

# MAINE STATE LEGISLATURE

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Date: 4/3/12

L.D. 1469  
(Filing No. H-887)

Majority

**VETERANS AND LEGAL AFFAIRS**

Reproduced and distributed under the direction of the Clerk of the House.

**STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
125TH LEGISLATURE  
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1078, L.D. 1469, Bill, "An Act To Permit Video Gaming for Money Conducted by Nonprofit Organizations"

Amend the bill by striking out the title and substituting the following:

**'An Act To Increase Gaming Opportunities for Charitable Fraternal and Veterans' Organizations'**

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

**'Sec. 1. 8 MRSA §1001, sub-§5-C** is enacted to read:

**5-C. Charitable nonprofit organization.** "Charitable nonprofit organization" means a fraternal beneficiary society, order or association exempt from taxation under the United States Internal Revenue Code, Section 501(c)(8), a domestic fraternal society, order or association exempt from taxation under the United States Internal Revenue Code, Section 501(c)(10) or a veterans' organization exempt from taxation under the United States Internal Revenue Code, Section 501(c)(19) that:

A. As of October 1, 2012 has been conducting gaming under Title 17, chapter 13-A or 62 for at least 2 consecutive years; and

B. Has owned or leased for a minimum of 2 consecutive years the building that serves as the primary location of the organization's administrative operations and where the slot machine will be operated.

**Sec. 2. 8 MRSA §1011, sub-§2-B** is enacted to read:

**2-B. Charitable nonprofit organizations eligible for slot machine operator license.** Beginning October 1, 2013, the board may accept an application for a license to operate a slot machine from a charitable nonprofit organization located in the State. The application process is governed by this subsection.

A. The organization shall submit an application demonstrating that it is a charitable nonprofit organization eligible for a license to operate a slot machine. A refundable

**COMMITTEE AMENDMENT**

1 administrative deposit of \$5,000 must accompany the application. The organization  
2 must:

3 (1) Be able to demonstrate that a majority of the revenue, after deductions for  
4 reasonable expenses, generated from gaming conducted under Title 17, chapter  
5 13-A or 62 has been used for the charitable purpose of the organization;

6 (2) Be able to demonstrate that the building in which the slot machine will be  
7 operated is located in a municipality that has approved, either by the voters of the  
8 municipality or the municipal officers, the operation of slot machines;

9 (3) Be able to demonstrate that it has at least \$2,000 in cash reserved in a  
10 segregated account for each slot machine the organization intends to operate if  
11 issued a license; and

12 (4) Meet other criteria established by the board pursuant to rule regarding the  
13 licensing and operation of slot machines, including, but not limited to, a  
14 requirement that the organization identify and submit to the board a list of the  
15 charitable purposes for which the revenue from the operation of the slot machine  
16 will be used.

17 B. The board may not issue a license to a charitable nonprofit organization unless  
18 that organization demonstrates compliance with the qualifications and requirements  
19 of sections 1016 and 1019 and demonstrates that there is no other electronic video  
20 machine or similar machine, as defined by Title 17, section 1831, on the premises  
21 where the slot machine will be operated. As used in this paragraph, "electronic video  
22 machine or similar machine" does not include a machine that dispenses preprinted  
23 lucky seven or similar sealed tickets that the charitable nonprofit organization is  
24 licensed to sell under Title 17, chapter 62.

25 C. If at any time the number of applications received by the board exceeds the  
26 number of slot machine licenses that may be granted pursuant to section 1020,  
27 subsection 3, paragraph D, the board may use a lottery system, as developed by rule,  
28 to determine the order in which the applications will be considered.

29 D. Prior to October 1, 2013, a charitable nonprofit organization that seeks to obtain  
30 a license to operate a slot machine may file a declaration of intent with the board,  
31 accompanied by a \$250 fee. The declaration of intent must include the following:

32 (1) The name and address of the treasurer of the charitable nonprofit  
33 organization and the name of at least one official on the governing board of the  
34 charitable nonprofit organization who will submit the application to the board;

35 (2) The deed, rental agreement or lease agreement for the premises where the  
36 charitable nonprofit organization intends to operate the slot machine;

37 (3) State and federal tax returns of the charitable nonprofit organization for the  
38 immediately prior 2 calendar years; and

39 (4) Copies of disposition of funds reports from the operation of games of chance  
40 or beano conducted by the charitable nonprofit organization for the immediately  
41 prior 2 calendar years.

