

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)

Department of Public Safety

Gambling Control Board

12th Annual Report
Fiscal Year 2015-2016

Paul R. LePage
Governor

John E. Morris
Commissioner

Timothy S. Doyle
Chairman

Milton Champion
Executive Director



45 Commerce Drive, Suite 3
Augusta, Maine 04333-0087

Ph: 702-626-3900

www.Maine.gov/dps/GambBoard/



STATE OF MAINE
Department of Public Safety
Gambling Control Board
87 State House Station
Augusta, Maine
04333-0087

PAUL R. LEPAGE
GOVERNOR
JOHN E. MORRIS
COMMISSIONER

TIMOTHY S. DOYLE
CHAIRMAN
MILTON CHAMPION
EXECUTIVE DIRECTOR

March 8, 2017

Governor Paul R. LePage
Office of the Governor
State House Station #1
Augusta, Maine 04333

Governor LePage,

Pursuant to 8 M.R.S.A. § 1003(2)(R), the Gambling Control Board is required to submit to you, by March 15th of each year, a report on slot machine and table game revenues, credits disbursed by the slot machine and table game operators, administrative expenses and the allocation of gross slot machine and table game income for the preceding year. The attached report includes the required information for the Hollywood Casino in Bangor and the Oxford Casino in Oxford.

The Gambling Control Board adopted this report at their meeting on 02/21/2017.

On behalf of the Gambling Control Board, I am pleased to submit the attached report to you.

Sincerely,

Milton F. Champion III
Executive Director

CC: Members of the Joint Standing Committee on Veterans and Legal Affairs

TABLE OF CONTENTS

INTRODUCTION	Page
Overview	4
Gambling Control Board	4
Board Composition	4
Office of the Director	5
Operations	6
Licensing	6
Auditing	6
Investigations	
FINANCIAL STATEMENTS	
Administrative Expenses	8
REVENUE	
Casino Activity	9
Taxes Realized	10
Licensing Fees	10
REVENUE ALLOCATION	
Slot and Table Games	11
Events Shaping 2015-16	13

INTRODUCTION

OVERVIEW

The State of Maine Gambling Control Board was established in 2004 in response to a citizen's initiative to allow slot machines at two locations in Maine. In November 2005 Hollywood Casino opened with slot machines only and in November of 2011, after local approval allowed for them to add table games they began operating as a full casino in March 2012. In November of 2010, the citizens of Maine voted to allow a second casino in Oxford County. Oxford Casino began operations as a full casino with both slots and table games in June 2012.

GAMBLING CONTROL BOARD

The Gambling Control Board is responsible for the licensing, auditing and inspection of the corporations, business entities, individuals, table games, slot machines and their associated equipment used to operate casinos in Maine.

The Gambling Control Board staff works diligently to ensure that the casinos are in compliance with the statutes and rules that regulate the casino industry. They work closely with the casinos and other members of the industry to ensure a safe gaming environment for the patrons who choose to participate in gambling. The current positions include an executive director, two (2) State Police detectives (one detective position remains unfilled), an inspector supervisor, nine (9) civilian inspectors, two (2) auditors, an office specialist, and an office assistant. There is also an identification specialist position in the State Bureau of Identification funded by the Gambling Control Board due to the large number of fingerprint submissions that the licensing process generates. The board's budget also funds an Assistant Attorney General to assist with the legal work of the board.

BOARD COMPOSITION

Members who served on the Board in 2016 include: Tim Doyle (Chairman), Barbara Dresser, Robert Harmon, Greg McNeal and Joe Laliberte.

The Board meets monthly in the Board Room located at Department of Public Safety Headquarters at Commerce Drive in Augusta. The topics discussed at the meetings of the Gambling Control Board include, but are not limited to:

- Regulating, supervising and exercising general control over the ownership and operation of slot machines and table games, the distribution of slot machines and table games and slot machine facilities and casinos,

- Adopt those rules the board determines necessary to administer and enforce MRS, Title 8, chapter 31,
- Take any action as may be reasonable or appropriate to protect the public interest and enforce chapter 31 and the rules adopted under this chapter including denial, suspension or revocation of a license,
- Approve or disapprove terms and conditions of uniform location agreements
- Impose sanctions, penalties and costs of investigation and hearing against any applicant or licensee for violation of chapter 31 or the rules adopted, and
- Review of relevant pending legislation.

