

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 890

H.P. 675

House of Representatives, February 28, 2007

### **An Act To Allow the Awarding of Prize Money from Gambling Machines Run by Nonprofit Organizations**

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Reference to the Committee on Legal and Veterans Affairs suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative PATRICK of Rumford.  
Cosponsored by Senator BRYANT of Oxford and  
Representatives: BLANCHARD of Old Town, CROCKETT of Augusta, HOGAN of Old  
Orchard Beach, MAZUREK of Rockland, TARDY of Newport, TUTTLE of Sanford,  
Senators: MARRACHÉ of Kennebec, MITCHELL of Kennebec.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 8 MRSA §1003, sub-§2, ¶M**, as enacted by PL 2003, c. 687, Pt. A, §5  
3 and affected by Pt. B, §11, is amended to read:

4 M. Inform commercial track operators and nonprofit organizations applying for a  
5 license to operate slot machines that any slot machines licensed by the board must be  
6 compatible with the central site system of on-line monitoring used by the board;

7 **Sec. 2. 8 MRSA §1003, sub-§2, ¶O**, as enacted by PL 2003, c. 687, Pt. A, §5  
8 and affected by Pt. B, §11, is amended to read:

9 O. Cause the central site monitoring system to disable a slot machine and cause the  
10 department to seize the proceeds of that slot machine if the funds from that slot  
11 machine have not been distributed, deposited or allocated in accordance with ~~section~~  
12 sections 1036 and 1037;

13 **Sec. 3. 8 MRSA §1003, sub-§2, ¶P**, as enacted by PL 2003, c. 687, Pt. A, §5 and  
14 affected by Pt. B, §11, is amended to read:

15 P. Collect all funds and taxes due to the State under sections 1018 ~~and~~ , 1036; and  
16 1037;

17 **Sec. 4. 8 MRSA §1011**, as amended by PL 2005, c. 663, §6, is further amended to  
18 read:

19 **§1011. License to operate**

20 The board shall exercise authority over the licensing of all persons participating in the  
21 operation, distribution and maintenance of slot machines and slot machine facilities and  
22 over the registration of slot machines.

23 **1. Operator license required.** A person may not operate any slot machine in the  
24 State unless the person has been issued a license to operate slot machines by the board. A  
25 slot machine operator license authorizes a licensee to own or lease slot machines operated  
26 at a licensed gambling facility.

27 **2. Eligible persons.** The board may accept applications for a license to operate slot  
28 machines from nonprofit organizations eligible for a beano license pursuant to Title 17,  
29 chapter 13-A or from any person who is licensed to operate a commercial track that  
30 satisfies the following criteria:

31 A. The commercial track is located at or within a 5-mile radius of the center of a  
32 commercial track that conducted harness racing with pari-mutuel wagering on more  
33 than 25 days during calendar year 2002; and

34 B. The operation of slot machines at the commercial track is approved by the voters  
35 of the municipality in which the commercial track to be licensed is located by  
36 referendum election held at any time after December 31, 2002 and before December  
37 31, 2003.

1           **3. Requirements for license; continued commercial track licensure.** The board  
2 may not issue a license to operate slot machines to any person unless that person  
3 demonstrates compliance with the qualifications set forth in sections 1016 and 1019. ~~A~~  
4 Except for nonprofit organizations eligible for a beano license pursuant to Title 17,  
5 chapter 13-A, a person who is granted a license to operate slot machines must maintain a  
6 license to operate a commercial track, without lapse, suspension or revocation for the  
7 duration of the slot machine operator's license.

8           **4. Requirement for license; agreement with municipality where slot machines**  
9 **are located.** A slot machine operator shall enter into an agreement with the municipality  
10 where the slot machine operator's slot machines are located that provides for revenue  
11 sharing or other compensation, including, but not limited to, a provision requiring the  
12 preparation, in conjunction with the municipality, of a security plan for the premises on  
13 which the slot machines are located. The revenue-sharing agreement must provide for a  
14 minimum payment to the municipality of 3% for slot machine operators who are the  
15 operators of a commercial track and 10% for nonprofit organizations of the net slot  
16 machine income derived from the machines located in the municipality.

