

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 995

(Senator Jackson)

Budget and Taxation

Gaming - Electronic Instant Bingo Machines - Expansion

This bill increases the maximum number of electronic instant bingo machines that an entity licensed to offer instant bingo under a commercial bingo license may operate to no more than 300 electronic instant bingo machines more than the number of machines in operation on February 28, 2008. For each new machine first put into operation on or after July 1, 2022, the entity that owns the machine must make a \$1,000 investment in the facility where the machine is located, subject to review and certification by the State Lottery and Gaming Control Commission (SLGCC). This requirement does not apply to a machine that replaces a machine that was in operation before July 1, 2022. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: Under one set of assumptions, special fund revenues and expenditures increase by \$24.8 million annually beginning in FY 2023 from admissions and amusement (A&A) tax revenues from electronic instant bingo machines. General fund revenues increase by \$540,000 annually beginning in FY 2023, and general fund expenditures increase by \$389,600 in FY 2023, with ongoing costs, for SLGCA related to licensing additional electronic instant bingo machines.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
SF Revenue	\$24.8	\$24.8	\$24.8	\$24.8	\$24.8
GF Expenditure	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
SF Expenditure	\$24.8	\$24.8	\$24.8	\$24.8	\$24.8
Net Effect	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2

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

Local Effect: Under one set of assumptions, Anne Arundel County revenues increase by \$4.95 million annually, and Calvert County revenues increase by \$4.46 million annually from additional A&A tax revenues beginning in FY 2023.

Small Business Effect: Minimal.

Analysis

Current Law: An entity licensed to offer instant bingo under a commercial bingo license on July 1, 2007, or a qualified nonprofit organization, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

- the machines were in operation for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007;
- the entity does not operate more than the number of machines in operation on February 28, 2008; and
- the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article.

A county may not issue a commercial bingo license under Title 13 of the Criminal Law Article or under any public local law to an entity that was not licensed to conduct commercial bingo on or before June 30, 2008.

A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine authorized under Title 13 of the Criminal Law Article that is operated for commercial purposes. The combined State and local tax rate may not exceed 35%. Generally, the State tax rate imposed on electronic bingo or electronic tip jar machines is 30%.

The tax is currently only imposed in Anne Arundel and Calvert counties. Revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the Maryland E-Innovation Initiative Fund (MEIF), and revenues attributable to a 5% tax rate are distributed to the Maryland State Arts Council (\$1.0 million), the Town of Chesapeake Beach (\$300,000), the Michael Erin Busch Sports Fund (\$500,000), and the Special Fund for Preservation of Cultural Arts in Maryland (remaining revenues).

The tax rate in Anne Arundel County is 25%, distributed as described above because Anne Arundel County has a 10% local A&A tax, and the combined State and local tax rate

cannot exceed 35%. In Calvert County, the total State A&A tax rate on specified machines is 33%. Revenues attributable to the additional State A&A tax rate in Calvert County are distributed as follows:

- 1.5% to the Boys and Girls Club of the Town of North Beach in the amount of \$50,000, with the remainder to the Town of North Beach;
- 2.5% to the Town of Chesapeake Beach; and
- 4.0% to the Calvert County Youth Recreational Opportunities Fund (CCYROF).

State Fiscal Effect:

Licensing

There are 13 licensed commercial instant bingo facilities in Anne Arundel and Calvert counties. Currently, there are 891 devices at these facilities, and the bill would authorize an additional 3,900 machines. Since not all facilities will seek the maximum number of authorized machines, the Department of Legislative Services assumes 1,800 additional machines result from the bill, with half in Anne Arundel County and half in Calvert County.

Application and license fees for instant bingo machines are established in regulations. The annual license fee paid by the facility is \$150 per machine, and there is also a manufacturer's annual license fee of \$150 per machine, so each new machine generates license fee revenues of \$300 annually. Assuming an increase of 1,800 licensed instant bingo machines, general fund revenues for SLGCA increase by \$540,000 annually. License fees may minimally increase further to the extent additional employees, such as instant bingo managers, at commercial instant bingo facilities are hired and required to be licensed.

SLGCA licenses the bingo facilities and certain key employees, certifies the machines, and performs an annual compliance audit. Therefore, general fund expenditures increase by \$389,600 in fiscal 2023, which accounts for the bill's July 1, 2022 effective date. This estimate reflects the cost of hiring four SLGCA employees to assist with licensing the additional machines. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$359,217
Operating Expenses	<u>30,432</u>
Total FY 2023 State Expenditures	\$389,649

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Admissions and Amusement Tax Revenues

This analysis assumes there are 1,800 additional machines, and each machine generates \$55,000 of net proceeds. Beginning in fiscal 2023, MEIF revenues attributable to a State A&A tax rate of 20% increase by \$19.8 million annually, and Special Fund for Preservation of Cultural Arts in Maryland revenues attributable to a tax rate of 5% increase by \$4.95 million annually. These programs are within the Department of Commerce, so special fund revenues and expenditures for Commerce increase. Commerce can administer the additional funds utilizing existing resources.

Impact on Other Gaming Revenues

While the bill may draw some gaming revenues away from the State lottery and casino facilities, the impact is likely small enough that overall gaming revenues are not materially affected.

Local Fiscal Effect: Revenues for Anne Arundel and Calvert counties increase from local A&A tax revenues. Under the assumptions above, Anne Arundel County revenues increase by \$4.95 million annually beginning in fiscal 2023. Calvert County revenues increase by \$4.46 million annually beginning in fiscal 2023, of which \$742,500 is distributed to the Town of North Beach, \$1.2 million is distributed to the Town of Chesapeake Beach, and \$2.0 million is distributed to CCYROF.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 22, 2022
fnu2/jrb

Analysis by: Heather N. MacDonagh

Direct Inquiries to:
(410) 946-5510
(301) 970-5510