

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 854 (Senator Baker, *et al.*)  
Judicial Proceedings

---

Maryland Gambling Control Commission

---

This bill establishes the Maryland Gambling Control Commission to regulate all forms of gambling in the State except for the State lottery, horse racing, and gambling aboard a passenger cruise vessel.

This bill is effective July 1, 1997.

---

Fiscal Summary

**State Effect:** Significant offsetting increase in special fund revenues and expenditures beginning in FY 1998. General fund revenues could increase due to the bill's penalty provisions.

**Local Effect:** Local revenues and expenditures could increase 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 five-member Maryland Gambling Control Commission, which must appoint an executive director and may appoint a staff. The commission is responsible for: enforcing the laws regulating gambling in the State; setting and collecting fees to cover the direct and indirect costs of gambling regulation; issuing gambling, gambling establishment, and vendor licenses for periods not to exceed two years; and performing any other required regulatory activities. The commission has the authority to inspect or audit the books and records of licensees and to inspect and calibrate gambling equipment, and may

deny applications for licenses or revoke licenses for violations of laws or regulations. The commission may recommend changes to State, county, and municipal laws regarding gambling, and is to report on: the types of gambling authorized under current law; the extent to which these activities are regulated; the need to develop educational and treatment programs for gambling addiction; and the economic and sociological impact of gambling activity in the State. This report is to be presented to the Governor and the General Assembly by January 1, 1998, and annually thereafter.

The Division of Gambling Enforcement is established in the Office of the Attorney General. The director is the legal advisor to the commission, and shall give legal aid and advice on request, as well as assistance in the consideration and adoption of regulations. The division shall: investigate license applicants; investigate alleged violations of this law or regulations adopted by the commission; initiate, prosecute, and defend any proceeding before the commission, and prosecute any criminal case resulting from gambling activities; and conduct continuing reviews of gambling activities in the State. The division is to report annually to the Governor and the General Assembly on all matters under its jurisdiction.

The Maryland Gambling Control Commission Fund is established, into which all license fees would be deposited. Subject to the annual budget process, the commission shall use the fund for expenses incurred in its regulatory activities.

All gambling activities in the State would be subject to these provisions, except, among others, the State lottery, horse racing, and gambling on passenger cruise vessels.

Violators of these provisions are subject to a fine not exceeding \$25,000 or imprisonment not exceeding one year, or both. Gambling equipment may be forfeited to the State if a person is found in violation of any law or regulations adopted under this law.

**State Effect:** Maryland Gambling Control Commission Fund revenues would increase an indeterminate amount due to fees for gambling licenses, gambling establishment licenses, and vendors' licenses. The amount of the revenue collected depends on the fees set by the commission.

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.

Expenditures will increase due to licensing and administrative and other regulatory activities of the commission and the division. The bill provides for the reimbursement of the expenses of the commission members, as well as the compensation of the executive director, the

director, and staff members, as provided in the State budget. The total costs of the commission and the division 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.

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 were auditors and investigators; 78 were 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 and division together may require from 75 to 90 personnel. The costs for the commission and division are to be recouped from licensing fees; general fund expenditures should not be affected.

The Office of the Attorney General has advised that 23 additional positions could be required, including fiscal administrators, fiscal specialists, fraud investigators, administrators and others, at a personnel cost of \$691,600. Other operating expenditures could total \$423,000. The Department of Fiscal Services advises that, depending upon the regulatory approach determined by the commission, this estimate could be conservative. In any case, all costs of the commission and division would be covered by the license fees.

General fund expenditures could also 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 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 Control 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):** Office of the Attorney General, National Conference of State Legislatures, National Association of Fundraising Ticket Manufacturers, North American Gaming Regulators Association, Department of Fiscal Services

**Fiscal Note History:** First Reader - March 12, 1997

lc

---

Analysis by: David F. Roose  
Reviewed by: John Rixey

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710