

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1013 (Delegate Trueschler)
Ways and Means

Gaming Facilities - Consumer Protections

This bill requires specified consumer regulations if specified new forms of gaming are authorized in the State.

The bill requires that any licensed gaming facility that has more than 1,000 regulated games must exclude State residents if they: (1) owe child support payments or undisputed past due taxes and unemployment insurance contributions; (2) receive Medicaid or similar public assistance; and (3) have declared bankruptcy within the last five years. Individuals, whether State residents or not, who have been convicted of crimes involving moral turpitude or gambling and certain individuals defined by regulation as career offenders must also be excluded. The facility must also exclude individuals who have indicated they wish to be voluntarily excluded from the facility.

The bill does not apply to currently authorized forms of gaming.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: To the extent that legislation authorizes gaming regulated by the bill, State gaming revenues would decrease significantly due to the decrease in gaming patrons by the exclusion of individuals from facilities and potentially substantial inconveniences and additional fees imposed on gaming patrons. There will also be a significant special fund expenditure increase for personnel and equipment costs in order to exclude individuals from facilities and corresponding increase in revenue from the imposition of fees on gaming patrons. If legislation does not authorize gaming regulated by this bill, the bill will have no fiscal effect.

Local Effect: To the extent that legislation authorizes regulated gaming and provides for a percentage of revenues to be dedicated to local governments, local revenues would decline significantly due to the reduction in gaming at regulated facilities.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines regulated games as any game of skill or chance played with cards, dice, or with any machine that pays out anything of value. The regulations do not apply to existing gambling including horse racing, State lotteries, and slot machine gambling permitted on the Eastern Shore.

A gaming facility is defined as a facility licensed by the State where regulated games are conducted. If legislation provides for the operation and licensing of regulated gaming facilities, the regulatory agency is required to ensure a licensee complies with the provisions of the bill.

A licensee must exclude the following individuals from the facility where regulated games are conducted:

- career offenders as defined by regulations adopted by the regulatory authority that oversees gaming;
- individuals convicted of a criminal offense for crimes involving moral turpitude or gambling offense or whose presence in the establishment would be adverse to the interests of the State or licensee;
- State residents who: (1) owe child support payments; (2) have not paid undisputed past due taxes or unemployment insurance contributions; (3) receive Medicaid or similar public assistance; or (4) have declared bankruptcy in the last five years; and
- individuals who wish to be voluntarily excluded.

The bill requires the establishment of a central database list electronically accessible to licensees that includes all individuals who are to be excluded from gaming facilities. In order to gamble at a facility with more than 1,000 controlled games, an individual must obtain a gaming card. A gaming card must require the legal name, photo, birth date, and address of the individual. It must be capable of communicating with the central computer to determine if the individual is to be excluded.

A licensee may not permit an individual to enter a facility unless: (1) the individual presents both a valid photo ID and gaming card; and (2) a gaming card scanner indicates that the individual is not on the exclusion database.

The regulatory agency is required to procure and maintain a central computer accessible to all licensees that contains the central list of voluntary and mandatory exclusions. The regulatory agency is required to procure and maintain equipment and personnel that are necessary to: (1) produce gaming cards outside each entrance to a gaming facility where more than 1,000 regulated games are conducted; and (2) operate a gaming card scanner at each entrance. The regulatory agency is required to assess fees to obtain a gaming card that are sufficient to cover any of the administrative costs.

The regulatory agency is required to adopt regulations that: (1) establish a simple mechanism for individuals to request to be excluded from any gaming facility; (2) compile a list of these individuals who wish to be voluntarily excluded; (3) limit the number, location, and maximum withdrawal amounts for ATMs; (4) require payouts above a certain amount to be made by check; (5) require the conspicuous display of odds and VLT payouts; (6) prohibit the use of specified negotiated instruments, credit cards, and similar devices in VLTs; (7) provide consumers with a record of VLT spending levels if feasible; (8) prohibit VLT licensees from contracting with an entity to engage in predatory marketing practices; and (9) impose sanctions on licensees that violate provisions of the bill.

Current Law: Specified types of gambling are allowed and regulated in Maryland. This includes the State lottery and wagering on horse racing. Bingo, bazaars, and gaming nights are allowed for some nonprofit organizations on a county-by-county basis. Several counties permit for-profit bingo. In addition, some nonprofit organizations in Eastern Shore counties are allowed to operate up to five slot machines, provided that at least 50% of the proceeds go to charity. VLTs are not authorized for operation in the State. For more information on gambling and horse racing in Maryland, consult the *Legislators' Guide to Video Lottery Terminal Gambling*.

Background: Over the past several legislative sessions, various proposals have been introduced to authorize VLTs at the State's horse racing tracks or other tourist destinations in the State. Numerous states have authorized VLT gambling. For more information on prior year introductions and other state VLT regimes, including other states' consumer protection provisions, consult the *Legislators' Guide to Video Lottery Terminal Gaming*.

State Revenues: To the extent that games regulated by the provisions of this bill are authorized by the State, revenues would decrease significantly beginning in the year that gaming begins. State gaming revenues would decrease due to the exclusion of certain individuals from gaming facilities and due to the decrease in attendance by nonexcluded

patrons who are discouraged by the potential inconveniences and additional fees imposed on gaming patrons.

Due to the exclusion provisions of this bill, an estimated 1.1 million residents or more could be excluded from gaming facilities. This estimate is based on the following facts and assumptions:

- according to the American Bankruptcy Institute, there were 161,174 nonbusiness bankruptcy filings in Maryland from 1999 to 2003;
- there are approximately 501,000 adult recipients of Medicaid;
- according to the Comptroller's Office, there were approximately 228,000 taxpayers who owed undisputed taxes in fiscal 2003; and
- according to the Child Support Enforcement Administration, there were 188,644 individuals that were in arrears for child support obligations in fiscal 2003.

This estimate assumes that these individuals are mutually exclusive. To the extent that individuals might owe child support and have filed bankruptcy within the last five years, for example, the number of individuals required to be excluded will be less.

This estimate does not include voluntarily excluded individuals and individuals convicted of certain criminal offenses. The Department of Public Safety and Correctional Services advises that there are potential serious obstacles in ensuring individuals convicted of certain criminal offenses are excluded from gaming facilities.

The provisions of the bill are likely to reduce gaming revenue by discouraging patronage by individuals not on the exclusion list. The provisions of the bill requiring gaming patrons at facilities with more than 1,000 regulated games to acquire gaming cards and for licensees to verify identification will likely result in delays in entering facilities due to the large attendance at these facilities. Such patrons may also be discouraged by the fees.

To the extent gaming revenues are dedicated to a special fund, such as one to fund education, those special fund revenues would decline.

State Expenditures: State expenditures would increase due to the costs associated with implementing the provisions of the bill. These costs included procuring and maintaining a central database system and hiring personnel to be present to issue gaming cards at all hours of operations at certain gaming facilities. The amount of such expenditures, including the number of additional personnel, to implement the program cannot be reliably estimated at this time. It is assumed, however, that these additional expenditures would be fully offset by the imposed fee.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): American Bankruptcy Institute, Department of Human Resources, Department of Public Safety and Correctional Services, Maryland State Lottery Agency, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

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mh/mdr

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