H. W. S.

1 This paragraph is repealed October 1, 2013.

2 **Sec. 3. 8 MRSA §1011, sub-§4**, as amended by PL 2005, c. 663, §6, is further  
3 amended to read:

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

13 **Sec. 4. 8 MRSA §1016, sub-§1, ¶D**, as amended by IB 2009, c. 2, §33, is further  
14 amended to read:

15 D. In the case of a person who is not a charitable nonprofit organization applying to  
16 be a slot machine operator or casino operator, the person has sufficient knowledge  
17 and experience in the business of operating slot machines or casinos to effectively  
18 operate the slot machine facilities or casino to which the license application relates in  
19 accordance with this chapter and the rules and standards adopted under this chapter;

20 **Sec. 5. 8 MRSA §1016, sub-§3**, as enacted by PL 2003, c. 687, Pt. A, §5 and  
21 affected by Pt. B, §11, is amended to read:

22 **3. Applicant other than individual.** If the person, other than a charitable nonprofit  
23 organization, required to meet the minimum qualifications and suitability requirements  
24 specified in subsections 1 and 2 is a business organization, the key executives, directors,  
25 officers, partners, shareholders, creditors, owners and associates of the person must meet  
26 the suitability requirements specified in subsection 2. For a charitable nonprofit  
27 organization required to meet the minimum qualifications and suitability requirements  
28 specified in subsections 1 and 2, at least 2 officers of the governing board of the  
29 organization, one of whom must be the treasurer, must meet the suitability requirements  
30 specified in subsection 2.

31 **Sec. 6. 8 MRSA §1017, sub-§1-A** is enacted to read:

32 **1-A. Exception for charitable nonprofit organization.** Notwithstanding the  
33 requirements of subsection 1 regarding for whom the information must be supplied, an  
34 application submitted by a charitable nonprofit organization must include the information  
35 required by subsection 1 for at least one officer with decision-making authority in the  
36 organization and the treasurer of the organization.

37 **Sec. 7. 8 MRSA §1018, sub-§1**, as amended by PL 2011, c. 417, §4, is further  
38 amended to read:

39 **1. Fees.** The application fee for a license and the annual fee for a registered slot  
40 machine or table game under this chapter are as set out in this subsection.

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

H. & S.

COMMITTEE AMENDMENT "A" to H.P. 1078, L.D. 1469

1 A-1. The initial registration fee for a registered table game is \$100. The annual  
2 renewal fee is \$100 for each registered table game.

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

5 B-1. The initial application fee for a table game distributor license is \$5,000. The  
6 annual renewal fee is \$1,000.

7 C. ~~The~~ Except as provided in paragraph C-2, the initial application fee for a slot  
8 machine operator license is \$200,000. ~~The, and the~~ annual renewal fee is \$75,000  
9 plus an amount, set by rules of the board, equal to the cost to the board of licensing  
10 slot machine operators and determined by dividing the costs of administering the slot  
11 machine operator licenses by the total number of slot machine operators licensed by  
12 the board.

13 C-1. The initial application fee for a casino operator license is \$225,000, except that  
14 the initial application fee for an applicant that is a commercial track that was licensed  
15 to operate slot machines as of January 1, 2011 is \$25,000. The annual renewal fee is  
16 \$80,000 plus an amount, set by rules of the board, equal to the cost to the board of  
17 licensing casino operators and determined by dividing the costs of administering the  
18 casino operator licenses by the total number of casino operators licensed by the  
19 board. In addition, a casino operator shall pay an initial gaming table fee of \$100,000  
20 for the privilege to operate each gaming table for a period of 20 years as long as the  
21 casino operator is licensed. Each gaming table is also subject to an annual gaming  
22 table renewal fee of \$1,000. The gaming table fees authorize the casino operator to  
23 conduct any authorized table game at the gaming table during the 20-year period. A  
24 casino licensed in accordance with section 1011, subsection 2-A, paragraph A is not  
25 required to pay the gaming table fees until after one calendar year of table game  
26 operation. Fees collected in accordance with this paragraph must be deposited to the  
27 Gambling Control Board administrative expenses Other Special Revenue Funds  
28 account, which is a nonlapsing dedicated account.

