
By: Delegates Preis, Hutchins, Valderrama, and Turner

Introduced and read first time: January 31, 1997

Assigned to: Judiciary

A BILL ENTITLED

1 AN ACT concerning

2 **Slot Machine Regulation**

3 FOR the purpose of requiring certain organizations eligible to own and operate slot
4 machines to send a copy of a certain annual report regarding the income of each slot
5 machine and the disposition of the income to the sheriff of the county in which the
6 slot machine is located; requiring an eligible organization to conduct a certain
7 annual audit and send a copy of the audit report to the sheriff of the county in
8 which the slot machines that are the subject of the report are located; requiring
9 those organizations to post the payout percentage on each slot machine it owns and
10 operates; requiring repairs of certain meters or counters to be supervised by certain
11 persons; requiring an eligible organization to send certain repair documentation to
12 the sheriff of the county in which the slot machine is located; prohibiting the
13 proceeds from slot machines from being commingled with any other funds of an
14 eligible organization; requiring the proceeds to be deposited into a separate escrow
15 account; requiring disbursements from the escrow account to be made in a certain
16 manner; increasing the annual license for a slot machine; authorizing the sheriff of
17 the county in which a slot machine is located to suspend, revoke, or deny a license
18 to operate the slot machine if the organization violates certain provisions of law or
19 certain regulations; requiring sheriffs to provide eligible organizations with notice
20 and an opportunity for a hearing under the Administrative Procedure Act;
21 authorizing the sheriffs of certain counties to adopt certain regulations; requiring
22 the Comptroller of the Treasury, in consultation with the Office of Legislative
23 Audits and the sheriffs of certain counties, to adopt certain regulations; requiring
24 certain annual reports to be subject to audit by the Office of Legislative Audits;
25 requiring the audit reports to be sent to certain persons; making violations of
26 certain regulations a misdemeanor subject to certain penalties; defining certain
27 terms; and generally relating to regulation of slot machines in certain counties.

28 BY repealing and reenacting, with amendments,
29 Article 27 - Crimes and Punishments
30 Section 264B
31 Annotated Code of Maryland
32 (1996 Replacement Volume)

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

2

1 Article 27 - Crimes and Punishments

2 264B.

3 Any machine, apparatus or device is a slot machine within the provisions of this
4 section if it is one that is adapted for use in such a way that, as a result of the insertion or
5 deposit therein, or placing with another person of any piece of money, coin, token or
6 other object, such machine, apparatus or device is caused to operate or may be operated,
7 and by reason of any element of chance or of other outcome of such operation
8 unpredictable by him, the user may receive or become entitled to receive any piece of
9 money, coin, token or other object representative of and convertible into money,
10 irrespective of whether the said machine, apparatus or device may, apart from any
11 element of chance or unpredictable outcome of such operation, also sell, deliver or
12 present some merchandise or money or other tangible thing of value.

13 I. It shall be unlawful for any person, firm or corporation to locate, possess,
14 keep, maintain or operate any slot machine within this State, whether as owner, lessor,
15 lessee, licensor, licensee, or otherwise, except as provided in paragraphs II, VI, and VII of
16 this section.

17 II. In those counties and municipalities of this State wherein the county
18 commissioners or municipal authorities thereof, prior to July 1, 1963, licensed such slot
19 machines for operation therein,

20 (A) After July 1, 1965, it shall be unlawful for any person, firm or
21 corporation to conduct any place of business wherein is located or kept, other than in a
22 building or upon any premises used solely for storage, a number of slot machines in excess
23 of the maximum numbers hereinafter set forth, and it shall be unlawful for any person,
24 firm or corporation to possess, keep or maintain, other than in a building or upon any
25 premises used solely for storage, or operate within any one building, or upon any
26 premises, as hereinafter defined, a number of slot machines in excess of the following
27 maximum numbers of such machines:

28 (1) At any time after July 1, 1963, a number equal to the number
29 located, kept, possessed, maintained or operated in such place of business, building or
30 premises as of March 1, 1963.

31 (2) At any time after July 1, 1965, a number equal to the number
32 located, kept, possessed, maintained or operated in such place of business, building or
33 premises as of January 1, 1963, or thirty (30) machines, whichever shall be the lesser
34 number.

35 (3) At any time after July 1, 1966, a number equal to the number
36 located, kept, possessed, maintained or operated in such place of business, building or
37 premises as of January 1, 1963, or twenty (20) machines, whichever shall be the lesser
38 number.

39 (4) At any time after July 1, 1967, a number equal to the number
40 located, kept, possessed, maintained or operated in such place of business, building or
41 premises as of January 1, 1963, or ten (10) machines, whichever shall be the lesser
42 number.

