

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1350 (Washington County Delegation)
Judiciary

Referred to Judicial Proceedings

Washington County Gaming Commission - Tip Jar Regulation

This amended bill makes substantive and procedural revisions to the law governing tip jar regulation in Washington County.

Fiscal Summary

State Effect: Potential indeterminate increase in general fund revenues resulting from the bill's monetary penalty provisions.

Local Effect: Indeterminate increase in revenues and expenditures.

Fiscal Analysis

Bill Summary: Major provisions of the bill include:

- ° The Board of County Commissioners may require any applicant for a tip jar license or a wholesaler's license, or any individual involved in the operation of a tip jar, to be fingerprinted. The board may also direct the commission to obtain a criminal records check on these individuals.
- ° The board may establish a temporary tip jar license for nonprofit organizations raising money for charitable, educational, or athletic purposes. Law enforcement agencies, political parties and clubs, and agencies of the State may not benefit, except ambulance, firefighting and rescue squads, and schools.

- Restaurants, taverns, and clubs that operate tip jars may keep the lesser of \$45 or 50% of gross profits from each tip jar. Under current law, these establishments can retain \$35 from each jar.
- Fraternal, civic, veterans', and bonafide charitable organizations, and sportsmen's associations, operating tip jars must distribute the following percentages of gross profits from the tip jars to charities: 10% in fiscal 1997, 15% in fiscal 1998, and 20% in each year thereafter. Half of the contributions must be deposited into the Washington County Gaming Fund, and the other half may be distributed directly to charities. Reporting and monetary and incarceration penalties are included for these organizations.
- The board may not reduce the total of its appropriations to nonprofit organizations in the county budget below the total budgeted 1996 appropriation.
- A person in violation of the law governing tip jar regulations is subject to suspension or revocation of any liquor license. Monetary penalties are also increased from \$1,000 to \$5,000 for a first offense, and a \$10,000 penalty is established for any subsequent offense.
- The sunset provision for the laws governing tip jar regulation in the county is extended from April 30, 1997 to June 30, 1999.

State Effect: This bill could require the Criminal Justice Information System (CJIS) to perform additional criminal history checks. For each criminal check CJIS charges a \$42 fee. Of the \$42, \$18 is used by CJIS to cover operating costs of performing the checks. The remaining \$24 is forwarded to the FBI to cover the costs of performing the national criminal history check. Accordingly, offsetting State revenues and expenditures could increase, to the extent that additional background checks are performed.

General fund revenues also could increase under the bill's monetary penalty provisions for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

Local Revenues: Revenue derived from the sale of tip jar stickers could increase depending upon the number of additional tip jars sold as a result of (1) additional organizations becoming eligible for a tip jar license through the temporary license; and (2) taverns, restaurants, and clubs retaining a higher profit from each jar. Licensees must purchase a \$1 sticker from the commission for each tip jar that is sold. For illustrative purposes only, if an

additional 1,000 tip jars are sold per month, commission revenues would increase by \$12,000 (1,000 jars x \$1 x 12 months) in fiscal 1997. Licensing revenues could also increase by an indeterminate amount, depending on the cost and number of temporary licenses sold.

In fiscal 1996, the commission expects to receive \$129,000 in licensing and sticker revenue. Under current law the commission, and thus the revenue would be discontinued on April 30, 1997. Under this bill the revenue plus the \$12,000 increase in revenue (total revenue of \$141,000) would be continued through June 30, 1999.

Revenues could increase under the bill's monetary penalty provisions for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

Local Expenditures: The Washington County Gaming Commission currently has an annual budget of about \$100,000. Under current law the commission would be discontinued on April 30, 1997. By extending this sunset provision, the commission and thus the \$100,000 annual expenditure would be continued through June 30, 1999.

The bill does not specify who would pay for the criminal background checks (see State Effect section above). If the county pays for the checks, expenditures could increase by \$42 per background check. If applicants pay for the checks, there would be no effect on expenditures.

Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed.

This bill prohibits the Board of County Commissioners from reducing the total amount of its appropriations to nonprofit organizations below the total 1996 budgeted appropriation. This provision would apply to funds other than those distributed through the Washington County Gaming Fund, since the county does not appropriate those funds through the annual budget. In fiscal 1996, the county has appropriated \$2.1 million, or approximately 2.4% of its budget to nonprofit organizations. By limiting the county's ability to adjust nonprofit funding, this bill could lead to a revenue shortfall at some point in the future.

Information Source(s): Washington County, Department of Fiscal Services

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Analysis by: David F. Roose

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710