



STAFF AGENDA MEMORANDUM

DATE OF MEETING: July 27, 2023

AGENDA ITEM: Proposed Amendments to Regulations
Gaming
Video Lottery Terminals
Instant Bingo Machines
Sports Wagering

PRESENTER: James Nielsen, Deputy Director / COO

ISSUE SUMMARY: We are presenting proposed amendments to regulations in the Gaming, Video Lottery Terminals, Instant Bingo Machines and Sports Wagering subtitles. The amendments address changes in statute, industry recommendations received during our annual review process, and staff recommendations.

Proposed Amendments To COMAR Title 36 Maryland State Lottery and Gaming Control Agency

Subtitle 03 Gaming Regulations

Chapter 01 General

Proposed amendments would adjust and clarify definitions, and apply them in subsequent regulations, to address questions the Licensing Division encounters related to ownership interests, and to clarify the existing licensing and fee structure for contractor and manufacturer licenses

Chapter 02 Investigation and Licensing

Proposed amendments would:

- Clarify requirements for principal entities (owners)
- For video lottery employee licensees, allow gaming employees to work as sports wagering employees without submitting a separate license application
- Allow employees ages 18-20 to be on a casino's gaming floor while they work, as is already permitted in statute
- Provide that individual licensees may voluntarily relinquish a license, and later request to be returned to active license status
- Implement HB 1288, which relaxes mandatory disqualification requirements for individuals with misdemeanor records who complete a problem-solving court
- Implement clarifying definitions from Chapter 01
- Delegate to Staff the authority to issue manufacturer licenses
- Correct an error that omitted manufacturer license applicants from the due process required for license denials

- For vendors, clarify what is and is not a vendor, and streamline registration requirements

Chapter 03 Video Lottery Operation License

Proposed amendments would implement the casino license renewal requirements in SB 537, and build time into the process for Staff to conduct background investigations before license expiration, and, as specified in SB 537, designate that license renewal fees accrue to the Education Trust Fund.

Chapter 06 Enforcement of Voluntary Exclusion Program

The proposed amendment would require conspicuous display of the gambling assistance message.

Chapter 08 Collection of Taxes, Fees, and Penalties

Proposed amendments would:

- Incorporate casino license renewal fee requirements from SB 537 and amendments to Chapter 03, and ensure consistency with proposed amendments to Subtitle 04, Chapter 02, which clarify the calculation of annual Problem Gambling Fund assessments for VLT counts based on the authorized number of VLTs on the casino's operation license
- Clarify annual Problem Gambling Fund assessments for table games based on the high-water mark of table games in operation in the year

Chapter 10 Video Lottery Facility Minimum Internal Control Standards

Proposed amendments implement industry suggestions to:

- Reduce audit frequency for two non-gaming functions
- Increase aggregate amount of check(s) a casino can accept from a player on a single gaming day
- Allow a casino to accept a higher aggregate dollar value of check(s) from a player from checks that are payouts for gaming activity from a casino licensed in Maryland or an out of state affiliate of a Maryland casino
- Authorize casinos to accept an ACH transfer from a player to pay off a casino debt, in addition to a wire transfer
- Authorize a casino's player tracking system to give players their player account information (win-loss statements) at a self-service kiosk or the casino's player rewards website

Chapter 11 Facility Standards

The proposed amendment would authorize Agency staff to approve changes to a casino's gaming floor plan within authorized VLT and table game counts.

Subtitle 04 Video Lottery Terminals

Chapter 01 Video Lottery Terminal Standards

The proposed amendment would allow Staff to authorize use of a payable with an average payout above 95% if the Commission has already approved the payable.

Chapter 02 Video Lottery Terminal Machines

Proposed amendments would:

- Delete obsolete provisions pertaining to the Commission’s purchase or lease of VLTs for the casinos, and replace them with requirements to obtain Staff authorization before adding VLTs to the gaming floor
- Delete the requirement that the Commission authorize both temporary and permanent VLT count reductions
- Establishes process for casinos to make one annual request for reduction to the authorized maximum number of VLTs on its license; if Staff approves, the VLT count on the operation license is reduced accordingly
- A casino may adjust VLT counts on the floor at or below the licensed VLT count with prior notice to Staff
- Establishes process for casino to pay license fees required to permit operation of VLTs above the number authorized on the operation license
- Clarifies that the annual assessment to the Problem Gambling Fund is based on the number of VLTs on the license, regardless of whether all VLTs were actually in use in the assessment year; COMAR 36.03.08 has corresponding amendment

Subtitle 07 Instant Bingo Machines in Anne Arundel and Calvert Counties

Chapter 02 Application and Licensing

The Agency regulates instant bingo manufacturers consistently with how it regulates gaming manufacturers in Subtitle 03. By amendments described above, the Commission delegates to Staff the authority to issue a gaming manufacturer license; for consistency, this requires similar amendments to clarify Staff’s authority over instant bingo manufacturers. The proposed amendments would clarify Staff’s enforcement authority for instant bingo manufacturers.

