

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 212 (Delegate Hixson, *et al.*)
 Ways and Means

Charitable Gaming - Reporting Requirements

This bill requires the Comptroller’s Office to regulate specified gaming conducted in the State. The Comptroller’s Office is required to report annually to the Governor and the General Assembly by January 1 information on charitable organizations conducting gaming in the State and whether the net gaming proceeds generated by these organizations are distributed to charity as required by law.

The bill takes effect January 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase by approximately \$185,100 in FY 2006, which reflects the hiring of two field enforcement agents and two accountants at the Comptroller’s Office. Future years reflect annualized salaries, operating costs, and inflation. No effect on revenues.

| (in dollars) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 185,100 | 226,800 | 240,400 | 255,100 | 270,800 |
| Net Effect | (\$185,100) | (\$226,800) | (\$240,400) | (\$255,100) | (\$270,800) |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Gaming is defined as any game of chance that is played for money or any other prize, but does not include State lotteries, horse racing, and authorized gaming aboard passenger cruise vessels under Section 6-209 of the Transportation Article.

By January 1 of each year, the Comptroller's Office is required to report to the Governor and the General Assembly information on gaming activities conducted under Title 13 of Criminal Law including: (1) the bona fide nature, character, and viability of charitable and nonprofit organizations conducting gaming activities; and (2) whether the net proceeds of charitable and nonprofit gaming are transferred as specified by law (local/State) to charitable or nonprofit purposes.

The Comptroller must adopt regulations to carry out the provisions of the bill. These regulations must require a gaming licensee to report all income and expenses relating to gaming activities, including: (1) gross gaming revenue generated; (2) all expenses and payments made from nongaming revenue; (3) the identity of all recipients of any portion of gross gaming revenue; (4) the amount of gross revenue distributed to nonprofits; and (5) the amount of gross gaming revenue used "in furtherance of any other gaming activity" or for a gaming establishment. The reports required by the Comptroller will be public record.

The bill does not preempt any county or municipal authority except to the extent that any law granting authority to a local government conflicts with the reporting requirements of the bill.

The Comptroller is granted access to any information or records regarding any licensee, applicant, or "other matter relating to gaming activities" that is held by: (1) the Secretary of State; (2) the State Department of Assessments and Taxation; (3) the Comptroller's Office; (4) the Department of Labor, Licensing, and Regulation; and (4) any county or municipal agency.

Current Law: Where applicable, gaming conducted by a charitable organization is reported to the county in which the organization is located. Qualified nonprofit organizations on the Eastern Shore that are authorized under Title 12 of Criminal Law to operate no more than five slot machines are required to keep accurate records of gross receipts and payouts from slot machines. These organizations must report annually to the Comptroller's Office the disposition of these proceeds. The Comptroller's Office is not authorized to audit these reports.

Background: Appendix 1 lists the type of charitable gaming that is conducted in each county. Allegany, Baltimore, and Dorchester counties and Baltimore City did not respond to a request for information. Appendix 2 lists the gaming that is required to be licensed and the county licensing authority where applicable.

State Expenditures: The bill would require the Comptroller's Office to determine: (1) the bona fide nature and viability of charitable and nonprofit organizations that conduct gaming activities in the State; and (2) whether the proceeds generated by charitable and nonprofit organizations are distributed to nonprofit purposes as required by law.

As a result, general fund expenditures would increase by approximately \$185,100 in fiscal 2006 due to the hiring of two accountants and two field enforcement agents at the Comptroller's Office. This represents the impact of nine months of salary and expenses. The Comptroller's Office advises there would likely be a three-month delay in hiring employees due to the time required to adopt regulations and reporting systems and identify the organizations required to report to the Comptroller.

Future years reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Small Business Impact: To the extent that the bill increases regulation on small businesses that conduct gaming, these small businesses would be impacted by the increased regulatory burden imposed by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2005
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Appendix 1

| <u>County</u> | <u>Bingo</u> | <u>Commercial Bingo</u> | <u>Raffles</u> | <u>Slot Machines</u> | <u>Gaming Events</u> | <u>Tip Jars</u> | <u>Paddle Wheels</u> |
|-----------------|--------------|-----------------------------|----------------|--------------------------|--------------------------|---------------------|--------------------------|
| Anne Arundel | x | x | x | | x | | x |
| Calvert | x | x | x | | x | | x |
| Caroline | x | | x | x | | | |
| Carroll | x | | x | | x | x | x |
| Cecil | | | | x | | | |
| Charles | x | | x | | x | | x |
| Frederick | x | | x | | x | x | x |
| Garrett | x | | x | | x | x | |
| Harford | x | | x | | | | x |
| Howard | x | | x | | x | | x |
| Kent | x | | x | x | x | | |
| Montgomery | x | | x | | x | | |
| Prince George's | x | | x | | x | | x |
| Queen Anne's | x | | x | x | x | | x |
| Somerset | | | | x | | | |
| St. Mary's | x | x | x | | x | x | x |
| Talbot | x | | x | x | x | | |
| Washington | x | x | x | | x | x | x |
| Wicomico | x | | x | x | x | | x |
| Worcester | x | | x | | x | | |

Gaming Conducted in Counties

Note: Allegany, Baltimore, and Dorchester counties and Baltimore City did not provide requested information.

**Appendix 2
Gaming Licensing Agencies**

| <u>County</u> | <u>Licenses</u> | <u>License Issuance</u> |
|----------------------|-------------------------|--------------------------------|
| Anne Arundel | All except raffles | Inspection and Permits |
| Calvert | All except raffles | Commissioners |
| Caroline | None | None |
| Carroll | All gambling | Tax Office |
| Cecil | Slot machines | Sheriff |
| Charles | All except bingo | Commissioners |
| Frederick | All gambling | Permits and Inspection |
| Garrett | None | None |
| Harford | All gambling | Sheriff |
| Howard | None | None |
| Kent | All except bingo | Sheriff/Commissioners |
| Montgomery | All gambling | HHS/Permitting Services |
| Prince George's | All gambling | Dept. of Env't Resources |
| Queen Anne's | Slots and gaming events | Sheriff/Commissioners |
| Somerset | Slots | Sheriff |
| St. Mary's | Bingo | Sheriff |
| Talbot | Slots | Sheriff |
| Washington | Bingo, commercial, tips | Gaming Office |
| Wicomico | All gambling | Sheriff |
| Worcester | All gambling | Bingo Board/Licensing Office |

Note: Allegany, Baltimore, and Dorchester counties and Baltimore City did not provide requested information.