1 (B) After July 1, 1968, it shall be unlawful for any person, firm or
2 corporation, whether as owner, lessor, lessee, licensor, licensee, or otherwise, to possess,
3 keep, maintain or operate, or have in or upon any place of business, building or premises
4 for any purpose any slot machines whatsoever; provided, however, that the county
5 commissioners or county executive of any county in which such machines are situated
6 may, in their discretion, cause such machines to be registered in a manner appropriate to
7 their office and to be sealed against use, stored, kept and possessed under the supervision
8 and control of said county commissioners or county executive pending lawful disposal.

9 (C) For the purposes of this section, the term "premises" shall mean any
10 parcel or tract of land, whether improved or unimproved, under single ownership, or
11 under the ownership of any combination of persons, firms or corporations associated
12 together in any joint or common venture.

13 III. Any firm, person or corporation violating the provisions [hereof] OF THIS
14 SECTION OR ANY REGULATIONS ADOPTED UNDER THIS SECTION shall be deemed
15 guilty of a misdemeanor and shall, upon conviction, be punishable by a fine of one
16 thousand dollars (\$1,000) or by imprisonment for a period not to exceed one (1) year, or
17 by both such fine and such imprisonment, for each violation.

18 IV. It shall be unlawful for the licensing authorities in Calvert, Charles and St.
19 Mary's Counties to charge a license fee for such slot machines that shall exceed the pro
20 rata share of the license fee for such slot machines up to the date such slot machines are
21 required to be removed by the provisions of this section.

22 V. It shall be a defense to any prosecution under paragraph III of this section if
23 the defendant shows that the slot machine is an antique slot machine and was not
24 operated for gambling purposes while in the defendant's possession. For the purposes of
25 this paragraph, a slot machine is an antique slot machine if the defendant shows by a
26 preponderance of the evidence that the machine was manufactured at least 25 years
27 before the date on which the machine is seized. Whenever this defense is offered, no slot
28 machine seized from any defendant shall be destroyed or otherwise altered until after a
29 final court determination including review upon appeal, if any, that the defense is not
30 applicable. If the defense is applicable, the slot machine shall be returned pursuant to
31 provisions of law providing for the return of property.

32 VI. (A) The provisions of this paragraph of this section apply in:

33 (1) Caroline County;

34 (2) Cecil County;

35 (3) Dorchester County;

36 (4) Kent County;

37 (5) Queen Anne's County;

38 (6) Somerset County;

39 (7) Talbot County; and

40 (8) Wicomico County.

4

1 (B) (1) In THIS paragraph VI, THE FOLLOWING WORDS HAVE THE
2 MEANINGS INDICATED.

3 (2) (I) "CHARITABLE ORGANIZATION" MEANS:

4 1. A BENEVOLENT, EDUCATIONAL, ELEEMOSYNARY,
5 HUMANE, PATRIOTIC, PHILANTHROPIC, RELIGIOUS, COMMUNITY SERVICE, OR
6 YOUTH SPORTS OR RECREATIONAL ORGANIZATION;

7 2. AN AMBULANCE, FIRE FIGHTING, OR RESCUE SQUAD; OR

8 3. A PRIMARY SCHOOL, SECONDARY SCHOOL, OR COLLEGE.

9 (II) "CHARITABLE ORGANIZATION" INCLUDES AN AREA,
10 BRANCH, CHAPTER, OFFICE, OR SIMILAR AFFILIATE WITHIN THE STATE OF A
11 CHARITABLE ORGANIZATION THAT IS ORGANIZED OR HAS ITS PRINCIPAL PLACE OF
12 BUSINESS OUTSIDE THE STATE.

13 (III) "CHARITABLE ORGANIZATION" DOES NOT INCLUDE:

14 1. EXCEPT AS OTHERWISE PROVIDED UNDER ITEMS (I)2
15 AND 3 OF THIS PARAGRAPH, AN AGENCY OF THE STATE GOVERNMENT OR OF A
16 COUNTY OR MUNICIPAL CORPORATION;

17 2. A POLICE OR OTHER LAW ENFORCEMENT FRATERNAL
18 ORGANIZATION; OR

19 3. A POLITICAL CLUB, COMMITTEE, OR PARTY.

20 (3) (I) "[eligible] ELIGIBLE organization" means a bona fide
21 fraternal, religious, or war veterans' nonprofit organization which has been located in a
22 county listed in paragraph VI(A) of this section for a period of at least 5 years before
23 application for a license under paragraph VI[(E)] (F) of this section.