17           **5. Renewal.** Licenses to operate slot machines may be renewed upon application for  
18 renewal in accordance with this subchapter, subject to board rules.

19           **Sec. 5. 8 MRSA §1012,** as enacted by PL 2003, c. 687, Pt. A, §5 and affected by  
20 Pt. B, §11, is amended to read:

21           **§1012. Local approval for renewal of slot machine operator license**

22           An application for renewal of a slot machine operator licensè must first be approved  
23 under this section by the municipal officers of the municipality in which the commercial  
24 track with slot machines or nonprofit organization is located or, if the commercial track  
25 or nonprofit organization is in an unincorporated place, the application must be approved  
26 by the county commissioners of the county in which the commercial track with slot  
27 machines is located.

28           **1. Hearings.** Municipal officers or county commissioners, as the case may be, may  
29 hold a public hearing for the consideration of a request for the renewal of a license to  
30 operate slot machines, except that, when an applicant has held a license for the prior 5  
31 years and a complaint has not been filed with the board against the applicant within that  
32 time, the applicant may request a waiver of the hearing.

33           A. The board shall prepare and supply application forms for public hearings under  
34 this subsection.

35           B. Municipal officers or county commissioners, as the case may be, shall provide  
36 public notice of any hearing held under this section by causing, at the applicant's  
37 prepaid expense, a notice stating the name and place of the hearing to appear on at  
38 least 3 consecutive days before the date of the hearing in a daily newspaper having  
39 general circulation in the municipality where the premises of the commercial track  
40 with slot machines or nonprofit organization are located or one week before the date  
41 of the hearing in a weekly newspaper having general circulation in the municipality  
42 where the premises are located.

1 C. If municipal officers or county commissioners, as the case may be, fail to take  
2 final action on an application for a renewal of a slot machine operator license within  
3 60 days of the filing of an application, the application is considered approved and  
4 ready for action by the board. For purposes of this paragraph, the date of filing of the  
5 application is the date the application is received by the municipal officers or county  
6 commissioners.

7 **2. Findings.** In granting or denying an application under this section, municipal  
8 officers or the county commissioners shall indicate the reasons for their decision and  
9 provide a copy to the applicant. A license may be denied on one or more of the following  
10 grounds:

11 A. Noncompliance of the commercial track or nonprofit organization licensed to  
12 operate slot machines with any local zoning ordinance or other land use ordinance not  
13 directly related to slot machine operations;

14 B. Conditions of record such as waste disposal violations, health or safety  
15 violations or repeated parking or traffic violations on or in the vicinity of the  
16 premises of the commercial track or nonprofit organization with slot machines and  
17 caused by persons patronizing or employed by the commercial track or nonprofit  
18 organization licensed to operate slot machines or other such conditions caused by  
19 persons patronizing or employed by the premises that unreasonably disturb, interfere  
20 with or affect the ability of persons or businesses residing or located in the vicinity of  
21 the premises to use their property in a reasonable manner;

22 C. Repeated incidents of record of breaches of the peace, disorderly conduct,  
23 vandalism or other violations of law on or in the vicinity of the premises of the  
24 commercial track or nonprofit organization with slot machines and caused by persons  
25 patronizing or employed by the commercial track or nonprofit organization licensed  
26 to operate slot machines; and

27 D. A violation of any provision of this chapter.

28 **3. Appeal to board.** Any applicant aggrieved by the decision of the municipal  
29 officers or county commissioners under this section may appeal to the board within 15  
30 days of the receipt of the written decision of the municipal officers or county  
31 commissioners. The board shall hold a public hearing in the city, town or unincorporated  
32 place where the premises of the commercial track or nonprofit organization with slot  
33 machines are situated. In acting on such an appeal, the board may consider all licensure  
34 requirements and findings referred to in subsection 2. If the decision appealed is an  
35 application denial, the board may issue the license only if it finds by clear and convincing  
36 evidence that the decision was without justifiable cause.

