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Report of the Harness Racing Task Force

final draft

MAY 8 1997

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EXECUTIVE SUMMARY

The Harness Racing Task Force was established February 12, 1996 by Governor Angus S. King, Jr. By Executive Order No 6 FY 95/96. The Task Force was directed to review the current status and future challenges of the harness racing industry and make recommendations to the Governor, the President of the Senate and the Speaker of the House of Representatives by February 15, 1997 on "...how the State can most efficiently regulate the industry in order to support the health of the industry and related business, while protecting public health, safety and welfare."

The Task Force was appointed May 8, 1997. Its 16 members included legislators, representatives of the various interest groups that are participants in harness racing and off-track betting, representatives of regulatory agencies and interested public members. A list of members is provided in Appendix ???. The Task Force held its first meeting in July 1997 and met approximately every three weeks through January 1997. Staff from the Task Force maintained contact with staff of the Advisory Committee on Gambling that was appointed by the Governor to conduct a comprehensive review of all gambling in Maine and that was required to consider the recommendations of the Harness Racing Task Force.

Harness racing is a product of rural, premechanized society, where horses were the major form of transportation and the competitive spirit moved horse owners to prove the quality of their horses in tests of speed with friendly wagers on the probable outcome. Pari-mutuel wagering was authorized in 1935 as a method of increasing interest in agricultural fairs. The Maine Harness Racing Commission was created to license and regulate harness racing to ensure the safety of participants and protect the integrity of pari-mutuel wagering. The total amount wagered on harness racing increased over the years from \$1,252,472 in 1939, the first year of pari-mutuel wagering to \$45,192,735 in 1986, the higher year ever recorder. Since 1986, the total wagered on live racing has dropped dramatically reaching \$10,088,660 in 1996. Since 1993 losses in wagering on live racing have been compensated for by revenues from off-track betting.

Today there are two commercial tracks and nine fairs conducting pari-mutuel wagering in Maine. A total of 224 days of live racing were conducted in Maine in 1996. There are 6 off-track betting facilities currently licensed.

The Harness Racing Task Force identified a cycle that describes the financial health of the harness racing industry. The health of the harness Racing system depends upon the size of the handle. As the handle increases, the amount available for purses to horsemen increases. Larger purses attract higher quality horses. Higher quality horses attract more betting -- higher handle. And the cycle continues. Historically the harness racing industry has been able to rely on the handle from live racing and, more recently, from simulcasting and off-track betting as the source of financial flow in the system. However, as new challenges confront the industry,

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primarily in the form of competition from other forms of gambling, most persons involved in the industry believe that if the industry is to survive, revenues must be sought from additional sources such as video gaming, telephone wagering and expansion of simulcast options.

An evaluation of the financial impact of the harness racing industry on the State of Maine by Galen Rose, an economist at the State Planning Office indicated that if Maine were to lose its harness racing industry, the net impact on the economy would be at least \$19.1 million. His report assumed that much of the money spent on harness racing would be invested in other expenditures in the Maine economy. A analysis completed by the Social Science Research Institute of the University of Maine in 1975 identified the economic contribution of the harness racing industry to the State was \$54.3 million.

The Task Force makes the following recommendations. A detailed discussion of each recommendation can be found in the full report.

A. STRUCTURE OF HARNESS RACING REGULATION

RECOMMENDATION A1. The role of the Harness Racing Commission should be clarified by making the Commission a strictly regulatory body and placing all policy making responsibilities with the Department of Agriculture.

RECOMMENDATION #A2. The Harness Racing Commission should continue to be "affiliated with" the Department of Agriculture

RECOMMENDATION A3. The staffing structure of the Harness racing Commission and related harness racing functions of the Department should be reorganized.

RECOMMENDATION #A3a. The full-time chair position should be replaced with an Executive Director position appointed by the Commissioner of Agriculture in consultation with the Commission. The chair of the Harness Racing Commission should be one of the public members and should be designated by the Governor and serve at the pleasure of the Governor.

RECOMMENDATION #A4. The staffing of the Commission and Department should be reorganized to improve the efficiency and effectiveness of the Commission. The Department and the Commission should work together to develop a plan for the realignment of current positions within existing funding to perform necessary functions.

RECOMMENDATION A5. The Executive Director shall review the need for improved technology to meet the Department's responsibilities in monitoring wagering at race tracks and OTBs and the Department's responsibilities for

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collecting revenue and monitoring the expenditure of funds distributed by the State.