24 (II) "ELIGIBLE ORGANIZATION" DOES NOT INCLUDE A
25 POLICE OR OTHER LAW ENFORCEMENT FRATERNAL ORGANIZATION.

26 (4) "GROSS RECEIPTS" MEANS ALL MONEY PAID BY USERS OF A
27 SLOT MACHINE IN THE USE OF THE SLOT MACHINE.

28 (5) "INCOME" MEANS THE REMAINDER OF PROCEEDS FROM A
29 SLOT MACHINE AFTER THE DISBURSEMENT OF AT LEAST 50 PERCENT OF THE
30 PROCEEDS FOR THE BENEFIT OF CHARITABLE ORGANIZATIONS.

31 (6) "PROCEEDS" MEANS THE GROSS RECEIPTS OF A SLOT MACHINE
32 REDUCED BY THE PAYOUT OF THE SLOT MACHINE TO THE USERS OF THE SLOT
33 MACHINE.

34 (7) (I) "PURPOSES OF THE ELIGIBLE ORGANIZATION" INCLUDE:

35 1. MAINTENANCE AND IMPROVEMENT OF THE ELIGIBLE
36 ORGANIZATION'S FACILITIES; AND

6

1 (II) SEND A COPY OF THE AUDIT REPORT TO THE SHERIFF OF
2 THE COUNTY IN WHICH THE SLOT MACHINES THAT ARE THE SUBJECT OF THE
3 REPORT ARE LOCATED.

4 [(D)] (E) (1) To be eligible for use and operation under this paragraph VI
5 of this section:

6 [(1)] (I) The slot machine shall be equipped with a tamperproof meter
7 or counter which accurately records gross receipts; and

8 [(2)] (II) The eligible organization shall accurately take and maintain a
9 record of the gross receipts and [payoffs] PAYOUTS of the slot machine.

10 (2) ANY REPAIRS TO THE TAMPERPROOF SLOT MACHINE OR
11 COUNTERS SHALL BE SUPERVISED BY THE SHERIFF, OR A DEPUTY SHERIFF
12 DESIGNATED BY THE SHERIFF, OF THE COUNTY IN WHICH THE SLOT MACHINE IS
13 LOCATED.

14 (3) AN ELIGIBLE ORGANIZATION SHALL SEND DOCUMENTATION
15 OF THE REPAIRS PERFORMED ON A SLOT MACHINE METER OR COUNTER UNDER
16 THIS SUBSECTION TO THE SHERIFF, OR A DEPUTY SHERIFF DESIGNATED BY THE
17 SHERIFF, OF THE COUNTY IN WHICH THE SLOT MACHINE IS LOCATED.

18 (F) (1) THE PROCEEDS FROM THE SLOT MACHINES MAY NOT BE
19 COMMINGLED WITH ANY OTHER FUNDS OF THE ELIGIBLE ORGANIZATION.

20 (2) ALL PROCEEDS FROM THE SLOT MACHINES SHALL BE
21 DEPOSITED INTO A SEPARATE ESCROW ACCOUNT.

22 (3) DISBURSEMENTS OF THE PROCEEDS FROM THE SLOT
23 MACHINES SHALL BE MADE FROM THE ESCROW ACCOUNT AS FOLLOWS:

24 (I) AT LEAST 50 PERCENT SHALL BE DEPOSITED INTO AN
25 ACCOUNT DESIGNATED FOR THE BENEFIT OF CHARITABLE ORGANIZATIONS; AND

26 (II) NOT MORE THAN 50 PERCENT SHALL BE DEPOSITED INTO
27 AN ACCOUNT DESIGNATED FOR THE PURPOSES OF THE ELIGIBLE ORGANIZATION.

28 (4) ANY PAYMENTS MADE UNDER PARAGRAPH VI(C)(5) OF THIS
29 SECTION SHALL BE MADE FROM THE ACCOUNTS ESTABLISHED UNDER PARAGRAPH
30 VI(F)(3) OF THIS SECTION.

31 [(E)] (G) (1) Before an eligible organization operates a slot machine
32 under paragraph VI(C) of this section, the eligible organization shall obtain a license for
33 the slot machine from the sheriff for the county in which the eligible organization plans to
34 locate the slot machine.

35 (2) (i) The county shall:

36 1. Charge an annual fee for the license of [\$50] \$250 for each
37 machine; and

38 2. Issue a 1-YEAR license sticker to the [applicant] SHERIFF.

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1 (ii) 1. The [applicant] SHERIFF OR A DEPUTY SHERIFF
2 DESIGNATED BY THE SHERIFF shall place the sticker on the slot machine.

