

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 132 (Senator Klausmeier)
Budget and Taxation

Gaming - Slot Machines - Ownership and Operation by Eligible Organizations

This bill authorizes all counties to license slot machines that are owned and operated by eligible nonprofit organizations. Other provisions of current law regarding licensing and administrative procedures continue to apply.

Fiscal Summary

State Effect: None. The bill would not directly affect State operations or finances.

Local Effect: Potential minimal revenue increase to the extent that the 16 counties not currently authorized to license slot machines elect to do so. Counties would collect \$50 in licensing fees from eligible organizations for each slot machine license. Counties that earn revenue from paper gaming but do not currently license slot machines (*e.g.*, Allegany, Washington) could experience decreased revenue from paper gaming due to competition from slot machines.

Small Business Effect: Minimal.

Analysis

Current Law: In 1987, legislation authorized certain nonprofit organizations to operate slot machines in the following counties: Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, and Wicomico. The nonprofit organization must be located in the county for at least five years prior to the application for a license and must be a fraternal, religious, or war veterans' organization. In order to operate a slot machine, the organization must obtain a license from the sheriff's office and pay a fee of \$50 per machine annually to the applicable county.

An organization may not own more than five slot machines and must own each slot machine in operation. The slot machines must be located at the principal meeting hall of the organization and cannot be operated at a private commercial facility. The slot machine must be equipped with a tamperproof meter or counter that accurately records gross receipts.

One-half of the proceeds generated from slot machines must go to charity. The remainder of the proceeds must go to the organization. An individual cannot benefit financially from the proceeds. The organization must keep accurate records of gross receipts and payouts from slot machines and must report annually under affidavit to the Comptroller's Office the disposition of these proceeds. The Comptroller's Office, however, does not have authority to audit these reports.

Background: In fiscal 2003, 33 Eastern Shore nonprofit organizations operated slot machines. These organizations donated approximately \$2 million to charity. Unaudited reports with complete data were available for 31 of the organizations. These 31 organizations operated 154 machines; the total amount bet was approximately \$30.6 million, 89% of which was returned to gamblers. Of the net proceeds of approximately \$3.6 million, \$1.9 million (52%) was disbursed to charity.

Additional Information

Prior Introductions: Similar bills, HB 1456 of 2005 and HB 742 of 2004, were assigned to the House Ways and Means Committee but neither received a hearing. SB 897 of 2005 was heard by the Senate Budget and Taxation Committee but no further action was taken.

Cross File: HB 884 (Delegate Impallaria, *et al.*) – Ways and Means.

Information Source(s): Department of Legislative Services

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