Subtitle 10 Sports Wagering Provisions

Chapter 01 General

Proposed amendments would:

- Implement amendments regarding ownership and principal entities consistent with amendments to the same as proposed (above) in COMAR 36.03
- Implement SB 621, which authorizes the Commission to license and regulate independent evaluators, and requires additional definitions of associated new terminology in the bill

Chapter 02 All Applicants and Licensees – Applications and Investigations

- Clarify bond requirements that apply to all sports wagering applicants and licensees
- Implement amendments regarding principal entities consistent with amendments to the same as proposed (above) in COMAR 36.03

Chapter 03 All Applicants and Licensees – Qualification Requirements

- Clarify bond requirements for sports wagering licensees
- Remove language related to conducting gaming for 3 years before a license transfer because it is addressed in statute

Chapter 04 Specific Requirements for Sports Wagering Facilities Licensees

Proposed amendments would:

- Clarify bond requirements for sports wagering facilities, by category
- Implement uncodified portion of SB 621, which authorizes a Class B-2 that became an awardee before February 15, 2023, to request the Commission and SWARC to allow it to change the proposed facility location identified in its applications to both commissions

Chapter 05 Specific Requirements for Mobile Sports Wagering Licenses

Proposed amendments would clarify bond requirements for mobile sports wagering licensees

Chapter 06 Specific Requirements for Other Licenses Required for Sports Wagering

Proposed amendments would:

- Clarify bond requirements for online sports wagering operator, sports wagering facility, sports wagering contractor, and sports wagering employee licensees
- Implement independent evaluator licensing and regulation requirements established in SB 621
- Consistent with statute and amendments to COMAR 36.03, authorize sports wagering employees who are 18 to 20 years old to be in restricted areas if they are working
- Restricts wagering by Independent Evaluator employees
- Consistent with amendments to COMAR 36.03, clarifies vendor registration requirements

Chapter 10 Enforcement of Voluntary Exclusion Program

Proposed amendments would:

- Consistent with amendments to COMAR 36.03 above, would require conspicuous posting of gambling assistance message.
- Prohibit advertisements offering or suggesting guaranteed or risk-free gambling outcomes

Chapter 13 Sports Wagering Licensee Minimum Internal Control Standards

Proposed amendments would:

- Consistent with amendments to COMAR 36.03 above, reduce the frequency of an audit for two non-gaming functions
- Allow for a Class B-2 licensee to perform cash storage drop box collection with two employees
- Clarifies reserve requirement and player account requirements
- For consumer protection regulations, reorganize existing language non-substantively, and clarify requirements for promotions
- Implement SB 620, which prohibits institutions of higher education from contracting with sports wagering licensees if the licensees would profit from securing student participation in sports wagering

Chapter 14 Sports Wagering Requirements and Limitations

Proposed amendments would:

- Prohibit Independent Evaluator employees from placing wagers
- Clarifies requirements for surety bonds that comprise part of a reserve

Chapter 15 Sports Wagering Licensee Facility Standards

Proposed amendments would authorize Agency staff to approve facility design standards and facility plans

Subtitle 11 Sports Wagering Application Review Commission

Chapter 02 All Applicants and Awardees

Proposed amendments would implement uncodified language in SB 621, which allows an awardee to ask SWARC and the Commission to authorize it to change the facility location identified in its applications.

COMMISSION ACTION REQUESTED:

- 1) After review and any discussion, approve the proposed amendments to Gaming regulations as emergency and regular regulations;
- 2) After review and any discussion, approve the proposed amendments to Video Lottery Terminals regulations as emergency and regular regulations;
- 3) After review and any discussion, approve the proposed amendments to Instant Bingo Machines regulations as emergency and regular regulations;
- 4) After review and any discussion, approve the proposed amendments to Sports Wagering regulations as emergency and regular regulations; and
- 5) Motion to delegate to Staff the authority to make any non-substantive changes to the approved regulation amendments that may be necessary to prepare them for publication in the *Maryland Register*.

STAFF RECOMMENDATIONS: Staff recommends approval of all 5 motions.