

2014 End of Session Report

On April 7, the Maryland General Assembly (“MGA”) completed its work for the 2014 Legislative Session. Legislators considered more than 2,600 bills and passed 811 bills. The Maryland Lottery and Gaming Control Agency (“MLGCA”) had an extremely successful session and saw the passage of four departmental bills, which the Governor signed into law on April 14. The Governor has two additional bill signing dates: May 5 and May 15, 2014. This report contains a synopsis of budget language highlights, gaming and lottery related bills, as well as local gaming bills.

Budget

Operating Budget Bill – Senate Bill 170:

- The Maryland General Assembly passed the \$38.9 billion Operating Budget Bill for Fiscal Year 2015. The MLCGA’s FY 2015 budget is estimated to be approximately \$142 million.
 - From this amount, \$12,183,957 has been earmarked for the Agency’s advertising budget.
 - For FY 2014, MLGCA received a deficiency appropriation of \$485,000 for increased advertising fees.
- The Department of Legislative Services (“DLS”) recommended the following amendments to the Governor’s FY 15 proposed budget:
 - Deleting 5 new positions because MLGCA is currently carrying a large number of vacant positions, many of which were created by the enactment of the previous budget. However, DLS noted that, in recognition of the Agency’s licensing and regulatory workload, this action would still allow for the creation of 25 new positions in fiscal 2014 and 2015. **Action Taken:** Oppose DLS’ recommendation. Retain and provide funding for these five additional compliance positions to help manage the Agency’s caseload.
 - Increasing the turnover rate for 17 positions included in the fiscal 2015 allowance. DLS noted that the new positions carried a turnover rate of 6% and given the number of existing vacancies, DLS estimated that filling the new positions will not be immediate and that budgeted turnover should be higher. **Action Taken:** Concur with DLS’ recommendation. Increase turnover expectancy. The net effect of altering our turnover rate is that Agency loses about \$335,880 from its budget.
 - Machine Cost Savings: The budget committees requested that MLGCA prepare an estimate of the savings to the State that can be expected due to the transfer of video lottery terminals (VLT) from State ownership to casino ownership. The estimate should include an accounting of all VLT machines, both owned and leased, by facility. By statute, the savings must be appropriated to the Education Trust Fund; however, the fiscal 2015 allowance does not reflect any such appropriation. In an effort to assist budget forecasting, MLGCA, in consultation with the Department of Budget and

Management (“DBM”), should attempt to quantify, by fiscal year, the VLT cost savings. **Action Taken:** Concur with DLS’ recommendation.

Budget Reconciliation and Financing Act of 2014 (BRFA) – Senate Bill 172:

- Permanently establishes the regular commissions of licensed lottery retailers at 5.5% of the retailer’s gross receipts from ticket sales.
- Removes the word “incentive” from State Government Article §9-117, while at the same time maintaining MLGCA’s authority to pay bonuses to lottery retailers.
- Establishes, under the Criminal Law Article § 12-301.1, the Maryland Amusement Game Advisory Committee to advise the Maryland Lottery and Gaming Control Commission (“MLGCC”) on issues related to the amusement industry.
- For FY 2015 through FY 2019, provides for \$500,000 to communities within three miles of Laurel Race Course, resulting in \$89,300 for Howard County, an additional \$357,100 for Anne Arundel County, and \$53,600 for Laurel in each of these five fiscal years.

Departmental Bills

Senate Bill 107: State Lottery - Retailer Licenses - Background Investigations

This departmental bill adds a national background investigation requirement to the application process for a retailer license. The bill authorizes the Director to require each new applicant to submit fingerprints through the Criminal Justice Information System Central Repository for a State and national criminal history records check for a State lottery retailer license. *Effective: October 1, 2014.*

Senate Bill 108: State Lottery - Unlawful Representation

This departmental bill prohibits a person or governmental unit from presenting itself to the public as a State lottery retailer without specifically being authorized by MLGCA. Only an authorized retailer may use the term “Maryland State Lottery” or comparable variations in the title or name of a charitable or commercial enterprise, product, or service. A violator is guilty of a misdemeanor and, on conviction, subject to a fine and/or imprisonment. *Effective: October 1, 2014.*

House Bill 454: Gaming - Emergency Suspension of License

This departmental bill authorizes the MLGCC to suspend a gaming license on an emergency basis if it is necessary to protect the State’s gaming program against a serious and imminent risk of harm to its integrity, security, or profitability. The bill requires that, in the event of an emergency suspension, the MLGCC must promptly schedule a hearing and provide written notice of the suspension. This bill allows the MLGCC to delegate this authority along with additional authority listed under paragraph (b) of this subtitle to the Director. *Effective: October 1, 2014.*