37 **4. Appeal to District Court.** Any person or governmental entity aggrieved by a  
38 board decision under this section may appeal the decision to the District Court within 30  
39 days of receipt of the written decision of the board. An applicant who files an appeal or  
40 who has an appeal pending shall pay the license renewal fee the applicant would  
41 otherwise pay. Upon resolution of the appeal, if an applicant's license renewal is denied,  
42 the board shall refund the applicant the prorated amount of the unused license fee.

1       **Sec. 6. 8 MRSA §1016, sub-§1, ¶B**, as enacted by PL 2003, c. 687, Pt. A, §5 and  
2 affected by Pt. B, §11, is amended to read:

3       B. The person has sufficient financial assets and responsibility to meet any financial  
4 obligations imposed by this chapter and, except for nonprofit organizations, if  
5 applying for a slot machine operator license or slot machine operator license renewal,  
6 has sufficient financial assets and responsibility to continue operation of a  
7 commercial track;

8       **Sec. 7. 8 MRSA §1018, sub-§1**, as amended by PL 2005, c. 663, §7, is further  
9 amended to read:

10       **1. Fees.** The application fee for a license and the annual fee for a registered slot  
11 machine under this chapter are as set out in this subsection.

12       A. The initial registration fee for a registered slot machine is \$100. The annual  
13 renewal fee is \$100 for each registered slot machine.

14       B. The initial application fee for a slot machine distributor license is \$200,000. The  
15 annual renewal fee is \$75,000.

16       C. The initial application fee for a slot machine operator license for the operator of  
17 a commercial track is \$200,000. The initial application fee for a slot machine  
18 operator license for a nonprofit organization is \$1,000. The annual renewal fee for a  
19 slot machine operator license for the operator of a commercial track is \$75,000 plus  
20 an amount, set by rules of the board, equal to the cost to the board of licensing slot  
21 machine operators and determined by dividing the costs of administering the slot  
22 machine operator licenses by the total number of slot machine operators licensed by  
23 the board. The annual renewal fee for a slot machine operator license for a nonprofit  
24 organization is \$250.

25       D. The annual application fee for a license for a gambling services vendor is  
26 \$2,000.

27       E. The initial application fee for an employee license under section 1015 is \$250.  
28 The annual renewal fee is \$25.

29 In addition to the application fee for a license or annual fee for a registered slot machine,  
30 the board may charge a one-time application fee for a license or registration listed in  
31 paragraphs A to E in an amount equal to the projected cost of processing the application  
32 and performing any background investigations. If the actual cost exceeds the projected  
33 cost, an additional fee may be charged to meet the actual cost. If the projected cost  
34 exceeds the actual cost, the difference may be refunded to the applicant. All fees  
35 collected pursuant to this section must be deposited directly to the General Fund, except  
36 that \$25,000 of the annual renewal fee for a slot machine operator who is the operator of  
37 a commercial track must be deposited to the Gross Slot Income Other Special Revenue  
38 Fund account within the Gambling Control Board to be transferred to the municipality in  
39 which the slot machines are operated, in accordance with subsection 2. All application  
40 and registration fees are nonrefundable and are due upon submission of the application.

41       **Sec. 8. 8 MRSA §1018, sub-§2**, as enacted by PL 2003, c. 687, Pt. A, §5 and  
42 affected by Pt. B, §11, is amended to read:

1       **2. Term of license; renewal, renewal fees.** All licenses issued by the board under  
2 this chapter are effective for one year, unless revoked or surrendered pursuant to  
3 subchapter 5. Upon proper application and payment of the required fees and taxes and in  
4 accordance with rules adopted by the board, the board may renew a license for an  
5 additional year if municipal approval has been obtained as provided in section 1012. The  
6 board shall transfer \$25,000 of the renewal fee required ~~by~~ of a slot machine operator  
7 who operates a commercial track pursuant to subsection 1, paragraph C to the  
8 municipality in which the slot machines are operated.

