

**Department of Legislative Services**  
 Maryland General Assembly  
 2009 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 50  
 Finance

(Senators Klausmeier and Colburn)

Ways and Means

**Advisory Board on Gambling Addiction**

This bill establishes an Advisory Board on Gambling Addiction in the Department of Health and Mental Hygiene (DHMH). The board is charged with proposing solutions to the threat that gambling addiction poses and advising DHMH on specified problem and pathological gambling prevalence studies. The board must report annually on its progress beginning in 2010 to the Governor and the General Assembly.

The bill takes effect June 1, 2009.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$62,900 in FY 2010 and by \$84,900 in FY 2011, reflecting annualization, as well as inflation and turnover. Special fund expenditures increase by \$88,800 beginning in FY 2012 when Problem Gambling Fund revenues are available, increasing annually to reflect inflation and turnover.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	62,900	84,900	0	0	0
SF Expenditure	0	0	88,800	93,000	97,400
Net Effect	(\$62,900)	(\$84,900)	(\$88,800)	(\$93,000)	(\$97,400)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The Governor appoints 1 member to serve as chair of the board, which is composed of 17 voting members and 3 nonvoting members. The board must meet at least four times each year. Board members do not receive compensation but are entitled to State reimbursement for travel and other related expenses. The Governor may remove any member for incompetence or neglect.

The costs of the advisory board are to be paid from the Problem Gambling Fund established by Chapter 4 of the 2007 special session that is available for research and the development of problem and pathological gambling prevalence studies. However, current law does not authorize the prevalence studies to be funded by the Problem Gambling Fund.

The board may consult with other units of State government and establish committees or task forces as it considers necessary. DHMH must adopt regulations to implement the bill.

The board must:

- propose solutions to the threat gambling addiction poses to Maryland residents;
- advise DHMH on its problem and pathological gambling prevalence studies as established under Chapter 4 of the 2007 special session;
- advise DHMH as it develops and implements problem gambling treatment and prevention programs established under Chapter 4 of the 2007 special session;
- promote the coordinated planning and delivery of State resources to combat gambling addiction;
- promote collaboration and coordination with local gambling treatment programs;
- advise DHMH in establishing priorities and strategies for the delivery and funding of State services to gambling addicts;
- coordinate with the Governor's Grants Office to seek funds for prevention, intervention, and treatment; and
- receive, review, and serve as a repository for studies of State and local gambling addiction programs and other relevant materials.

**Current Law/Background:** The State allows specified types of gambling, including the State lottery and wagering on horse racing. Bingo, bazaars, gaming nights, and raffles are allowed for some nonprofit organizations on a county-by-county basis. Several counties permit for-profit bingo. In addition, some nonprofit organizations in Eastern

Shore counties are allowed to operate up to five slot machines, provided that at least 50% of the proceeds go to charity.

Two video lottery terminal (VLT) gambling bills passed during the 2007 special session – House Bill 4 (Chapter 5) and Senate Bill 3 (Chapter 4). House Bill 4 is a constitutional amendment that was approved by Maryland voters at the November 2008 general election authorizing 15,000 VLTs at five locations in the State. The amendment also specifies that the General Assembly may only authorize expanded forms of gambling subject to certain restrictions. Senate Bill 3, which was contingent on ratification of House Bill 4, establishes the operational and regulatory framework for the authorized VLT program.

Senate Bill 3 requires DHMH to conduct a problem and pathological gambling prevalence study to measure the rate of problem and pathological gambling in the State by July 1, 2009, and every five years thereafter. Senate Bill 3 also established a \$425 annual fee per VLT machine to be paid by VLT licensees for a Problem Gambling Fund administered by DHMH. At the maximum of 15,000 VLTs authorized, this amounts to \$6.4 million annually. DHMH must use the Problem Gambling Fund to establish a 24-hour hotline and provide counseling for compulsive and problem gamblers and to develop and implement treatment and prevention programs. If any funds remain, DHMH may fund drug and other addiction treatment services. Based on current projections for the initiation of VLT operations, it is estimated that the Problem Gambling Fund will not begin to receive revenue until July 15, 2011, or the beginning of fiscal 2012.

The Secretary of Health and Mental Hygiene is also required in Senate Bill 3 to make grants from, or agreements for the use of, State or federal funds to operate a network or clinically appropriate services for problem gamblers.

**State Expenditures:** Assuming that general funds will be used until Problem Gambling Fund revenues are available, general fund expenditures increase by \$62,884 in fiscal 2010, which accounts for a three-month start-up delay following the effective date of the bill. This estimate reflects the cost of hiring one administrator in DHMH to staff the board and perform the functions required by the bill. It includes salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. DHMH estimates that two administrators are needed, but the Department of Legislative Services (DLS) advises that one additional administrator should be sufficient to assist the board.

Salary and Fringe Benefits	\$60,389
One-time Costs	270
Operating Expenses	<u>2,225</u>
<b>Total FY 2010 State Expenditures</b>	<b>\$62,884</b>

Fiscal 2011 general fund expenditures reflect a full salary with 4.4% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses. It is assumed that the expenses incurred by individual members could be handled within the respective State agency budgets, with DHMH handling expenses associated with board members who are members of the public. Annual expenditures in fiscal 2012 and subsequent years should be covered by the Problem Gambling Fund special funds.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene, Comptroller's Office, State Lottery Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2009  
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