

SENATE BILL 541

C7
HB 1159/24 – W&M

5lr1241
CF HB 328

By: **Senators Charles, Muse, and Ellis**

Introduced and read first time: January 23, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Lottery – Instant Ticket Lottery Machines – Veterans’ and Fraternal**
3 **Organizations**

4 FOR the purpose of authorizing the Director of the State Lottery and Gaming Control
5 Agency to issue certain fraternal organizations a license for not more than a certain
6 number of instant ticket lottery machines; altering the distribution of proceeds from
7 certain instant ticket lottery machine sales by veterans’ organizations; providing for
8 the distribution of proceeds from certain instant ticket lottery machine sales by
9 fraternal organizations; authorizing, instead of requiring, the Director to consider
10 certain information before issuing certain licenses; repealing a requirement that
11 certain veterans’ organizations purchase or lease certain instant ticket lottery
12 machines; prohibiting certain fraternal organizations from operating an instant
13 ticket lottery machine in certain locations; and generally relating to the operation of
14 instant ticket lottery machines in the State.

15 BY repealing and reenacting, with amendments,
16 Article – State Government
17 Section 9–112
18 Annotated Code of Maryland
19 (2021 Replacement Volume and 2024 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
21 That the Laws of Maryland read as follows:

22 **Article – State Government**

23 9–112.

24 (a) **(1)** In this section[, “veterans”] **THE FOLLOWING WORDS HAVE THE**
25 **MEANINGS INDICATED.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2) "ACTIVE MEMBERS" MEANS INDIVIDUALS WHO ARE RECOGNIZED BY A FRATERNAL ORGANIZATION AS DUES-PAYING MEMBERS OR LIFETIME MEMBERS.

(3) (I) "FRATERNAL ORGANIZATION" MEANS A NONPROFIT ORGANIZATION THAT:

1. A. IS TAX EXEMPT AND ORGANIZED AS A FRATERNAL OR SORORAL ORGANIZATION UNDER § 501(C)(7) OR § 501(C)(8) OF THE INTERNAL REVENUE CODE;

B. OWNS OR LEASES A PROPERTY; AND

C. HAS A BONA FIDE MEMBERSHIP OF AT LEAST 300 ACTIVE MEMBERS OR HAS BEEN LOCATED IN A COUNTY IN WHICH SUBSECTION (D) OF THIS SECTION APPLIES FOR AT LEAST 5 YEARS BEFORE THE ORGANIZATION APPLIES FOR A LICENSE UNDER SUBSECTION (D) OF THIS SECTION; OR

2. IS INDEPENDENT AND THE MEMBERSHIP OF WHICH COMPRISES SOLELY GRADUATE MEMBERS OF A NATIONWIDE FRATERNITY OR SORORITY THAT IS TAX EXEMPT UNDER § 501(C)(7) OR § 501(C)(8) OF THE INTERNAL REVENUE CODE.

(II) "FRATERNAL ORGANIZATION" DOES NOT INCLUDE:

1. ANY COLLEGE OR HIGH SCHOOL FRATERNITY OR SORORITY; OR

2. ANY OTHER FRATERNITY OR SORORITY THE MEMBERSHIP OF WHICH IS RESTRICTED IN WHOLE OR IN PART TO STUDENTS OR GRADUATES OF AN EDUCATIONAL INSTITUTION OR A PROFESSIONAL SCHOOL.

(4) "VETERANS' organization" means an organization that is tax exempt and organized as a veterans' organization under § 501(c)(19) or § 501(c)(4) of the Internal Revenue Code.

(b) Except as provided in subsection (d) of this section, in accordance with the regulations of the Agency and this subtitle, the Director shall issue licenses to the persons and governmental units that will best serve the public convenience and promote the sale of State lottery tickets or shares.

(c) Before issuing a license to an applicant, the Director [shall] MAY consider such factors as:

1 (1) the financial responsibility and security of the applicant and the
2 business or activity of the applicant;

3 (2) the accessibility of the place of business or activity to the public;

4 (3) the sufficiency of existing licenses to serve the public convenience; and

5 (4) the volume of expected sales.

6 (d) (1) This subsection does not apply in:

7 (i) Caroline County;

8 (ii) Cecil County;

9 (iii) Dorchester County;

10 (iv) Kent County;

11 (v) Queen Anne's County;

12 (vi) Somerset County;

13 (vii) Talbot County;

14 (viii) Wicomico County; and

15 (ix) Worcester County.

16 (2) (i) Subject to subparagraph (ii) of this paragraph, the Director may
17 issue a license under this subtitle for not more than five instant ticket lottery machines to
18 an applicant that is a veterans' organization **OR FRATERNAL ORGANIZATION**.

19 (ii) A veterans' organization **OR FRATERNAL ORGANIZATION** that
20 is issued a license under this subsection shall locate and operate its instant ticket lottery
21 machines at its principal meeting hall in the county in which the veterans' organization **OR**
22 **FRATERNAL ORGANIZATION** is located.

23 (3) **(I)** After deduction of any [commission and] validation prize payout
24 as provided under § 9–117 of this subtitle, a veterans' organization issued a license under
25 this subsection shall credit the remaining receipts from the sale of tickets from instant
26 ticket lottery machines to the State Lottery Fund established under § 9–118 of this subtitle.

