

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 972 (Delegate Preis, *et al.*)
Judiciary

Slot Machine Regulation

This bill alters the regulation of slot machines.

Fiscal Summary

State Effect: General fund expenditures could be affected as described below. Revenues would not be affected.

Local Effect: Revenues could increase by \$56,000 in FY 1998. Expenditures could be affected as described below.

Small Business Effect: Meaningful impact on small businesses. Regulatory costs for small businesses which are slot machine licensees would increase by \$1,000 for license fees and because of the requirement to have an audit completed annually.

Fiscal Analysis

Bill Summary: This bill increases the fee per slot machine from \$50 to \$250 in these counties where slot machines are legal. It also requires that each organization eligible to have slot machines (1) post the payout percentage on each slot machine; (2) employ a certified public accountant to conduct an audit; (3) send to the County Sheriff a copy of the report sent to the Comptroller and a copy of the audit; and (4) keep proceeds from slot machines separate from other funds and deposit them into an escrow account, disbursements from which shall go 50% to charitable organizations as defined in the bill, and 50 % for the purposes of the organization.

Repairs to slot machines must be made in the presence of the Sheriff or a designated Deputy Sheriff. The Sheriffs of counties in which slot machines are legal may adopt uniform regulations concerning the licensing, operation, and maintenance of slot machines and oversight of gross receipts. A Sheriff can suspend, revoke, or deny a license for a violation of statute or regulation regarding slot machines.

The Comptroller shall adopt a uniform form for annual reports of the organizations, and shall

establish standardized accounting and record keeping procedures for slot machine receipts. The annual reports are subject to audit by the Office of Legislative Audits.

State Expenditures: The Office of the Comptroller advises that expenditures would increase slightly for supplies and postage. The Department of Fiscal Services advises, however, that any such increase could be absorbed within existing resources.

The Office of Legislative Audits advises that State expenditures could increase by an estimated \$27,535 in fiscal 2000 due to the costs associated with hiring one-half of an Assistant Legislative Auditor IV to audit the annual reports of the slot machine licensees. This estimate reflects the fact that the audit cycle would not begin until fiscal 2000, so the position would have a salary of \$18,500 (inflated at 3% per year) and fringe benefits at 33% of the salary.

Local Revenues: There are 56 organizations which have slot machines. Assuming they all have the maximum five machines, there are 280 slot machines in the eight counties to which this bill applies. The fee for each machine is increased from \$50 to \$250, so local revenues would increase \$56,000.

Local Expenditures: Although the bill mandates several duties for sheriffs, any expenditure increase would be minimal or would be covered by the increased fees.

Information Source(s): Office of the Comptroller, Dorchester County, Queen Anne's County, Talbot County, Office of Legislative Audits, Department of Fiscal Services

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