

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1484 (Calvert County Delegation)
 Ways and Means

Calvert County - Class NB Instant Bingo License

This bill creates a new type of license for conducting instant bingo in Calvert County by authorizing the Calvert County Board of County Commissioners to issue a Class NB license for conducting instant bingo to an entity that meets specified criteria established under current law. The Calvert County Board of County Commissioners may issue a Class NB license for instant bingo that does not exceed a seating or player capacity of 1,000 individuals and may be operated within the limits of District 1 of the county throughout the year. A business or fraternal organization with the Class NB license for conducting instant bingo may operate up to 25 instant bingo machines. The annual license fee is \$5,000. A prize with a value exceeding \$100 may be issued for one game by a license holder. Instant bingo under the license may not be conducted between 2 a.m. and 1 p.m. on Sunday.

Fiscal Summary

State Effect: Special fund revenues increase by \$255,600 in FY 2019 from admissions and amusement (A&A) tax revenues from electronic bingo machines. Future years reflect annualization and the change in the distribution under current law of A&A tax revenues. The State Lottery and Gaming Control Agency (SLGCA) can oversee and the Comptroller’s Office can audit the electronic bingo machines with existing resources.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	\$0	\$0	\$0	\$272,700	\$272,700
SF Revenue	\$255,600	\$340,900	\$340,900	\$68,200	\$68,200
Expenditure	0	0	0	0	0
Net Effect	\$255,600	\$340,900	\$340,900	\$340,900	\$340,900

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

Local Effect: A&A tax revenues to Calvert County increase by approximately \$81,800 in FY 2019 and by \$109,100 annually thereafter. Calvert County can issue permits with existing resources.

Small Business Effect: Minimal.

Analysis

Current Law: The Calvert County Commissioners may issue a Class NG beach license to conduct a game of instant bingo. A Class NG beach license may be operated throughout the year within the town limits of North Beach or Chesapeake Beach. The annual license fee is \$5,000. A prize with a value exceeding \$100 may be issued for one game by a license holder. Instant bingo under the license may not be conducted between 2 a.m. and 1 p.m. on Sunday.

Commercial Electronic Bingo and Tip Jar Machines

An entity licensed to offer instant bingo under a commercial bingo license on July 1, 2007, or a qualified nonprofit organization, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

- the machines were in operation for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007;
- the entity does not operate more than the number of machines in operation on February 28, 2008; and
- the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article.

A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine that is operated for commercial purposes. The State tax rate may not exceed a rate that when combined with the rate of any local tax will exceed 35%.

For fiscal 2019 through 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the Maryland E-Innovation Initiative Fund, and revenues attributable to a rate of 5% are distributed to the Maryland State Arts Council (up to an aggregate amount of \$1.0 million in each fiscal year) and the remainder is distributed to the Special Fund for Preservation of Cultural Arts in Maryland (POCA). After fiscal 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the general

fund, and revenues attributable to a rate of 5% are distributed to POCA. From the revenue attributable to a tax rate of 5% that is distributed to POCA, beginning in fiscal 2019, \$250,000 must be distributed annually to the Arts Council of Anne Arundel County.

The tax rate in Anne Arundel County is 25%, distributed as described above. In Calvert County, the total State A&A tax rate on specified machines is 33%. In fiscal 2014 through 2019, revenues attributable to the additional State A&A tax rate in Calvert County are distributed as follows:

- 1.5% to the Boys and Girls Club of the Town of North Beach in the amount of \$50,000, with the remainder to the Town of North Beach;
- 2.5% to the Town of Chesapeake Beach; and
- 4.0% to the Calvert County Youth Recreational Opportunities Fund (CCYROF).

Beginning in fiscal 2020, distributions are unaltered, except that the revenues attributable to a State tax rate of 4.0% no longer go to CCYROF but are instead distributed to the Calvert County Board of Education for school renovation and renewal projects.

Background: There are currently 460 instant bingo machines in Calvert County. State A&A tax revenues totaled \$13.3 million in fiscal 2017, of which \$8.9 million was from instant bingo machines in Calvert County.

State Revenues: The Department of Legislative Services (DLS) assumes only one Class NB license is issued to operate 25 instant bingo machines. Assuming each machine generates \$18,000 in State A&A tax revenues, Maryland E-Innovation Initiative Fund revenues attributable to a State A&A tax rate of 20% increase by approximately \$204,500 in fiscal 2019. General fund revenues attributable to a State A&A tax rate of 20% increase by \$272,700 annually beginning in fiscal 2022. Special fund revenues to POCA increase by \$51,100 in fiscal 2019. **Exhibit 1** shows the State and local fiscal effects of the bill.

Exhibit 1
Revenue Effects of the Bill
Fiscal 2019-2023

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Town of North Beach	\$15,300	\$20,500	\$20,500	\$20,500	\$20,500
Town of Chesapeake Beach	25,600	34,100	34,100	34,100	34,100
CCYROF	40,900	-	-	-	-
Calvert County Board of Education	-	54,500	54,500	54,500	54,500
E-Nnovation Initiative Fund	204,500	272,700	272,700		-
General Fund	-	-	-	272,700	272,700
POCA	51,100	68,200	68,200	68,200	68,200
Total A&A Revenues	\$337,400	\$450,000	\$450,000	\$450,000	\$450,000

CCYROF: Calvert County Youth Recreational Opportunities Fund
POCA: Special Fund for Preservation of Cultural Arts in Maryland

Source: Department of Legislative Services

While the bill may draw some gaming revenues away from the State lottery and casino facilities, the impact is small enough that overall gaming revenues are not affected.

State Expenditures: The Comptroller’s Office is charged with conducting audits of instant bingo license holders and SLGCA has oversight responsibility for instant bingo machines. Assuming only one Class NB license is issued, SLGCA can oversee the machines and the Comptroller’s Office can audit the license holder with existing resources. If additional licenses are issued, the Comptroller’s Office and SLGCA may need additional staff to audit and oversee the machines.

Local Fiscal Effect: A&A tax revenues to Calvert County increase by approximately \$81,800 in fiscal 2019 and by \$109,100 annually thereafter. Exhibit 1 shows the distribution of A&A tax revenues to the Town of North Beach, the Town of Chesapeake Beach, CCYROF, and the Calvert County Board of Education. DLS assumes that any additional license fee revenues for Calvert County will be minimal and that the county can issue and monitor Class NB licenses for conducting instant bingo with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Calvert County; Comptroller's Office; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2018
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