

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 502 (Delegates McConkey and Fisher)
Ways and Means

Video Lottery Terminals - State Legislators - Prohibited Acts

This bill prohibits a member of the Maryland Senate or House of Delegates from holding any license related to video lottery terminals (VLTs), or from performing work or services as an independent contractor for a person, or an agent of a person, that holds any license related to VLTs.

Fiscal Summary

State Effect: None. The State Lottery Agency can administer changes in VLT licensing requirements and cross-reference license applications with existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A member of the Maryland Senate or House of Delegates may not be an owner or an employee of any business entity that holds a video lottery operation license.

VLT Program

During the 2007 special session, the General Assembly adopted two pieces of legislation pertaining to VLT gambling – Chapter 4 (Senate Bill 3) and Chapter 5 (House Bill 4). Chapter 5 was a constitutional amendment approved by the voters at the November 2008 general election that authorized the expansion of gambling subject to specified

restrictions. The constitutional amendment provided that (1) a maximum of five VLT facility licenses may be awarded within specified areas of the State; (2) no more than one facility license may be awarded in any county or Baltimore City; (3) a maximum of 15,000 VLTs may be authorized; and (4) VLT facilities must comply with any applicable planning and zoning laws of a local jurisdiction. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the VLT program. Chapter 624 of 2010 and Chapter 240 of 2011 made several changes to the VLT program implemented by Chapter 4.

Under Chapter 4, VLT facility operation licenses are awarded by the Video Lottery Facility Location Commission. The State Lottery Commission oversees VLT operations, and owns/leases VLTs and a central monitor and control system.

Chapter 4 allows for a maximum of 15,000 VLTs, distributed as follows: 4,750 VLTs in Anne Arundel County; 3,750 VLTs in Baltimore City; 2,500 VLTs in Worcester County; 2,500 VLTs in Cecil County; and 1,500 VLTs in Allegany County (Rocky Gap State Park). Chapter 240 of 2011 reduced the maximum allocation at Rocky Gap State Park to 1,000 VLTs.

A video lottery operation license permits a person to allow players to operate VLTs. An “owner” includes any type of owner or beneficiary of a business entity, including an officer, director, principal employee, partner, investor, stockholder, or beneficial owner and, notwithstanding any other provisions of VLT law, includes a person having any ownership interest regardless of the percentage.

The following persons must be licensed under the VLT law:

1. a video lottery operator;
2. a manufacturer;
3. a person not licensed under item (1) or (2) who manages, operates, supplies, provides security for, or provides service, maintenance, or repairs for video lottery terminals; and
4. a video lottery employee.

The State Lottery Commission by regulation sets fees for VLT operators and other persons required to hold a license. The fees are established to cover the administrative costs of processing license applications, including background investigations.

The State Lottery Commission by regulation may exempt categories of video lottery employees who are not directly involved in the video lottery operations from the licensure requirement if the Lottery Commission determines that the requirement is not necessary in order to protect the public interest or accomplish the policies established by

VLT law. Conversely, the State Lottery Commission may by regulation require a person that contracts with a licensee and the person's employees to obtain a license.

State Ethics Law

Section 15-511 of the State Government Article disqualifies a member of the General Assembly from participating in any way on a legislative matter if the legislator's personal interest conflicts with the public interest and thereby impairs the legislator's independence of judgment. If a member feels that his or her financial interests (or those of a relative or associate) stand in the way of impartiality, then the member must avoid participating in all legislative action on the matter.

Also, under Section 15-513 of the State Government Article, subject to certain exemptions, members of the General Assembly are prohibited from receiving earned income (salaried employment, contractual employment, and consultant contracts) from an Executive unit or a political subdivision of the State. Further, a public disclosure must be filed with the Joint Ethics Committee if a State legislator:

- represents a person for compensation before a State or local governmental agency (except in a judicial or quasi-judicial proceeding);
- represents a State or local government agency for compensation;
- owns, or the legislator's spouse or dependent child owns, (jointly or separately) the lesser of: 10% of the invested capital or stock of a corporation that is subject to regulation by a State agency, or capital stock worth \$25,000 or more;
- owns, or the legislator's spouse or dependent child owns, any interest in a business entity subject to regulation by a State agency, if the business entity is a partnership, limited liability partnership, or limited liability company;
- has a contractual relationship with a State or local government agency; or
- has had any transaction with the State or a local government in the State that involves a monetary consideration.

Additional Information

Prior Introductions: HB 8 of 2010 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 76 of 2011 received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): State Ethics Commission, Comptroller's Office, Maryland State Lottery Agency, Department of Legislative Services

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mm/jrb

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