

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 973 (Delegate Preis, *et al.*)
Judiciary

Business Regulation - Gambling Activities - Licensing

This bill creates the Maryland Gambling Commission.

This bill is effective July 1, 1997.

Fiscal Summary

State Effect: Indeterminate but significant increase in revenues and expenditures.

Local Effect: Indeterminate increase in revenues and expenditures due to the bill's penalty provisions.

Small Business Effect: Potential indeterminate meaningful impact on small businesses, as discussed below.

Fiscal Analysis

Bill Summary: This bill creates a seven-member Maryland Gambling Commission within the Department of Labor, Licensing and Regulation (DLLR). The bill does not alter the authority of any county, municipality, or person; or the State Lottery Agency, the Maryland Racing Commission, or the Secretary of State. The Secretary of DLLR must appoint an executive director, and a staff may be hired. The Attorney General is the legal advisor to the commission. State and local law enforcement agencies must cooperate with the commission in the enforcement of the provisions of the bill.

The commission is to license certain organizations, businesses, and persons involved in gambling and shall set application and renewal fees to cover its direct and indirect costs. Among other requirements, gaming establishments must keep specified records and provide documentation concerning various matters to the commission when requested. Organizations

licensed under Article 27 to conduct gambling activities need not be licensed by the commission until one year after the effective date of this bill. Certain organizations authorized under Article 27 to conduct charitable gambling are exempt from licensure.

The Maryland Gambling Fund, a special continuing, non-lapsing fund, is established in DLLR. All fees shall be deposited into the fund, from which expenditures of the commission shall be paid.

Violators of any provision of this bill are guilty of a misdemeanor and subject to a fine of not more than \$5,000, imprisonment of not more than one year, or both. In certain situations, gambling equipment may be forfeited to the State.

The commission shall report to the Governor annually on all matters relating to the licensing and regulation of gambling activities in the State.

State Revenues: Because the Maryland Gambling Commission is required to set license application and renewal fees to cover all of the commission's costs, special fund revenues will increase to meet the expenditures of the commission (see State Expenditures section below).

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

State Expenditures: Expenditures will increase due to licensing and administration activities of the commission. The bill provides for the reimbursement of the expenses of the commission members, as well as the compensation of the executive director and the creation of a staff to assist the executive director. The costs of creating the commission, the position of the executive director, and staff will depend on the scope of gambling activities in Maryland.

Bingo, carnivals, bazaars, and raffles are permitted in every Maryland county. In addition, 16 counties permit either slot machines, casinos or tip jars. Over 2,500 charitable organizations currently sponsor gambling activities in the State. However, not all of these organizations would require licenses under this bill.

Based on an analysis of gambling commissions in other states, the average cost per license will be about \$1,750 in calendar 1998, although there is a wide dispersion in regulatory costs per license.

In Washington State, with approximately the same population as Maryland, 130 people were employed by the Washington State Gambling Commission (WSGC) as of May 1, 1994. About 52 of these are auditors and investigators; 78 are administrative and fiscal personnel. The WSGC licensed about 3,700 organizations in calendar year 1993, which may be higher than the number of organizations requiring licensure in Maryland. Based on Washington's experience, it appears that the commission may require from 75 to 90 personnel. In any case, general fund expenditures will not be affected because Maryland Gambling Fund expenditures would be offset by fee revenue.

In addition, general fund expenditures could increase under the bill's incarceration penalty due to more people being committed to a Division of Correction (DOC) facility and increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

Persons serving a sentence longer than 12 months are incarcerated in a DOC facility. In fiscal 1998 the average monthly cost per inmate is estimated at \$1,500. Persons serving a sentence up to 12 months are sentenced to a local detention facility. The State reimburses counties for part of their per diem rate after a person has served 90 days. State per diem reimbursements for fiscal 1998 are estimated to range from \$12 to \$42 per inmate depending upon the jurisdiction. Persons sentenced to such a term in Baltimore City are generally incarcerated in a DOC facility.

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

Local Expenditures: Expenditures could increase under the bill's incarceration penalty depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$23 to \$83 per inmate in fiscal 1998.

Small Business Effect: The effect of this bill on small businesses is difficult to determine, as it would depend on the policies and regulations adopted by the Gambling Commission. It is likely that licensing fees would increase, lowering revenues for licensed small businesses, and administrative burdens would increase to the extent that regulations and reporting

requirements for licensees are more stringent than under current law.

Information Source(s): National Conference of State Legislatures, National Association of Fundraising Ticket Manufacturers, North American Gaming Regulators Association, Department of Fiscal Services

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