

SENATE BILL 541

C7
HB 1159/24 – W&M

5lr1241
CF HB 328

By: **Senators Charles, Muse, and Ellis Ellis, M. Jackson, Lewis Young, and Salling**

Introduced and read first time: January 23, 2025

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 18, 2025

CHAPTER _____

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; altering certain requirements concerning
14 the conduct of gaming through instant ticket lottery machines; and generally
15 relating to the operation of instant ticket lottery machines in the State.

16 BY repealing and reenacting, with amendments,
17 Article – State Government
18 Section 9–112
19 Annotated Code of Maryland
20 (2021 Replacement Volume and 2024 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



Article – State Government

9–112.

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

(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

1 and governmental units that will best serve the public convenience and promote the sale of
2 State lottery tickets or shares.

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

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

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

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

9 (4) the volume of expected sales.

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

11 (i) Caroline County;

12 (ii) Cecil County;

13 (iii) Dorchester County;

14 (iv) Kent County;

15 (v) Queen Anne's County;

16 (vi) Somerset County;

17 (vii) Talbot County;

18 (viii) Wicomico County; and

19 (ix) Worcester County.

20 (2) (i) Subject to subparagraph (ii) of this paragraph, the Director may
21 issue a license under this subtitle for:

22 **1. not more than five instant ticket lottery machines to an**
23 **applicant that is a veterans' organization ~~OR FRATERNAL ORGANIZATION; AND~~**

24 **2. NOT MORE THAN THREE INSTANT TICKET LOTTERY**
25 **MACHINES TO AN APPLICANT THAT IS A FRATERNAL ORGANIZATION.**

26 (ii) A veterans' organization **OR FRATERNAL ORGANIZATION** that
27 is issued a license under this subsection shall locate and operate its instant ticket lottery

machines at its principal meeting hall in the county in which the veterans' organization OR FRATERNAL ORGANIZATION is located.

(III) AS A RETAILER UNDER THE INSTANT TICKET LOTTERY MACHINE PROGRAM, A VETERANS' ORGANIZATION OR FRATERNAL ORGANIZATION SHALL BE COMPENSATED BASED ON A PERCENTAGE OF PROCEEDS.

(3) (I) After deduction of any [commission and] validation prize payout as provided under § 9–117 of this subtitle, a veterans' organization issued a license under this subsection shall **RETAIN 50% OF THE NET PROCEEDS AND** credit the remaining ~~receipts~~ **NET PROCEEDS** from the sale of tickets from instant ticket lottery machines to the State Lottery Fund established under § 9–118 of this subtitle.

(II) 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 VETERANS' ORGANIZATION:

1. 50% TO VETERANS' ORGANIZATIONS 5% TO THE MARYLAND VETERANS TRUST FUND ESTABLISHED UNDER § 9–913 OF THIS TITLE;

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;

1. RETAIN 25% OF THE NET PROCEEDS FOR UNDERGRADUATE, GRADUATE, OR TRADE SCHOOL SCHOLARSHIPS OR CAPITAL IMPROVEMENTS, CAPITAL OUTLAYS, ACQUISITIONS, OR EXISTING COMMUNITY OUTREACH PROGRAMS AND RESOURCES; AND

2. REMIT THE REMAINDER 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 IMPROVEMENTS, CAPITAL OUTLAY, ACQUISITIONS, OR EXISTING COMMUNITY OUTREACH PROGRAMS AND RESOURCES;~~

2. 5% TO THE MARYLAND VETERANS TRUST FUND ESTABLISHED UNDER § 9-913 OF THIS TITLE;

~~B.~~ 3. 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

~~C.~~ 4. ANY REMAINING AMOUNT TO THE EDUCATION TRUST FUND ESTABLISHED UNDER § 9-1A-30 OF THIS TITLE.

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

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

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

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

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

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

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

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

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

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

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

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.