B. CLARIFYING THE ROLES OF THE HARNESS RACING COMMISSION AND THE DEPARTMENT OF AGRICULTURE

RECOMMENDATION #B1. The role of Department should be clarified to emphasize its responsibility to bring together members of the industry to formulate common strategies for improving the status of harness racing in Maine.

RECOMMENDATION #B2. The Department shall review statutory responsibilities for policy making and make recommendations to the Governor for changes in its legislation that recognize the need to adapt to changes in the industry, especially the challenges of maintaining a harness racing industry in the face of competition from other forms of gambling.

RECOMMENDATION #B3. The Harness Racing Commission shall consider the need for changes in the appeals process to permit the Commission to spend more time on other responsibilities and make recommendations to the Governor for any necessary changes in statutes.

RECOMMENDATION #B4. The Harness Racing Commission shall maintain an ongoing review its rules to ensure that they provide an efficient and effective framework for the regulation of harness racing that furthers the advancement of the industry while providing protection to the public and participants in the industry.

RECOMMENDATION #B5 (DIVIDED: 8 in favor, 2 opposed, 1 abstained). The statutes should be amended to permit the Commission to place conditions on licenses for both race tracks and off-track betting facilities.

C. PROMOTION

RECOMMENDATION #C1. The Harness Racing Promotional Fund should be reorganized as an independent public instrumentality with authority to hire an executive director to implement its mission.

RECOMMENDATION #C2. The membership of the Harness Racing Promotional Board should be changed by replacing the member of the board representing the Harness Racing Commission with a representative of off-track betting facilities.

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RECOMMENDATION #C3. The Department, in conjunction with the promotion board should explore all opportunities to increase interest in harness racing from all sectors of the public including, especially, strategies for bringing new interest to the activity of live racing.

RECOMMENDATION #C4. The Promotion Board should investigate methods of increasing the marketability of simulcasting signals from Maine tracks, including the possibility of marketing to Canada.

RECOMMENDATION #C5. The promotion board should investigate strategies for improving conditions at Maine race tracks and attracting new and former customers.

D. OFF-TRACK BETTING REGULATION

RECOMMENDATION #D1. The statutes should be amended to require an initial application fee of \$1,000 for an off-track betting facility and \$250 for renewal of a license.

RECOMMENDATION #D2. The statutes should be amended to provide that an annual renewal of an OTB license is required and to clarify the relationship between OTBs and the race date setting process.

RECOMMENDATION #D3. The statutes should be amended to provide for Administrative Court revocation of an OTB on the same grounds as the statutes provide for revocation of a track license (i.e. "for violation of the Commission's rules or licensing provisions")

RECOMMENDATION D4. The statutes should be amended to clarify that an off-track betting facility license can be granted to a business licensed under the liquor laws as Class A restaurant/lounge or a hotel.

RECOMMENDATION D5. The statutes should be amended to require the Harness Racing Commission to adopt rules to ensure adequate coverage of Maine simulcast races at off-track betting facilities rather than the current requirement that 50% of the monitors carry Maine races.

E. DISTRIBUTION FORMULAS

RECOMMENDATION #E1 (DIVIDED). The majority (9 members) recommends that there be no change in the distribution formulas. A minority of the Task Force (1 member) recommends that the calculation of the Commercial Meet Stipend and the Extended Meet Stipend should be simplified by removing the caps that trigger them and making them a direct percentage of the handle.

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RECOMMENDATION #E2. The statutes should be amended so that the formulas for distribution of the handle are easier to understand.

RECOMMENDATION #E3. If the Department reviews the current distribution formulas to determine whether they need to be adjusted to improve the health of the harness racing industry it should bring the various segments of the harness racing industry together in a public forum to conduct that review.

F. ALTERNATIVE REVENUE SOURCES

RECOMMENDATION #F1 (DIVIDED):

#F1a. The statutes should be amended to authorize video gaming at tracks with revenues distributed to the harness racing industry. (MAJORITY -- 9 members)

#F1b. Gambling alternatives should not be expanded to support the harness racing industry. (MINORITY -- 3 members)

RECOMMENDATION #F2. Recognizing that the harness racing industry is experiencing significant financial stress, the Task Force recognizes that there are important revenue raising options that should be considered including telephone betting and alternative subjects for simulcasting, such as dog racing. The Task Force recommends that the Governor extend the time available for the Task Force to investigate options for increasing revenue and report to the Governor by March 15, 1997.