27 **(II) ON A PROPERLY APPROVED TRANSMITTAL, THE AGENCY**
28 **SHALL PAY THE FOLLOWING AMOUNTS FROM THE NET PROCEEDS OF SALES OF**

TICKETS FROM INSTANT TICKET LOTTERY MACHINES OPERATED BY A VETERANS' ORGANIZATION:

1. 50% TO VETERANS' ORGANIZATIONS;

2. TO THE AGENCY, AN AMOUNT NECESSARY TO PAY FOR THE PURCHASE OR LEASE OF THE INSTANT TICKET LOTTERY MACHINES AND AGENCY ADMINISTRATION FEES FOR THE PROGRAM; AND

3. ANY REMAINING AMOUNT TO THE EDUCATION TRUST FUND ESTABLISHED UNDER § 9-1A-30 OF THIS TITLE.

(III) AFTER DEDUCTION OF A VALIDATION PRIZE PAYOUT, A FRATERNAL ORGANIZATION ISSUED A LICENSE UNDER THIS SUBSECTION SHALL REMIT THE PROCEEDS FROM THE SALE OF TICKETS FROM INSTANT TICKET LOTTERY MACHINES TO THE AGENCY TO BE DISTRIBUTED AS PROVIDED IN SUBPARAGRAPH (IV) OF THIS PARAGRAPH.

(IV) ON A PROPERLY APPROVED TRANSMITTAL, THE AGENCY SHALL PAY THE FOLLOWING AMOUNTS FROM THE NET PROCEEDS OF SALES OF TICKETS FROM INSTANT TICKET LOTTERY MACHINES OPERATED BY A FRATERNAL ORGANIZATION:

1. 20% TO THE HOMELESSNESS SOLUTIONS PROGRAM IN THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, TO BE USED, IN CONSULTATION WITH THE DEPARTMENT OF VETERANS AND MILITARY FAMILIES, TO ASSIST VETERANS AND FAMILIES OF VETERANS, WITH PRIORITY GIVEN TO:

A. WOMEN VETERANS WHO ARE HOMELESS OR AT RISK OF HOMELESSNESS;

B. SINGLE-PARENT VETERAN FAMILIES; AND

C. VETERANS WHO ARE VICTIMS OF DOMESTIC VIOLENCE; AND

2. FROM THE REMAINING PROCEEDS OF SALES OF TICKETS FROM INSTANT TICKET LOTTERY MACHINES OPERATED BY A FRATERNAL ORGANIZATION:

A. 25% TO THE FRATERNAL ORGANIZATION TO BE USED FOR UNDERGRADUATE, GRADUATE, OR TRADE SCHOOL SCHOLARSHIPS OR CAPITAL

1 IMPROVEMENTS, CAPITAL OUTLAY, ACQUISITIONS, OR EXISTING COMMUNITY
2 OUTREACH PROGRAMS AND RESOURCES;

3 **B. TO THE AGENCY, AN AMOUNT NECESSARY TO PAY FOR**
4 **THE PURCHASE OR LEASE OF THE INSTANT TICKET LOTTERY MACHINES AND**
5 **AGENCY ADMINISTRATION FEES FOR THE PROGRAM; AND**

6 **C. ANY REMAINING AMOUNT TO THE EDUCATION TRUST**
7 **FUND ESTABLISHED UNDER § 9-1A-30 OF THIS TITLE.**

8 (4) [(i) Subject to subparagraph (ii) of this paragraph, a veterans'
9 organization issued a license under this subsection shall purchase or lease the instant
10 ticket lottery machines to be used by the veterans' organization.

11 (ii) An organization may not use receipts from the sale of tickets
12 from instant ticket lottery machines that would otherwise be [credited to the State Lottery
13 Fund] **DISTRIBUTED AS REQUIRED UNDER PARAGRAPH (3) OF THIS SUBSECTION** for
14 the costs of purchasing or leasing instant ticket lottery machines.

15 (5) (I) The Director may adopt regulations to implement the provisions
16 of this subsection that include restricting the location of instant ticket lottery machines in
17 areas of a veterans' organization's **OR A FRATERNAL ORGANIZATION'S** public meeting
18 hall that is accessible to the public.

19 (II) **A FRATERNAL ORGANIZATION MAY NOT LOCATE OR**
20 **OPERATE ITS INSTANT TICKET LOTTERY MACHINES IN A MEETING HALL THAT IS:**

21 1. **LOCATED ON OR AFFILIATED WITH THE CAMPUS OF**
22 **AN INSTITUTION OF HIGHER EDUCATION; OR**

23 2. **LOCATED IN A BUILDING WHERE STUDENTS OF AN**
24 **INSTITUTION OF HIGHER EDUCATION RESIDE.**

25 (6) The Agency shall ensure that the element of chance in the conduct of
26 the gaming through the instant ticket lottery machines established under this subsection
27 is consistent with the holding in the case of Chesapeake Amusements Inc. v. Riddle, 363
28 Md. 16 (2001), in that the element of chance must be wholly within the pre-printed instant
29 lottery ticket, and that player enhancements in an instant ticket lottery machine may not
30 affect the element of chance being wholly within the pre-printed instant lottery ticket.

31 (e) The Director may not issue a license to:

32 (1) a person or governmental unit to engage in business primarily as a
33 licensed agent; or

1 (2) an individual who is under the age of 21 years.

2 (f) The Commission may hear and decide an appeal of a denial of a license.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
4 1, 2025.