 1, 2015.

Chapter 119 of 2015 authorized the commission to issue a temporary video lottery employee license to an applicant who meets certain conditions and provides for an expiration of the license 180 days after issuance unless the commission extends the license for an additional 180 days. Chapter 119 took effect on July 1, 2015.

Summary of Regulations

The regulations strike former references to “sponsored” principal or gaming employee licenses (COMAR 36.03.02.12B(4) and (5), J(1), (2), (3), (4) and (5)). The requirements under COMAR 36.03.02.12D are deleted as unnecessary due to additional language added to COMAR 36.03.03.12C, which provides that the commission must disqualify an applicant for an operation license for the conviction under the laws of any jurisdiction of a criminal offense involving moral turpitude or a gambling offense, as well as the commission of an act within the prior seven years that would constitute such an offense even if the act was not prosecuted (COMAR 36.03.03.12C(5) and (9)).

The regulations provide for a \$1,200 application fee for a license for a manufacturer that produces a product that is (1) related to video lottery terminals, table games, or associated equipment and software that is intended for sale, lease, or other assignment to a licensee; (2) does not have the ability to impact the integrity of the game; and (3) not essential to table game play (COMAR 36.03.02.13C(1)(e)). The regulations also add an \$800 license fee for this type of manufacturer (COMAR 36.03.02.13C (2)(e)).

The regulations provide for a \$750 application fee for a license for a contractor that provides a service that is essential to the operation of a facility service but has no contact with or access to the central operating system, a facility’s video lottery system, a video lottery terminal, or a table game (COMAR 36.03.02.14D(1)(b)). The regulations also add an \$800 license fee for this type of contractor (COMAR 36.03.02.14D(2)(b)).

The regulations add applicants for a manufacturer’s license to the process established for those applying for a video lottery employee or a contractor license, which provide for a reconsideration meeting if an application is recommended for denial (COMAR 36.03.02.16A).

Legal Issues

The regulations present no legal issues of concern.

Statutory Authority and Legislative Intent

The agency cites §§ 9-1A-04, 9-1A-07, 9-1A-08, 9-1A-12, 9-1A-14, and 9-1A-15 as statutory authority for the regulations. Section 9-1A-04(d) provides that the commission shall adopt regulations that include establishing the methods and forms of application that an applicant for a license under the subtitle must follow and complete. Section 9-1A-07 provides general requirements for an application for a license from the commission. Section 9-1A-12 provides that an applicant/contractor for services related to operating a video lottery facility must qualify under the subtitle. Section 9-1A-14(d) authorizes the commission to issue temporary video lottery employee licenses. Section 9-1A-15 provides requirements for a manufacturer’s license.

This authority is correct and complete. The regulations comply with the legislative intent of the law.

Fiscal Analysis

Application and license fee revenues increase minimally due to the issuance of a new category of manufacturer and contractor licenses.

Agency Estimate of Projected Fiscal Impact

The regulations establish a new category of manufacturer and contractor licenses, among other provisions relating to the investigation and licensing of video lottery employees, manufacturers, and contractors. The agency advises that the regulations have no impact on State or local governments. The Department of Legislative Services concurs that there is no material fiscal impact. The agency advises that 5 to 10 new manufacturer licenses and 5 to 10 new contractor licenses may be issued as a result of a new category of manufacturer and contractor licenses. Assuming 10 new manufacturer and 10 new contractor licenses are issued, application and license fees increase by \$35,500 in fiscal 2016 and by \$16,000 five years later if the licenses are renewed.

Impact on Budget

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

Agency Estimate of Projected Small Business Impact

The agency advises that the regulations have minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs that the economic benefit is minimal overall, but potentially meaningful for small businesses that are able to obtain these new manufacturer and contractor licenses.

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