9       **Sec. 9. 8 MRSA §1020, sub-§3,** as amended by PL 2005, c. 663, §9, is further  
10 amended to read:

11       **3. Limits on total slot machines.** The board shall determine the number of slot  
12 machines to be registered in the State. The board shall make this determination based  
13 upon the minimum net slot machine income, when distributed pursuant to section 1036,  
14 necessary to maintain the harness horse racing industry in this State, except that:

15       A. The total number of slot machines registered ~~in the State~~ at a slot machine  
16 facility operated by the operator of a commercial track may not exceed 1,500; and

17       B. A slot machine operator that is a nonprofit organization may not operate more  
18 than ~~1,500~~ 5 slot machines ~~at any one commercial track at any one location of that~~  
19 nonprofit organization.

20       **Sec. 10. 8 MRSA §1036,** as amended by PL 2005, c. 563, §10 and c. 663, §§11  
21 and 12, is repealed and the following enacted in its place:

22       **§1036. Allocation of funds from slot machines operated by the operator of a**  
23 **commercial track**

24       **1. Distribution for administrative expenses of board.** A slot machine operator  
25 who is the operator of a commercial track shall collect and distribute 1% of gross slot  
26 machine income to the Treasurer of State for deposit in the General Fund for the  
27 administrative expenses of the board.

28       **2. Distribution from commercial track.** A slot machine operator who is the  
29 operator of a commercial track shall collect and distribute 39% of the net slot machine  
30 income from slot machines operated by the slot machine operator to the board for  
31 distribution by the board as follows:

32       A. Three percent of the net slot machine income must be deposited to the General  
33 Fund for administrative expenses of the board, including gambling addiction  
34 counseling services, in accordance with rules adopted by the board;

35       B. Ten percent of the net slot machine income must be forwarded by the board to  
36 the Treasurer of State, who shall credit the money to the fund established in section  
37 298 to supplement harness racing purses;

38       C. Three percent of the net slot machine income must be credited by the board to  
39 the Sire Stakes Fund created in section 281;

1 D. Three percent of the net slot machine income must be forwarded by the board to  
2 the Treasurer of State, who shall credit the money to the Agricultural Fair Support  
3 Fund established in Title 7, section 91;

4 E. Ten percent of the net slot machine income must be forwarded by the board to  
5 the State Controller to be credited to the Fund for a Healthy Maine established by  
6 Title 22, section 1511 and segregated into a separate account under Title 22, section  
7 1511, subsection 11, with the use of funds in the account restricted to the purposes  
8 described in Title 22, section 1511, subsection 6, paragraph E;

9 F. Two percent of the net slot machine income must be forwarded by the board to  
10 the University of Maine System Scholarship Fund created in Title 20-A, section  
11 10909;

12 G. One percent of the net slot machine income must be forwarded by the board to  
13 the board of trustees of the Maine Community College System to be applied by the  
14 board of trustees to fund its scholarships program under Title 20-A, section 12716,  
15 subsection 1;

16 H. Four percent of the net slot machine income must be forwarded by the board to  
17 the Treasurer of State, who shall credit the money to the Fund to Encourage Racing at  
18 Maine's Commercial Tracks, established in section 299; however, the payment  
19 required by this paragraph is terminated when all commercial tracks have obtained a  
20 license to operate slot machines in accordance with this chapter;

21 I. Two percent of the net slot machine income must be forwarded by the board to  
22 the Treasurer of State, who shall credit the money to the Fund to Stabilize Off-track  
23 Betting Facilities established by section 300, as long as a facility has conducted off-  
24 track wagering operations for a minimum of 250 days during the preceding 12-month  
25 period in which the first payment to the fund is required. After 48 months of  
26 receiving an allocation of the net slot machine income from a licensed operator, the  
27 percent of net slot machine income forwarded to the Fund to Stabilize Off-track  
28 Betting Facilities is reduced to 1% with the remaining 1% to be forwarded to the  
29 State in accordance with subsection 1; and

30 J. One percent of the net slot machine income must be forwarded directly to the  
31 municipality in which the slot machines are located.

