

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1230
Ways and Means

(Delegate Mosby, *et al.*)

Gaming - Instant Ticket Lottery Machines - Fraternal Organizations

This bill adds fraternal organizations to the organizations that the State Lottery and Gaming Control Agency (SLGCA) may issue a license to for up to five instant ticket lottery (pull tab) machines. A fraternal organization, which includes a sororal organization, is any organization that is conducted solely for the benefit of its members and its beneficiaries, is operated on a lodge system with a ritualistic activity, and has a representative form of government. It does not include a college or high school fraternity or sorority or any other fraternal or sororal organization where membership is restricted wholly or largely to students or graduates of an educational institution or a professional school.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund revenues increase due to the distribution of proceeds from electronic pull tab machines beginning in FY 2018. Special fund revenues and expenditures from table game proceeds and the video lottery terminal (VLT) program may decrease and Maryland Veterans Trust Fund (MVTF) special fund revenues may decrease due to substitution effects of gaming revenues beginning in FY 2018. General fund expenditures for SLGCA may increase to implement and enforce the bill.

Local Effect: Minimal. To the extent that VLT and table game revenues decrease as a result of fraternal organizations operating pull tab machines, local impact grants decrease.

Small Business Effect: Minimal. Licensed State lottery agents in the vicinity of a fraternal organization licensed for pull tab machines may be adversely affected by decreased sales and commissions. Small businesses that sell and distribute pull tabs and pull tab machines benefit.

Analysis

Current Law: SLGCA may issue specified veterans' organizations a license for up to five pull tab machines. Veterans' organizations in counties on the Eastern Shore are not eligible.

A licensed veterans' organization must locate and operate its pull tab machines at its principal meeting hall in the county. After deductions for commissions and prize payouts, 10% of the proceeds are distributed to MVTF and the remainder goes to the general fund (via the State Lottery Fund). A licensed veterans' organization must purchase or lease the pull tab machines from SLGCA but may not use receipts from the sale of pull tabs that would otherwise go to the general fund to purchase or lease the machines.

Background: There are approximately 75 veterans' organizations that are licensed for pull tab machines. The Board of Revenue Estimates projects net after payout sales for pull tab machines to be \$10.5 million in fiscal 2018, so after agent commissions and expenses, general fund revenues are estimated to increase by \$573,500 and MVTF funds increase by \$63,700 in fiscal 2018.

State Fiscal Effect: The impact on general fund and special fund revenues and expenditures will depend on the number of fraternal organizations that operate authorized pull tab machines, their location with respect to casinos and to veterans' organizations with pull tab machines, the actual payout rates on pull tabs that are offered, and the degree to which pull tab machines authorized by the bill constitute a substitute for casino gambling in the State. MVTF receives 10% of instant ticket proceeds only from veterans' organizations, so to the extent that revenues from pull tab machines at veterans' organizations decrease, special fund revenues to MVTF decrease. Although these impacts cannot be determined at this time, the additional machines are likely to generate increased revenues for the general fund, offset by minimal decreases in MVTF special fund revenues and special fund revenues from casinos. SLGCA advises that if at least 50 fraternal organizations operate pull tab machines, additional staff may be needed to manage the machines.

Based on U.S. Census data, there are approximately 250 fraternal organizations in the State that may be eligible to operate pull tab machines, but it is unknown how many will actually do so. *For illustrative purposes only*, if 100 fraternal organizations operate pull tab machines, general fund revenues increase by approximately \$850,000 annually beginning in fiscal 2018, assuming the pull tab machines generate similar revenues as existing pull tab machines. This amount does not take into account any substitution effects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Lottery and Gaming Control Agency; U.S. Census Bureau; Department of Legislative Services

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