

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1310
Ways and Means

(Delegate Conway)

Judicial Proceedings

Criminal Law - Slot Machines - Eligible Organizations

This bill expands the lists of eligible organizations that may be licensed to operate slot machines for charitable purposes in eight Eastern Shore counties to include nonprofit organizations that have been affiliated with a national fraternal organization for less than 5 years, but have been located within an eligible county for at least 50 years before applying for a license.

Fiscal Summary

State Effect: None.

Local Effect: Any increased revenue from additional slot machine licenses in eligible counties is expected to be minimal.

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 on the disposition of these proceeds. The Comptroller's Office, however, does not have authority to audit these reports.

Background: This bill would allow organizations that have been located in an eligible county for many years, but have only become recently affiliated with a fraternal organization, to operate slot machines as permitted by statute. The statute at issue does not define "fraternal organization," nor is it clear whether the "five-year" requirement applies to an organization's fraternal, religious, or war veteran's affiliation, or only its location with an eligible county. However, in early 2006, the Attorney General's Office of Counsel to the General Assembly issued a letter of advice to one such community organization advising it that it must be affiliated with a fraternal organization for five years before becoming eligible for a slot machine license. The organization had been located in Wicomico County for more than 60 years, but was only recently discussing the possibility of joining a national fraternal organization.

In fiscal 2006, 49 Eastern Shore nonprofit organizations operated slot machines. These organizations donated approximately \$3.6 million to charity. Unaudited reports with complete data were available for 46 of the organizations. These 46 organizations operated 241 machines; the total amount bet was approximately \$55.5 million, 87% of which was returned to gamblers. Of the net proceeds of approximately \$7.1 million, \$3.6 million (51%) was disbursed to charity. Legislative Services notes that in reviewing the fiscal 2006 data, it appeared that several organizations were not in compliance with the 50% charity requirement or misclassified some contributions as charitable. Several organizations also submitted returns that were incomplete or mathematically incorrect.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Caroline County, Office of the Attorney General, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2007
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