29 C-2. The initial application fee for a slot machine operator license for a charitable  
30 nonprofit organization is \$1,000. The annual renewal fee is \$350.

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

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

34 In addition to the application fee for a license or annual fee for a registered slot machine  
35 or table game, the board may charge a one-time application fee for a license or  
36 registration listed in paragraphs A to C-1, D and E in an amount equal to the projected  
37 cost of processing the application and performing any background investigations. If the  
38 actual cost exceeds the projected cost, an additional fee may be charged to meet the actual  
39 cost. If the projected cost exceeds the actual cost, the difference may be refunded to the  
40 applicant. All fees collected pursuant to this section must be deposited directly to the  
41 General Fund, except that \$25,000 of the annual renewal fee for a slot machine operator  
42 or casino operator must be deposited to the Gross Slot Income Other Special Revenue  
43 Fund account within the Gambling Control Board to be transferred to the municipality in  
44 which the slot machine facility or casino is operated, in accordance with subsection 2.

**COMMITTEE AMENDMENT**

R. W. S.

1 All application and registration fees are nonrefundable and are due upon submission of  
2 the application.

3 **Sec. 8. 8 MRSA §1019, sub-§6**, as amended by PL 2011, c. 417, §5, is further  
4 amended to read:

5 **6. Proximity of licensed casinos and slot machine facilities.** A Except for a  
6 license issued to a charitable nonprofit organization to operate a slot machine, a casino  
7 operator license or slot machine operator license may not be issued under this chapter to  
8 operate any casino or slot machine facility located within 100 miles of a licensed casino  
9 or slot machine facility. This subsection does not prohibit a commercial track that was  
10 licensed to operate slot machines on January 1, 2011 from obtaining a casino operator  
11 license for the same facility where slot machines were operated as of January 1, 2011.

12 **Sec. 9. 8 MRSA §1019, sub-§7**, as amended by PL 2011, c. 417, §6, is further  
13 amended to read:

14 **7. Statewide and county referendum; municipal vote.** After January 1, 2011, ~~any~~  
15 a proposed casino or slot machine facility may not be issued a license unless it has been  
16 approved by a statewide referendum vote and a vote of the municipal officers or  
17 municipality in which the casino or slot machine facility is to be located, except that a  
18 commercial track licensed to operate slot machines on January 1, 2011 is only required,  
19 as a condition to obtain a casino license, to receive approval to operate a casino by means  
20 of a referendum of the voters of the county in which the commercial track is located.  
21 This subsection does not apply to the issuance of a license to a charitable nonprofit  
22 organization to operate a slot machine under section 1011, subsection 2-B.

23 **Sec. 10. 8 MRSA §1019, sub-§§8 and 9** are enacted to read:

24 **8. Maintenance contract required for charitable nonprofit organizations**  
25 **licensed to operate slot machines.** A charitable nonprofit organization licensed to  
26 operate slot machines in accordance with this chapter shall enter into a contract with a  
27 licensed slot machine distributor or, with approval of the board, a 3rd party for the  
28 maintenance of slot machines.

29 **9. Segregated account for net slot machine income distribution by charitable**  
30 **nonprofit organizations.** In accordance with rules established by the board, a charitable  
31 nonprofit organization licensed in accordance with this chapter shall establish a  
32 segregated account for the deposit of net slot machine income as required by section  
33 1036, subsection 2-D. The board may require that the segregated account for the deposit  
34 of net slot machine income include authorization for the board to make withdrawals to  
35 ensure compliance with the distributions required by section 1036, subsection 2-D.

