

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 558 (Carroll County Senators)
Budget and Taxation

Carroll County - Instant Ticket Lottery Machines

This bill adds fraternal and sororal organizations in Carroll County 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 or 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 organization where membership is restricted wholly or largely to students or graduates of an educational institution or a professional school. A licensed fraternal or sororal organization in Carroll County must purchase or lease its pull tab machines, must remit receipts from instant ticket lottery sales to SLGCA, and must locate and operate its pull tab machines at its principal meeting hall in the county.

Fiscal Summary

State Effect: General fund revenues increase due to the distribution of proceeds from electronic pull tab machines in Carroll County beginning in FY 2022. Special fund revenues and expenditures from table games 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 2022.

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

Small Business Effect: Minimal.

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 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 State Lottery Fund to purchase or lease the machines.

State Fiscal Effect: The impact on general fund and special fund revenues and expenditures will depend on the number of fraternal and sororal organizations that operate authorized pull tab machines in Carroll County, 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 can likely manage the new machines with existing resources.

Based on U.S. Census data, there are approximately 15 fraternal and sororal organizations in Carroll County that may be eligible to operate pull tab machines, but it is unknown how many will actually do so. *For illustrative purposes only*, if 10 fraternal organizations operate pull tab machines, general fund revenues increase by approximately \$133,000 in fiscal 2022, accounting for the bill's effective date, and by \$178,000 annually thereafter, 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: SB 1023 of 2020 was assigned to the Senate Rules Committee, but no further action was taken. SB 257 of 2019 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 573, received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: HB 818 (Carroll County Delegation) - Ways and Means.

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

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