

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 655

(Senator Hafer)

Judicial Proceedings

Garrett County - Gaming Events, Paper Gaming, and Bingo - Regulation

This bill establishes in Garrett County a paper gaming, bingo, and gaming event license procedure for 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 Garrett 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 takes effect July 1, 2005.

Fiscal Summary

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

Local Effect: Garrett County revenues could increase by \$145,800 in FY 2006 and \$250,000 annually thereafter due to paper gaming license fees and taxes on the gross profits of paper gaming activities. Garrett County expenditures would increase by \$35,200 in FY 2006 to enforce paper gaming rules and regulations and by \$110,600 in FY 2006 for payments to fire companies and rescue departments. County revenues and expenditures could increase minimally due to the bill's penalty provision.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill authorizes the Board of County Commissioners of Garrett County to license specified gaming events. Before conducting a gaming event, an organization is required to obtain a permit from the county. Gaming events are defined as bazaars, carnivals, raffles, tip jars, punchboards, and any event that uses a gaming device. A gaming device includes: (1) except for a billiards table any gaming table at which a game of chance is played for money or anything of value; or (2) a game or device at which money or anything of value is wagered. A gaming permit is issued for one year and cannot be transferred. The county is authorized to charge a fee for permits but cannot authorize a gaming event before 1:00 p.m. on Sundays. The holder of a gaming permit may award no more than: (1) one major prize at each gaming event; and (2) during a calendar year, one gaming event with a major prize over \$5,000 or five raffles with a prize awarded of less than \$5,000.

An organization can conduct a gaming event for its own benefit if it is a: (1) bona fide religious, fraternal, civic, war veterans', hospital, amateur athletic, patriotic, educational, or charitable organization; or (2) county or auxiliary volunteer fire company or rescue squad.

This bill authorizes the county 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. 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 monthly 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 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 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.

The bill requires that the following organizations obtain a bingo permit from the county for bingo conducted for the benefit of the organization or charity in the county: (1) bona fide religious, fraternal, civic, war veterans', hospital, amateur athletic, patriotic, educational, or charitable organization; and (2) county or auxiliary volunteer fire company or rescue squads. A person must be a legal resident of the county in order to conduct bingo. The maximum prize awarded in a bingo game cannot exceed \$5,000.

The bill also authorizes the county commissioners to: (1) adopt rules and regulations to administer and enforce the provisions of the bill; (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: Volunteer fire companies and bona fide religious, fraternal, civic, war veterans', and charitable organizations can conduct gaming events for the exclusive benefit of the organization provided no individual benefits financially from the gaming event or receives any of the gaming event proceeds. Gaming events include a carnival, bazaar, raffle, paddle wheel, wheel of fortune, chance book, or bingo. The organization is required to manage the gaming event through its members.

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 Garrett County for fiscal 2006 is estimated to be \$24. 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: Garrett County revenues could increase due to the tax on gross profits earned by paper gaming activities and license and permit fees. Garrett County estimates that it would collect a total of approximately \$145,800 in fees and taxes in fiscal 2006 and approximately \$250,000 annually thereafter. This estimate is based on revenues generated from a similar program in Allegany County, adjusted for population differences and the number of potential outlets. After administrative costs, license and fee revenue generated would be used to provide funds to the county's fire companies and rescue departments. Garrett County estimates that it would hire two part-time employees – one administrative assistant and one inspector. Salaries for these individuals are expected to total \$29,900 in fiscal 2006 in addition to \$5,300 in office expenses. Distributions to fire and rescue companies are estimated to total \$110,600 in fiscal 2006.

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 to the county's general fund. Accordingly, county revenues would increase due to civil penalties imposed for violations of paper gaming rules and regulations. However, any increase is expected to be minimal.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 754 (Delegate Edwards) – Ways and Means.

Information Source(s): Garrett County, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2005
ncs/hlb

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