36 **Sec. 11. 8 MRSA §1020, sub-§2, ¶G**, as enacted by PL 2003, c. 687, Pt. A, §5  
37 and affected by Pt. B, §11, is amended to read:

38 G. Must have a minimum average daily aggregate payback percentage of 89%  
39 computed for all slot machines operated at each slot machine facility on a weekly  
40 basis. A slot machine operated by a charitable nonprofit organization must have a  
41 minimum average daily aggregate payback percentage of 80% computed for all slot  
42 machines operated at the facility of each charitable nonprofit organization on a  
43 weekly basis; and

B. 43.

1       **Sec. 12. 8 MRSA §1020, sub-§3**, as amended by IB 2009, c. 2, §37, is further  
2 amended to read:

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

7           A. The total number of slot machines registered in the State may not exceed ~~3,000~~  
8 3,250; and

9           B. A slot machine operator may not operate more than 1,500 slot machines at any  
10 one commercial track and a casino operator may not operate more than 1,500 slot  
11 machines at a casino;

12           C. A charitable nonprofit organization licensed under this chapter may not operate  
13 more than 5 slot machines on the licensed premises of that charitable nonprofit  
14 organization; and

15           D. Until October 1, 2014, the total number of slot machines operated by all  
16 charitable nonprofit organizations licensed in accordance with this chapter may not  
17 exceed 100. Beginning October 1, 2014, the total number of slot machines operated  
18 by all charitable nonprofit organizations licensed in accordance with this chapter may  
19 not exceed 250.

20       **Sec. 13. 8 MRSA §1031-A** is enacted to read:

21       **§1031-A. Charitable nonprofit organizations; age limit on slot machine use; play**  
22 **limited to members and guests; access by minors; credit prohibited**

23       Notwithstanding the provisions of section 1031, the following provisions apply to  
24 slot machines operated by a charitable nonprofit organization.

25           **1. Minimum age.** A charitable nonprofit organization slot machine operator may  
26 not permit a person under 21 years of age to play a slot machine.

27           **2. Play limited to members and guests.** When slot machines are operated under  
28 this section, there must be one member of the charitable nonprofit organization present  
29 for every 2 nonmembers present.

30           **3. Placement of slot machines.** A charitable nonprofit organization slot machine  
31 operator shall place slot machines in an area where persons under 21 years of age are  
32 prohibited except for occasional events when slot machines are not operational.

33           **4. Credit prohibited.** A charitable nonprofit organization slot machine operator  
34 may not allow the use of a credit card or debit card by a person to play a slot machine.

35       **Sec. 14. 8 MRSA §1035-B** is enacted to read:

36       **§1035-B. Location of slot machines operated by charitable nonprofit organizations**

37       Notwithstanding section 1035, a slot machine operated by a charitable nonprofit  
38 organization may be located only on the premises of that charitable nonprofit  
39 organization licensed in accordance with this chapter.

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**Sec. 15. 8 MRSA §1036, sub-§2-D** is enacted to read:

**2-D. Distribution of slot machine income from a charitable nonprofit organization.** A charitable nonprofit organization slot machine operator shall collect and distribute 30% of net slot machine revenue from slot machines operated by the charitable nonprofit organization to the board for distribution by the board as follows:

A. Ten percent of the net slot machine income must be deposited to the Gambling Control Board administrative expenses Other Special Revenue Funds account, which is a nonlapsing dedicated account;

B. Eight percent of the net slot machine income must be deposited to the General Fund;

C. Two percent of the net slot machine income must be credited to the Gambling Addiction Prevention and Treatment Fund established by Title 5, section 20006-B; and

D. Ten percent of the net slot machine income must be forwarded directly to the municipality where the slot machines are located.

Net revenue from the operation of slot machines by charitable nonprofit organizations must be used to support the charitable purposes identified to the board except the net revenue may be used to pay compensation and defray expenses in the same manner as prescribed for revenue from games of chance by Title 17, section 1838.'

