

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

House Bill 1008  
Ways and Means

(Delegates Conway and Mathias)

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**Worcester County - Slot Machines for Nonprofit Organizations**

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This bill adds Worcester County to the list of Eastern Shore counties in which certain nonprofit fraternal, religious, and war veterans' organizations may own and operate five slot machines that are located at the principal meeting hall of the organization and cannot be operated at a private commercial facility. At least one-half of the proceeds must go to charity and the remainder to further the organizations' purposes.

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**Fiscal Summary**

**State Effect:** Potential minimal decrease in general fund revenues from decreased State lottery ticket sales.

**Local Effect:** Minimal increase in Worcester County revenues from annual slot machine license fee.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Legislation was enacted in 1987 and 2007 authorizing certain nonprofit organizations to operate slot machines in the following eight Eastern Shore counties: Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, and Wicomico. The 1987 legislation required a nonprofit organization to be located in the county for at least five years prior to the application for a license and to be a fraternal, religious, or war veterans' organization.

Legislation enacted in 2007 expanded the list of eligible organizations that may be licensed to operate slot machines to include those 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.

In order to operate a slot machine, an organization must obtain a license from the county 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:** Each county is responsible for regulating gaming activities conducted by civic and charitable organizations. There is no statewide reporting of gaming activities by civic and charitable organizations.

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.

The State Lottery Agency advises that two of its current lottery agents in Worcester County are organizations that would be eligible to operate slot machines under the bill.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Worcester County, Judiciary (Administrative Office of the Courts), Maryland State Lottery Agency, Comptroller's Office, Department of State Police, Office of the Attorney General (Consumer Protection), Department of Legislative Services

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