The Gambling Board has also made a point to hold one meeting per year alternating between the Town of Oxford and City of Bangor in order to give the citizens of those areas the opportunity to participate in the gambling control process. Those local meetings would be followed by a tour of the respective casinos.

The Gambling Control Board conference room has been outfitted with an internet feed to allow for people to listen to the meetings live through the Gambling Control Board website. The Board also makes that room available for other state entities without cost.

According to Maine Revised Statute Title 8, Chapter 31, sub chapter 1, Scientific Games was selected as a third party to operate the central site monitoring system so that all slot machines in the state of Maine communicate electronically with that system.

OFFICE OF THE DIRECTOR

The Office of the Executive Director, reporting to the Gambling Control Board, provides leadership, administration and oversight of the three functional areas. Each area focuses on a different aspect of regulation within the gaming industry. Specific responsibilities include, but are not limited to:

- Staff development,
- Budget planning,
- Rule promulgation,
- Revenue distribution,
- Individual and business licensing, and
- Enforcement of Maine Statutes and Board Rules through each facility System of Internal Controls.

The Office Specialist is the assistant and administrative support to the Executive Director. Responsibilities include but are not limited to:

- Manage office protocol supervising the office assistant in her duties and functions,
- Assisting auditors and operations in their needs regarding tech support and supplies,

- Coding and processing all bills for service, contracts and amendments to service,
- Preparing agendas and recording of minutes of Board meetings, and
- Keeping the Gambling Control Board website up to date.

OPERATIONS

There are nine (9) civilian Inspectors assigned to Hollywood and Oxford Casinos. An Inspector is present at the casino when the casino is open to the public. The Inspectors are responsible for random inspections and observations of the gaming floor and support areas. Additional responsibilities include, but are not limited to:

- Liaison with local, state and federal law enforcement agencies as needed,
- Receive, remove, record and label slot machines and table games,
- Receive associated equipment, materials and/or software at the facilities,
- Adherence of Maine statutes, rules and facility internal controls,
- Administering and monitoring the self-exclusion program, and
- Being available to the public assisting as requested.

LICENSING

Licensing is processed by the Office Assistant who would ensure all initial or renewed applications are filled out completely and all supportive documentation is recorded. The Office Assistant would then assign the application to the Detective assigned to the Department and assist them with the completion of background checks such as:

- Collecting fingerprint cards,
- Online reviews of:
 - Corporate records,
 - PACER bankruptcy records,
 - Prior licensing,
 - Sex offender registry, and
 - Maine Revised Statute requirements.

Initial applications are sent in upon completion and can range from ten (10) to twenty (20) a month; Renewal applications are submitted 6 months in advance of expiration date and can range from thirty (30) to seventy (70) a month.

On an average there are seven hundred and fifty (750) employees licensed annually by the Gambling Control Board. As well as two (2) Casino Operator licenses, five (5) Gambling Service Vendor licenses, and six (6) licenses for Business Entities that sell associated equipment to Casino Operators.

AUDITING

The auditors provide day-to-day review of the operator's financial reports and insure proper payment of revenue to the State of Maine. Financial information is electronically

collected from the slot machines through a central site monitoring system. This monitoring system operates 24 hours a day/ 7 days a week to ensure correct accounting of machine activity. The auditors also work with the casinos to ensure the proper reconciliation of the table games revenue because there is no electronic monitoring of table games. Any variances between casino records and the central site monitoring system are identified and corrective action taken. Examples of causes of variances can be:

- Slot machine malfunction
- Hand Payouts
- Coin Tests
- Missing or Voided Ticket In/Ticket Out (TITO) Tickets

Auditors conduct various financial audits to ensure the integrity of wagering activity and protect the wagering public by ensuring that table and slot machine gaming is conducted in compliance with the Maine Revised Statutes. They work closely with inspectors invoicing the facilities with regards to the collection of gaming equipment fees per statute and/or rule. They oversee the forfeiture program of self-evicted patrons and bill for monitoring services.

The Auditing staff is responsible for safeguarding and accounting for state revenues and allocation of funds to various accounts in accordance with Maine Revised Statute. They compile statistical information for table and slot machine gaming, and perform analyses requested by the Executive Director and the Gambling Control Board.

INVESTIGATIONS

The majority of the State Police detective's time is dedicated to conducting all suitability investigations for gaming licenses. In 2016 there were 173 new license investigations conducted along with 583 renewal license investigations that included business entities.