### SUMMARY

This amendment replaces the bill and is the majority report of the committee. This amendment permits the Gambling Control Board, after October 1, 2013, to issue a license to a charitable nonprofit organization that is a fraternal organization or a veterans' organization that is tax-exempt under the federal Internal Revenue Code to operate up to 5 slot machines at a facility that is owned or leased by the organization and serves as its primary headquarters for fulfilling its charitable mission. The organization must be able to demonstrate that it has a cash reserve of \$2,000 for each machine the organization intends to operate. An organization that wishes to apply prior to October 1, 2013 may file a declaration of intent to apply with the Gambling Control Board. An application must include a refundable \$5,000 deposit. The initial application fee for a slot machine operator license under this amendment is \$1,000, and the annual renewal fee is \$350. A slot machine operated by a charitable nonprofit organization is subject to the same central site monitoring that applies to casinos and slot machine facilities at harness racing tracks. The total number of slot machines available to be operated by nonprofit organizations statewide is 250. Ten percent of the net slot machine income is required to be deposited directly with the Gambling Control Board for administrative expenses and 8% goes directly to the General Fund. Another 10% goes to the host municipality and 2% is dedicated to gambling addiction prevention and treatment. The board may require a charitable nonprofit organization that is licensed to operate slot machines to establish a separate account, from which the board may withdraw funds, to distribute the net revenue percentages. The remaining revenue generated from the slot machines must be used to



COMMITTEE AMENDMENT "A" to H.P. 1078, L.D. 1469

1 support the charitable purposes of the fraternal organization or veterans' service  
2 organization.

3 **FISCAL NOTE REQUIRED**

4 **(See attached)**



# 125th MAINE LEGISLATURE

LD 1469

LR 1684(02)

## An Act To Permit Video Gaming for Money Conducted by Nonprofit Organizations

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-887)  
Committee: Veterans and Legal Affairs  
Fiscal Note Required: Yes

### Fiscal Note

Contingent future biennium cost increase - General Fund  
Contingent future biennium cost increase - Other Special Revenue Funds  
Contingent current biennium revenue increase - General Fund  
Contingent current biennium revenue increase - Other Special Revenue Funds

#### Fiscal Detail and Notes

This legislation allows the Gambling Control Board to accept applications for slot machine operator licenses, beginning October 1, 2013, from charitable nonprofit organizations. Documentation of approval of the voters of the municipality must be submitted with the application. The Board may license up to 100 slot machines during the first year, with 250 total slot machines allowed.

Presented below is an estimate of the potential revenues that may be generated from new slot machine facilities and the subsequent distribution of those revenues. This fiscal note assumes 20 charitable nonprofit organizations would be licensed with a total of 100 slot machines, generating annual revenue of \$62,208 for the State's General Fund and \$188,072 for various other funds. The Gambling Control Board, Other Special Revenue Funds account would also receive license fees of \$30,000 in the first year and \$17,000 for license renewals in subsequent years. Annual state costs associated with an Inspector, an Auditor and other related expenses are estimated to be \$147,860.

	Annual Estimate
Summary of Slot Machine Facility Revenue	
Gross Slot Income (total value of money, tokens, credits, other value used to play a slot machine)	\$4,320,000
Player Payback - Slot Income	\$3,542,400
Net Slot Income	\$777,600
Share of Net Income for Distribution - 30%	\$233,280
Operator Share of Net Income - 70%	\$544,320

State Revenues by Fund	Annual Estimate
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CA(H-887)

General Fund - Slot Machines	<u>\$62,208</u>
Total General Fund Revenue	\$62,208
Gambling Control Board - Slot Machines	\$77,760
Gambling Control Board - License Fees (\$30,000 the 1st year)	<u>\$17,000</u>
Subtotal	\$94,760
Gambling Addiction Prevention and Treatment Fund	\$15,552
Municipalities	<u>\$77,760</u>
Total Other Special Revenue Funds Revenue	\$188,072
Total Revenue All Funds	\$250,280
Summary of Expenditure Impacts to the State	
General Fund	
- Public Safety	\$53,100
Other Special Revenue Funds	
- Public Safety	<u>\$94,760</u>
Total Expenditures	\$147,860