

Department of Legislative Services
 Maryland General Assembly
 2007 Special Session

FISCAL AND POLICY NOTE

House Bill 14 (Delegate Pendergrass)
 Ways and Means

State Lottery Agency - Tip Jar Games - Exclusive Authority

This bill repeals the authority of Allegany, Frederick, Garrett, and Washington counties to regulate tip jar games. Instead, it places the authority to operate such games throughout the State with the State Lottery Agency (SLA).

The bill takes effect October 1, 2008.

Fiscal Summary

State Effect: General and special fund revenues could increase due to proceeds from the operation of tip jar games. Special fund expenditures would increase \$123,100 in FY 2009 and \$192,800 in FY 2013 associated with three new SLA positions.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF/SF Rev.	--	--	--	--	--
SF Expenditure	123,100	165,800	174,900	184,500	192,800
Net Effect	(\$123,100)	(\$165,800)	(\$174,900)	(\$184,500)	(\$192,800)

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

Local Effect: Permit and license fee revenues could decrease to the extent that fewer permits and licenses would be issued. Expenditures would not be directly affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The authority to regulate tip jar games generally entails issuing licenses or permits (and collecting applicable fees); adopting and enforcing applicable regulations; and imposing fines and other penalties. By and large, the net proceeds from tip jars in the four counties with this authority are distributed to volunteer fire and rescue organizations and other community groups.

Background: A tip jar is a game in which players purchase folded or sealed pieces of paper in hopes of winning a prize. The pieces of paper conceal numbers or symbols that may entitle the purchaser to winnings upon opening the ticket or after a subsequent announcement of the winning number or symbol.

State Fiscal Effect: SLA advises that it currently does not regulate tip jar gaming devices. It would therefore need to hire a minimum of three additional personnel to administer the program – one project manager, one security officer, and one warehouse worker. Thus, special fund expenditures could increase by an estimated \$123,100 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The bill would authorize SLA to operate tip jar games throughout the State. Thus, if these games become more prevalent, SLA may need to hire additional sales and/or accounting people, which are not reflected in the above estimate.

The bill is silent on how the proceeds from the tip jar games would be distributed. Therefore, Legislative Services assumes that any revenue derived from these games would be distributed to the State in the same manner as the other lottery revenue. Thus, SLA special fund revenues could increase under the bill depending on how many of these games would be operated and how much money each game earned, neither of which can be reliably estimated at this time, but might be substantial. As special fund revenues not used to pay prizes and the cost of administering SLA are then credited to the general fund, general fund revenues could also increase.

Local Fiscal Effect: Revenues from permit and license fees that are derived from regulating tip jar games could decrease in the affected counties, as would the gaming proceeds that are distributed to local fire and rescue, community, and charitable organizations.

Allegany County advises that the bill would likely eliminate all funds derived from paper gaming in the county. The county estimates that the revenue from such games totals

approximately \$1 million annually and advises that these funds are exclusively used for public education and fire and rescue purposes.

Frederick County advises that revenues would decrease by approximately \$244,000 annually from foregone tip jar permit and “per bag” fee revenues.

Garrett County advises that the bill would not impact the county because it has not used its authority to implement tip jar gaming.

Washington County estimates that the bill would decrease the amount of money given to charity annually by \$3 million, as well as decrease business revenues by \$71 million annually. The county further advises that since 1995, the Washington County Gaming Commission has distributed approximately \$35 million to charitable organizations in the county.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Allegany County, Frederick County, Garrett County, Washington County, Maryland State Lottery Agency, Department of Legislative Services

Fiscal Note History: First Reader - November 2, 2007
mcp/rhh

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