32 **3. Failure to deposit funds.** A slot machine operator who is the operator of a  
33 commercial track who knowingly or intentionally fails to comply with this section  
34 commits a Class C crime. In addition to any other sanction available by law, the license  
35 of that person may be revoked by the board and the slot machines operated by that slot  
36 machine operator may be disabled, and the slot machines, slot machines' proceeds and  
37 associated equipment may be confiscated by the board and are subject to forfeiture under  
38 Title 17-A, section 959 or 960.

39 **4. Late payments.** The board may adopt rules establishing the dates on which  
40 payments required by this section are due. All payments not remitted when due must be  
41 paid together with interest on the unpaid balance at a rate of 1.5% per month.

42 **Sec. 11. 8 MRS §1037** is enacted to read:



1 **§1037. Allocation of funds from slot machines operated by nonprofit organizations**

2 **1. Distribution for administrative expenses of the board.** A slot machine operator  
3 that is a nonprofit organization shall collect and distribute 1% of gross slot machine  
4 income to the Treasurer of State for deposit in the General Fund for the administrative  
5 expenses of the board.

6 **2. Distribution from nonprofit organization.** A slot machine operator that is a  
7 nonprofit organization shall collect and distribute 35% of the net slot machine income  
8 from slot machines operated by the slot machine operator to the board for distribution by  
9 the board as follows:

10 **A. Twenty-four percent of the net slot machine income must be deposited to the**  
11 **General Fund for administrative expenses of the board, in accordance with rules**  
12 **adopted by the board and as required by subsection 3;**

13 **B. One percent of the net slot machine income must be used to fund gambling**  
14 **addiction counseling services; and**

15 **C. Ten percent of the net slot machine income must be forwarded directly to the**  
16 **municipality in which the slot machines are located.**

17 **3. Distribution to Citizen Trade Policy Commission.** Two hundred thousand  
18 dollars must be forwarded by the board to the Treasurer of State, who shall forward the  
19 funds to the Citizen Trade Policy Commission as established by Title 5, section 12004-I,  
20 subsection 79-A and in accordance with Title 10, chapter 1-A. Funds distributed in  
21 accordance with this subsection are designated for contracted staff services, member  
22 travel expenses and fees for speakers and trade policy experts invited by the commission  
23 to attend meetings of the commission.

24 **4. Failure to deposit funds.** A slot machine operator that is a nonprofit organization  
25 who knowingly or intentionally fails to comply with this section commits a Class C  
26 crime. In addition to any other sanction available by law, the license of that person may  
27 be revoked by the board and the slot machines operated by that slot machine operator  
28 may be disabled, and the slot machines, slot machines' proceeds and associated  
29 equipment may be confiscated by the board and are subject to forfeiture under Title 17-A,  
30 section 959 or 960.

31 **5. Late payments.** The board may adopt rules establishing the dates on which  
32 payments required by this section are due. All payments not remitted when due must be  
33 paid together with interest on the unpaid balance at a rate of 1.5% per month.

34 **SUMMARY**

35 This bill provides that nonprofit organizations eligible for a license to conduct beano  
36 are eligible to be licensed to operate up to 5 slot machines per nonprofit organization  
37 location. The slot machines operated by the nonprofit organization are subject to the  
38 same oversight and regulation as slot machines operated by the operator of a commercial  
39 track. The distribution of funds from slot machines operated by nonprofit organizations  
40 required by this bill is:

- 1           1. One percent of gross slot machine income to the General Fund for administrative  
2 costs of the Gambling Control Board;
- 3           2. Twenty-four percent of net slot machine income to the General Fund for  
4 administrative costs of the Gambling Control Board and \$200,000 for the Citizen Trade  
5 Policy Commission;
- 6           3. One percent of net slot machine income for gambling addiction services; and
- 7           4. Ten percent of net slot machine income directly to the municipality where the slot  
8 machines are located.