House Bill 460: Gaming - Background Investigations

This departmental bill removes the referral of gaming license applications to the Department of State Police (“MSP”) for background investigations and requires the MLGCC, rather than the MSP, to conduct background investigations of applicants for video lottery operation licenses and related licenses. The MLGCC may also refer a license application to an approved vendor to conduct the investigation. *Effective: June 1, 2014.*

Gaming & Lottery Related Bills

House Bill 765: State Personnel - Authority to Set Compensation

This bill alters the independent salary setting authority of specific entities and authorizes the establishment of employee compensation only for positions that are unique to those entities; require specific skills or experience; and do not require employees in those positions to perform functions that are comparable to those performed by employees of other State agencies. The bill specifies that the Secretary of DBM, in consultation with the various agencies, determines for which positions the entities may set compensation. MLGCA has been granted this independent salary setting authority under HB 765 and is subject to the same restrictions. *Effective: July 1, 2014.*

Senate Bill 374: State Lottery - Task Force to Study Lottery Revenue

This bill creates the Task Force to Study Lottery Revenue. The task force consists of one senator and one delegate as members, the Director of the Agency or designee, and members appointed by the Governor: one representative of the retail industry that is a licensed agent; one representative of the e-commerce industry; and two consumer members, just to name a few of the task force members. The task force is charged with studying various issues related to the decline and restoration of lottery revenue. Among the issues that the task force must study are:

- data on the causes of lottery revenue declines;
- potential innovations that may improve the lottery experience and restore revenues, including the use of online platforms for lottery sales;
- lottery agent commissions and bonus programs; and
- e-commerce, banking, privacy, and security related to lottery sales.

The MLGCA shall provide staff to the task force. The task force shall report its findings and recommendations to the Governor by January 1, 2015. MLGCA may not implement any new e-commerce related to lottery sales before April 6, 2015. *Effective: July 1, 2014.*

Senate Bill 481/House Bill 275: Criminal Law - Table Games and VLT - Individual Under the Age of 21

This bill prohibits those younger than age 21 from playing a table game or VLT in a video lottery facility or entering or remaining in an area within a video lottery facility that is designated for table games or VLTs. An infraction is a code violation and a civil offense, which subjects an adult violator (1) to the issuance of a citation and a maximum fine of \$100 for a first violation; (2) a \$500 maximum fine for a second violation; (3) and a \$1,000 maximum fine and mandatory participation in gambling addiction treatment for a third or subsequent violation. A minor who violates the prohibition on underage playing of table games or VLTs is subject to juvenile court procedures and dispositions. *Effective: October 1, 2014.*

House Bill 907: Video Lottery Facility Payouts - Intercepts for Child Support Payment

This bill extends the application of the child support intercept program that applies to lottery payouts to certain payouts from a video lottery facility. If an individual who owes child support and has been certified as an obligor wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G (forms required to be provided to individuals who receive specified winnings from gambling) the video lottery operation licensee must provide notice to the obligor that the obligor's child support arrearage has been certified

and the prize is being intercepted. The bill also extends the right to appeal to obligors who have prizes intercepted by the video lottery facilities. A video lottery operation licensee may not be held liable for an act or omission taken in good faith to comply substantially with the requirements set forth in the bill. The bill's provisions do not apply to a prize won at a video lottery facility on or before June 1, 2015. *Effective: October 1, 2014.*

Local Gaming Bills

House Bill 329: Frederick County - Gaming Permits

This bill increases the number of gaming events per year that an eligible organization in Frederick County may conduct with a prize greater than \$5,000 from one event to four events. *Effective: October 1, 2014.*

Senate Bill 899: Kent County - Gaming - Permits

This bill increases the number of gaming permits that the Kent County Commissioners may issue in a single year to a qualified organization from two permits to six permits. *Effective: October 1, 2014.*

Senate Bill 465/House Bill 1385: Washington Co. Gaming Comm. - Membership - Conflict of Interest

This bill repeals the requirement that a member of the Washington County Gaming Commission must immediately stop serving on the commission if the member serves on the board of directors or as an officer of an organization applying for funds from the commission. Instead, the commission must adopt conflict of interest regulations that are applicable to commission members. *Effective: July 1, 2014.*

Senate Bill 441: Worcester County - Bingo Board – Repeal

This bill abolishes the Worcester County Bingo Board and transfers its duties, responsibilities, and oversight of bingo to the Worcester County Department of Development Review and Permitting. *Effective: October 1, 2014.*