

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 65  
Ways and Means

(Delegates Mathias and Conway)

Budget and Taxation

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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 eligible nonprofit fraternal, religious, and war veterans' organizations may own and operate five slot machines at its principal meeting hall. 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:** None.

**Local Effect:** Minimal increase in Worcester County revenues from annual slot machine license fees. County expenditures are not affected.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** In order to operate a slot machine, an eligible organization must obtain a license from the Worcester County Sheriff's Office and pay a fee of \$50 per machine annually to the 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.

At least 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 income from each slot machine and the disposition of these proceeds. The Comptroller's Office, however, does not have authority to audit these reports.

**Current Law:** Generally, it is a misdemeanor crime to possess or operate a slot machine in Maryland. However, 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.

Chapter 645 of 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 five years but have been located within an eligible county for at least 50 years before applying for a license.

**Background:** 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 submitted returns that were incomplete or mathematically incorrect.

The State Lottery Agency conducted a study of local gaming in Maryland required by Chapter 474 of 2008. The report indicates that in fiscal 2008, 273 slot machines on the Eastern Shore generated \$54.8 million in total "handle" or bets. However, the report shows no reliable or consistent relationship between the current presence of slot machines and lottery sales. **Exhibit 1** shows the slot machine handle by county.

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**Exhibit 1**  
**Slot Machine Handle for Eastern Shore Counties**  
**Fiscal 2008**  
**(\$ in Millions)**

<u>County</u>	<u>Slot Machines</u>	<u>Handle*</u>
Caroline	20	\$2.4
Cecil	55	14.9
Dorchester	30	4.5
Kent	25	1.5
Queen Anne's	30	6.3
Somerset	24	2.5
Talbot	30	4.6
Wicomico	59	18.0
<b>Total</b>	<b>273</b>	<b>\$54.8</b>

\* Numbers may not sum to the total due to rounding.

Source: State Lottery Agency

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**Additional Information**

**Prior Introductions:** HB1008 LR2858 2008 W&M

**Cross File:** None.

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

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