The detective also provides to the Maine Gambling Control Board police reports, court documents, interview responses and any other evidence the board needs to assist in determining the issuance or denial of a gaming license. The interview sessions sometimes require out of state travel.

The State Police Detective also is responsible for assisting other regulatory agencies from other jurisdictions with their suitability investigations while also being tasked with other State Police assignments and maintaining required training. Some agencies that have been assisted are Federal (FBI, ICE, DEA) State (State Police, MDEA) County Sheriff's Office and local town law enforcement.

FINANCIAL STATEMENTS

Administrative Expenses

PERSONNEL SERVICES:	<u>Expenses FY14</u>	<u>Expenses FY15</u>	<u>Expenses Y16</u>
SALARIES	\$667,846.60	\$697,353.54	\$742,310.56
	41,331.92	50,037.80	43,073.86
	1,320.00	1,760.00	1,320.00
BENEFITS	391,314.65	402,863.75	433,527.27
TOTAL	\$1,101,813.17	\$1,152,015.09	\$1,220,231.69
ALL OTHER EXPENSES:			
NOT STATE	586,482.41	572,569.95	975,758.03
PROF SERVICE STATE	89,592.97	97,077.12	70,282.55
TRAVEL IN STATE	284.25	248.50	246.05
TRAVEL OUT STATE	3,760.58	8,592.52	3,581.29
STATE VHCL OPS	0.00	(80.00)	(300.00)
UTILITY SERVICE	46,498.89	48,085.77	49,208.50
RENT	97.70	0.00	0.00
REPAIRS	1,104.54	1,311.32	1,878.39
INSURANCE	7,894.54	4,666.25	5,390.70
GENERAL OPS	1,720.00	380.90	4,017.44
EMPLOYEE TRAINING	35,088.40	38,356.62	41,102.68
TECHNOLOGY	105.92	357.90	323.50
CLOTHING	0.00	0.00	0.00
EQUIPMENT OFFICE & OTHER	1,509.73	2,849.67	2,744.36
SUPPLIES	0.00	18.76	28.77
CHGS ASSIT LIAB	0.00	0.00	0.00
	\$ 774,139.93	\$ 774,435.28	\$1,197,956.00
Total Expenses	\$1,875,953.10	\$1,926,450.37	\$2,418,188.00

REVENUE

CASINO ACTIVITY 2016

	GROSS REVENUE (NET OF PROMOTIONAL CREDITS)	PLAYER CREDITS AND JACKPOTS	NET CASINO REVENUE (Casino Win)	SLOT MACHINES IN PLAY AS OF DECEMBER 31, 2016
<u>SLOTS:</u>				
HOLLYWOOD	\$ 436,182,212.42	392,039,565.59	44,142,646.83	777
OXFORD	\$ 734,934,724.12	671,119,043.57	63,815,680.55	875
 TOTAL	 \$1,171,116,936.54	 1,063,158,609.16	 107,958,327.38	
			NET CASINO REVENUE (Casino Win)	TABLES IN PLAY AS OF DECEMBER 31, 2016
<u>TABLES:</u>				
HOLLYWOOD			\$ 8,851,129.50	18
OXFORD			\$ 15,518,499.65	28
 TOTAL			 \$ 24,369,629.15	
<u>TOTAL SLOTS AND TABLES:</u>			 \$ 132,327,956.53	

TAXES REALIZED 2016

SLOTS:		COMPRISED OF 1% OF GROSS AS WELL AS 39% OF CASINO WIN LESS 1% GROSS AMOUNT
HOLLYWOOD	\$ 19,876,343.76	
OXFORD	\$ 29,355,213.05	
TOTAL SLOT TAXES	\$ 49,231,557.00	46% OF WIN
 TABLES:		
HOLLYWOOD	\$ 1,416,180.72	16% OF WIN
OXFORD	\$ 2,482,959.94	16% OF WIN
TOTAL TABLE TAXES	\$ 3,899,140.66	
 TOTAL ALL GAMING TAXES	 \$ 53,130,697.47	 OVERALL GAMING TAX RATE 40.56%

TOTAL FEES COLLECTED 2016

Casino Operator Fee	\$178,175.00
Gaming Employee Fees	\$ 88,452.00
Table Game Fees	\$447,400.00
Slot Machine Fees	\$510,575.00
All Other Fees	\$ 2,200.00
 Total All Fees	 \$1,226,802.44

REVENUE ALLOCATION

Table game income is taxed at 16% of the “win” or net casino revenue at both Hollywood and Oxford casinos.

