

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1000
Ways and Means

(Allegany County Delegation)

Judicial Proceedings

Allegany County - Paper Gaming - Regulation

This bill establishes in Allegany County a paper gaming license procedure for holders of Class A, C, and D (on-sale) alcoholic beverages licenses and qualified organizations. The bill also establishes paper gaming taxes, establishes a Special Gaming Fund, and specifies the use of money from the gaming fund. The bill also authorizes the Allegany County Commissioners to adopt rules and regulations, hire inspectors, and adopt an ordinance or resolution for penalties for violations of paper gaming rules and regulations.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures due to the bill's penalty provisions.

Local Effect: Allegany County revenues could increase due to paper gaming license fees and taxes on the gross profits of paper gaming activities. County revenues and expenditures could increase minimally due to the bill's penalty provision. Allegany County expenditures would increase to enforce paper gaming rules and regulations and for payments to fire companies, rescue departments, and school nonmaintenance-of-efforts projects. Any impact depends on the level of paper gaming in Allegany County.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: This bill authorizes the Allegany County Board of License Commissioners to establish a licensing procedure for holders of Class A, C, and D (on-sale) alcoholic beverages licenses and qualified organizations to engage in paper gaming with the approval of the Allegany County Commissioners. Holders of Class A, Class C, or Class D (on-sale) alcoholic beverages licenses must obtain a paper gaming license. Qualified organizations, fire companies, and rescue departments are authorized to engage in paper gaming without a license.

Wholesale paper gaming vendors, if approved by the county commissioners, may sell paper gaming devices to a paper gaming licensee after obtaining a paper gaming license. Wholesale vendors must provide the board of county commissioners a list every three months that declares whom paper gaming products were sold to and the total number of products sold to each customer.

A retail alcoholic beverages licensee who holds a paper gaming license must obtain a stamp without charge from the board of county commissioners that must be displayed with the alcoholic beverages license. The board of county commissioners must ensure that each retail alcoholic beverages licensee who holds a paper gaming license sells to the public the same serial-numbered paper gaming devices that are listed on the bill of sale from the wholesale vendor licensee.

The bill authorizes the board of county commissioners to impose paper gaming taxes. Licensees that are qualified organizations are required at the discretion of the license commissioners to pay a tax of 10% of gross profits minus the cost of the paper gaming products. Class A, C, and D (on-sale) alcoholic beverages licensees are required at the discretion of the license commissioners to pay a tax of 40% of gross profits minus the cost of the paper gaming products.

The county commissioners may establish a special gaming fund that is a continuing, nonlapsing fund. The fund may be used only to benefit fire companies, rescue departments, and to pay for specified school costs. The fund will consist of revenue derived from the taxation of gross profits from tip jar sales and other sources. Money from the general fund of the State or the county including federal money may not be transferred to the fund by any means. Each year the county commissioners are required to pay all administrative costs for administering paper gaming from the fund including the hiring of additional personnel, allocate at least 25% but not more than 35% of the remaining funds to fire companies and rescue departments, and the remaining balance to pay for school construction, school supplies, and other nonmaintenance-of-effort costs.

The bill also authorizes the county commissioners to: (1) adopt rules and regulations to administer and enforce paper gaming; (2) hire one or more inspectors with the authority to enforce compliance of paper gaming rules and regulations; (3) adopt an ordinance or resolution declaring a paper gaming violation a civil infraction punishable by a fine not to exceed \$500 or \$1,000 for a repeat violation, or a misdemeanor punishable by a jail term not exceeding 30 days, or a fine not exceeding \$1,000, or both; and (4) suspend or revoke a paper gaming license or agent, in addition to penalties, after a hearing is held on violations of paper gaming rules and regulations.

Current Law: In Allegany County a volunteer fire company or a fraternal, civic, war veterans', religious, or charitable organization or corporation may conduct a carnival, bazaar, or raffle including paper gaming for the exclusive benefit of any such organization if no individual or group of individuals benefits financially from the event or is paid any of the proceeds of the event. Nonprofit clubs, fire companies, and rescue departments are not required to obtain a license for paper gaming. Paper gaming is not authorized for for-profit organizations in Allegany County.

Washington County permits tip jars gaming to be conducted by holders of Class A beer, wine, and liquor licenses, restaurants with alcoholic beverages licenses, taverns with alcoholic beverages licenses, and nonprofit organizations.

Background: Paper gaming is a game of chance in which prizes are awarded and the devices used to play the game are constructed out of paper or cardboard. Paper gaming includes tip jar and punchboard gambling.

Qualified organizations are volunteer fire companies or a bona fide religious, fraternal, civic, war veterans', or charitable organization.

State Fiscal Effect: Cases for violations of paper gaming rules and regulations classified as misdemeanors would be heard in District Court. Fine revenues collected in District Court cases go to the State general fund. Generally, persons serving a sentence of one year or less in a jurisdiction other than Baltimore City are sentenced to a local detention facility. The State reimburses counties for part of their incarceration costs, on a per diem basis, after a person has served 90 days. State per diem reimbursement in Allegany County for fiscal 2004 is estimated to be \$39. This bill alone should not create the need for additional beds, personnel, or facilities. Although the bill could result in an increase in the number of cases heard in District Court, any such increase is not expected to be significant.

Local Fiscal Effect: This bill expands paper gaming in Allegany County to for-profit businesses holding Class A, C, and D alcoholic beverages licenses. Allegany County revenues could increase due to the tax on gross profits earned by paper gaming activities

minus the cost of paper gaming products. However, county revenues from paper gaming taxes cannot be reliably estimated at this time. Any additional revenue generated from paper gaming taxes would be used to provide funds to the county's fire companies, rescue departments, and county school's nonmaintenance-of-effort projects.

Cases for violations of paper gaming rules and regulations classified as civil infractions would be heard in circuit court. Fine revenue collected in circuit court would go the county's general fund. Accordingly, county revenues would increase due to civil penalties imposed for violations for paper gaming rules and regulations. However, any increase is expected to be minimal.

The annual fees of the paper gaming license and wholesale vendors license are currently unknown, but the fees are expected to be nominal and that total fee revenue is not expected to exceed the costs of issuing and monitoring the licenses.

Small Business Effect: To the extent that paper gaming attracts additional customers, Class A, C, and D alcoholic beverages licensees eligible to obtain a paper gaming license could be positively impacted. Class A, C, and D alcoholic beverages licensees ineligible to obtain a paper gaming license could be negatively impacted due to competition.

Additional Information

Prior Introductions: None. However, a similar bill was introduced as HB 1342/SB 847 in the 2001 session that would have established a licensing procedure for paper gaming for restaurants and for-profit businesses in Allegany County. HB 1342 received an unfavorable report from the House Judiciary Committee and SB 847 received an unfavorable report from the Senate Judicial Proceedings Committee.

Cross File: SB 696 (Senator Hafer) – Judicial Proceedings.

Information Source(s): Allegany County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2003
ncs/hlb Revised - House Third Reader - March 26, 2003

Analysis by: Christopher J. Kelter

Direct Inquiries to:
(410) 946-5510
(301) 970-5510