3 2. IF THE SLOT MACHINE IS REPLACED BEFORE THE
4 EXPIRATION OF THE 1-YEAR LICENSE STICKER, THE STICKER SHALL BE
5 TRANSFERRED TO THE REPLACEMENT MACHINE.

6 (iii) The proceeds of the annual fee shall be transferred to the
7 general fund of the county.

8 (3) The application to the sheriff for the issuance of the license shall
9 be certified by an affidavit by one of the principal officers of the eligible organization
10 stating that it:

11 (i) Is an eligible organization; and

12 (ii) Will comply with the provisions of paragraph VI[(C)] of this
13 section.

14 (4) (i) A principal officer of the eligible organization may not
15 intentionally misrepresent a statement of fact on the application.

16 (ii) Any person who violates this paragraph upon conviction is
17 subject to the penalty provided under Article 27, § 439 of the Code.

18 (5) (I) THE SHERIFF MAY SUSPEND, REVOKE, OR DENY A
19 LICENSE IF THE ELIGIBLE ORGANIZATION VIOLATES ANY PROVISION OF THIS
20 PARAGRAPH VI OF THIS SECTION OR ANY REGULATION ADOPTED UNDER THIS
21 PARAGRAPH VI OF THIS SECTION.

22 (II) BEFORE SUSPENDING, REVOKING, OR DENYING A
23 LICENSE, THE SHERIFF SHALL GIVE THE ELIGIBLE ORGANIZATION NOTICE AND AN
24 OPPORTUNITY FOR A HEARING IN ACCORDANCE WITH TITLE 10, SUBTITLE 2 OF THE
25 STATE GOVERNMENT ARTICLE.

26 (6) THE SHERIFFS OF THE COUNTIES ENUMERATED IN
27 PARAGRAPH VI(A) OF THIS SECTION MAY ADOPT UNIFORM REGULATIONS
28 GOVERNING LICENSING, OPERATION AND MAINTENANCE OF SLOT MACHINES,
29 LOCATION OF SLOT MACHINES, AND PERIODIC MONITORING OF THE GROSS
30 RECEIPTS OF SLOT MACHINES.

31 (H) (1) THE COMPTROLLER OF THE TREASURY, IN CONSULTATION
32 WITH THE OFFICE OF LEGISLATIVE AUDITS AND THE SHERIFFS OF THE COUNTIES
33 SUBJECT TO THE PROVISIONS OF THIS SECTION, SHALL ADOPT REGULATIONS THAT
34 ESTABLISH:

35 (I) A STANDARDIZED FORM FOR THE ANNUAL REPORTS
36 REQUIRED UNDER PARAGRAPH VI(C)(8) OF THIS SECTION; AND

37 (II) STANDARDIZED ACCOUNTING AND RECORD KEEPING
38 PROCEDURES FOR THE ELIGIBLE ORGANIZATIONS TO ACCOUNT FOR THE INCOME
39 OF EACH SLOT MACHINE AND THE DISPOSITION OF THE INCOME.

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1 (2) (I) THE ANNUAL REPORTS REQUIRED UNDER PARAGRAPH
2 VI(C)(8) OF THIS SECTION SHALL BE SUBJECT TO AUDIT BY THE OFFICE OF
3 LEGISLATIVE AUDITS IN ACCORDANCE WITH TITLE 2, SUBTITLE 12 OF THE STATE
4 GOVERNMENT ARTICLE.

5 (II) IN ADDITION TO ANY OTHER PERSONS ENTITLED TO A
6 COPY OF THE AUDIT REPORT UNDER TITLE 2, SUBTITLE 12 OF THE STATE
7 GOVERNMENT ARTICLE, THE OFFICE OF LEGISLATIVE AUDITS SHALL SEND A COPY
8 TO THE SHERIFF OF THE COUNTY IN WHICH THE SLOT MACHINES THAT ARE THE
9 SUBJECT OF THE REPORT ARE LOCATED.

10 VII. (A) Only for the purpose of demonstration or sale to an entity lawfully
11 permitted to buy slot machines, a person may take delivery of, possess, or transport slot
12 machines if the person:

13 (1) Is operating with or under a distributorship contract with a
14 manufacturer of slot machines;

15 (2) Is registered with the United States Department of Justice as a
16 distributor of slot machines; and

17 (3) Has provided the Secretary of the Department of State Police with
18 a copy of the person's current federal registration.

19 (B) Any person violating the provisions of this paragraph shall upon
20 conviction be punished as provided in paragraph III of this section.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 1997.