The 16% Tax at Hollywood is broken down:

- 9% General Fund and gambling addiction services
 - 3% Administrative Expenses of the Gambling Control Board
 - 2% Veterans Assistance Grant Fund
 - 2% City of Bangor
- 16% Total

The 16% Tax from Oxford is broken down:

- 10% Department of Education for grades K-12 essential programs
 - 3% Administrative Expenses of the Gambling Control Board
 - 2% Town of Oxford
 - 1% Oxford County
- 16% Total

Hollywood slot tax revenue is calculated at 1% of amount played as well as 39% calculated on the net slot machine revenue, or “win” less the 1% tax levied on the amount played.

Hollywood slot tax is allocated as follows

- The 1% tax from amount played or “gross” is all allocated to the General Fund.

The net casino revenue or “win” 39% from net income is allocated:

- 4% General Fund with fixed amount transferred annually to Gambling Addiction Services Fund
 - 10% Fund for a Healthy Maine
 - 1.92% University of Maine System
 - 0.08% Maine Maritime Academy
 - 10% Harness Racing Purse Supplements
 - 3% Agricultural Fair Support Fund
 - 4% Fund to Encourage Racing at Maine’s Commercial Tracks
 - 1% Fund to Stabilize Off-Track Betting
 - 3% Sire Stakes Fund
 - 1% Maine Community College System
 - 1% City of Bangor
- 39% Total

Oxford slot tax revenue is calculated at 46% of net casino income or “win” and is allocated as follows:

- 25% Department of Education Grades K-12 Essential programs
- 3.85% University of Maine Scholarship Fund
- 0.15% Maine Maritime Academy
- 3% Maine Community College System Scholarships
- 4% Tribal Governments of the Penobscot and Passamaquody Tribes
- 3% Administrative Expenses of the GCB and gambling Addiction counseling services
- 2% Town of Oxford
- 1% Agricultural Fair Support
- 1% Harness Racing Purse Supplements
- 1% Sire Stakes Fund
- 1% Oxford County
- 0.5% Dairy Improvement Fund
- 0.5% Maine Milk Pool
- 46% Total

ALLOCATION OF SLOT AND TABLE GAME TAX REVENUE 2016

General Fund	\$ 4,361,822.12
General Fund for the Administrative Expenses of the Gambling Control Board and for Gambling Addiction Services	\$ 4,767,860.06
Gambling Control Board Other Special Revenue Account	\$ 265,533.92
Department of Education for Grades K-12	\$17,505,769.94
University of Maine System	\$ 3,220,695.53
Maine Maritime Academy	\$ 127,548.15
Maine Community College System	\$ 2,312,278.69
Fund to Encourage Racing at Maine's Commercial Tracks	\$ 1,591,232.99
Harness Racing Purses	\$ 4,616,239.30
Sire Stakes Fund	\$ 1,831,581.54
Agricultural Fair Support Fund	\$ 1,831,581.54
Fund to Stabilize Off Track Betting	\$ 397,808.24
Penobscot and Passamaquoddy Tribes	\$ 2,552,627.24

Town of Oxford	\$1,586,683.64
City of Bangor	\$ 574,830.83
Oxford County	\$ 793,341.83
Healthy Maine Fund	\$ 3,978,082.48
Dairy Improvement fund	\$ 319,078.42
Milk Pool	\$ 319,078.42
Veterans' Assistance	\$ 177,022.59
TOTAL ALL ALLOCATIONS 2016	\$53,130,697.48

EVENTS SHAPING THE 2015-2016 GAMING SEASON IN MAINE

- A bill to allow Advance Deposit Wagering was passed and the rules regarding the administering of that bill have been submitted for approval.
- Oxford casino started its 25 million dollar hotel expansion.
- Executive Director Patrick Fleming retired after 32 years of public service as a State Trooper for twenty seven (27) years and the last five (5) years as Executive Director of the Gambling Control Board.
- In coordination with the manufacturers, facilities and Scientific Games they were able to allow patrons to keep promo credits on their player cards which enabled them to use the credits at several different machines rather than at only the initial machine that they loaded credits onto.