

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1005
Ways and Means

(Washington County Delegation)

Budget and Taxation

Washington County - Tip Jars - Accountability and Oversight

This bill authorizes the Washington County Commissioners to require the Washington County Volunteer Fire and Rescue Association (fire and rescue association) to submit financial reports of the association. The county commissioners may adopt regulations solely for the purpose of specifying the timeframes for submission of the reports. The bill also requires the fire and rescue association to annually submit its budget to the county commissioners. The county commissioners must accept or reject the budget by a majority vote; acceptance or rejection of the budget may not be delegated to any designee. The county commissioners may withhold funds that would otherwise be distributed from the Washington County Gaming Fund (WCGF) if the financial reports are not submitted on time or until the budget of the fire and rescue association is accepted by the county commissioners. The county commissioners may not require that funds distributed from the WCGF be used for fire and rescue services for which funds previously have been appropriated in the county operating budget.

Fiscal Summary

State Effect: None.

Local Effect: Washington County can receive the required annual reports and budget, and adopt regulations, with existing resources. While funds may be withheld, it is assumed that expenditures from the WCGF will potentially be delayed, but not entirely foregone. Revenues are not affected.

Small Business Effect: None.

Analysis

Current Law: In order to operate a tip jar in Washington County, a tip jar license must be obtained. The following qualifying organizations are eligible for a license: a religious, civic, fraternal, veterans', charitable, or certain sportsmen's organization; a volunteer fire or rescue company; a holder of a Class A beer, wine, and liquor license; or a tavern or restaurant with an alcoholic beverages license. A tip jar license may not be obtained if the applicant owes State, local, or municipal taxes or has been convicted of a felony or misdemeanor involving a violation of a gaming law in the State. In order to wholesale for profit tip jar packets a license must be obtained. Except for volunteer fire and rescue companies, a tip jar licensee cannot hold both a tip jar license and tip jar wholesaler's license.

Taverns and restaurants with alcoholic beverage licenses and holders of Class A beer, wine, and liquor licenses must deposit the gross profits from each tip jar to the credit of the WCGF in a financial institution designated by the Washington County Gaming Commission. However, these establishments may retain the lesser of \$45 or 50% of the profits from each tip jar game. A religious, civic, fraternal, veterans', charitable, or sportsmen's organization must deposit 15% of the gross profits from tip jar operations to the credit of the fund in a financial institution designated by the county gaming commission.

Subject to an agreement with the county, the county gaming commission may use money from the fund to reimburse the county for costs associated with regulating tip jar operations in the county. After any reimbursement to the county, the county gaming commission distributes half of the remaining funds to the fire and rescue association and the other half to charitable organizations in the county. The county gaming commission must report annually to the Comptroller on the amount of revenue received and distributed by the commission as a result of the operation of tip jars in the county.

Background: In fiscal 2010, approximately \$2.0 million was received by, and distributed from, the WCGF. Though the county is authorized to deduct from the fund to cover costs associated with regulating tip jar operations, the county advises that it has never made such deductions from the fund. Instead, tip jar license fees and other gaming revenues are used to cover wages and operating expenses of the county gaming office (totaling \$166,000 in fiscal 2010). The fire and rescue association consists of nearly 30 member stations, companies, and units.

Paper Gaming

Paper gaming is a game of chance in which prizes are awarded, and the devices used to play the game are constructed of paper. The most common forms of paper gaming are

punchboards, instant bingo, and tip jars. A punchboard is a square piece of wood or cardboard with dozens or hundreds of holes punched in it, each filled with a piece of paper with numbers or symbols printed on it. The holes are covered with foil or paper, and players pay for the right to punch one or more holes. If the numbers or symbols on their slips of paper match a winning combination, they receive a prize, either cash or another item. Tip jars dispense instant winning game tickets similar to scratch-off lottery games.

Paper gaming provides two sources of revenues to counties: the sale of paper gaming licenses and tickets to operators, and taxes on paper gaming sales. The State Lottery Agency advises that paper gaming occurs in at least 15 Maryland counties and is most prevalent in Allegany, Frederick, Garrett, and Washington counties.

Additional Information

Prior Introductions: None.

Cross File: SB 670 (Senators Shank and Edwards) - Budget and Taxation.

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

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Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510