G. SIMULCASTING

RECOMMENDATION #G1 (DIVIDED -- 5 in favor, 2 opposed, 1 abstained). The Task Force recommends that the statutes be amended to provide that a commercial track simulcasting facility should make payments to tracks within a 35-mile radius conducting live racing. The payments should equal 2% of wagers made at the facility during the time that live racing is being conducted and 1% of other wagers made on days when live racing is conducted.

RECOMMENDATION #G2. Simulcast facilities should be required to carry Maine races in the same way as an OTB and be subject to the same distribution formulas on those wagers as an OTB.

RECOMMENDATION G3. The Task Force recommends that the statutory requirement that 50% of the monitors at an OTB carry Maine signals when Maine races are being conducted be amended to give the Harness Racing

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Commission authority to adopt rules to ensure adequate coverage of Maine races.

H. "HOUSEKEEPING" CHANGES

RECOMMENDATION #H1. The definitions section in 8 MRSA §275-A should be amended to apply to the entire harness racing chapter.

RECOMMENDATION #H2. The statutory language on timing of the annual report should be changed to accommodate the time when necessary data is available.

RECOMMENDATION #H3. The statutes should be amended to correct drafting errors in the distribution formulas percentages.

**FINAL REPORT
OF
THE HARNESS RACING TASK FORCE**

I. THE TASK FORCE

The Harness Racing Task Force was established February 12, 1996 by Governor Angus S. King, Jr. by Executive Order No. 6 FY 95/96.¹

The issuance of the executive order coincided with a legislative session which saw the consideration of legislation to authorize video gaming machines in Maine with a portion of the income from the machines allocated to support the harness racing industry. That legislation (LD 1218, **An Act to Amend the Laws Relating to Harness Racing**), received a majority "Ought to Pass as Amended" report from the Legal Affairs Committee and was approved originally approved in the House of Representatives but not in the Senate.

The executive order identifies the importance of the harness racing industry to the State of Maine. It recognizes the changing nature of the regulation of harness racing with the advent of off-track betting and other gambling related issues. The Task Force is directed to review the current status and future challenges of the industry and make recommendations to the Governor, the President of the Senate and the Speaker of the House of Representatives on "...how the State can most efficiently regulate the industry in order to support the health of the industry and related business, while protecting public health, safety and welfare."

The executive order directed the Task Force to submit a final report to the Governor, the President of the Senate and the Speaker of the House of Representatives by February 15, 1997.

The Task Force was appointed May 8, 1996. Its members are listed in Appendix B. John H. Richards, Jr., Deputy Commissioner of the Department of Agriculture, Food and Rural Resources was appointed chair of the commission. The Task Force began work in July and met approximately every three weeks thereafter. It reviewed the current status of harness racing in Maine, past studies on harness racing and other information relating to harness racing. It was assisted in its work by Henry Jackson and Ralph Canney, staff to the Harness Racing Commission, Assistant Attorney General Susan Sparaco, Galen Rose, an economist with the State Planning Office and Julie Jones, a consultant to the Task Force. Roy Lenardson of the Legislature's Office of Policy and Legal Analysis monitored the work of the Task Force..

¹ The full executive order can be found in Appendix ??.

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The Task Force staff maintained contact with the staff of the Advisory Committee on Gambling which was appointed by the Governor to conduct a comprehensive review of gambling in Maine and which was required to review the recommendations of the Task Force. Staff from the Advisory Committee met once with the Task Force.

II. BACKGROUND OF HARNESS RACING IN MAINE

Harness racing is the product of a rural , premechanized society, where horses were the major form of transportation. The competitive spirit led horse owners to prove the quality of their animals in tests of speed against other horses in the community and in friendly wagers on the probable outcome. Whether through impromptu challenges on the road or organized races for community entertainment, harness racing gained popularity. Although the internal combustion engine rapidly replaced the horse in the early Twentieth Century, harness racing remained a popular form of entertainment. In 1935, with the popularity of agricultural fairs declining, the Legislature authorized pari-mutuel wagering in conjunction with harness racing as a method of increasing popular interest in the agricultural fairs. The strategy worked and interest in agricultural fairs picked up. (SSRI, 6). In addition, revenues from pari-mutuel wagering were dedicated to support the financial needs of the fairs. Most agricultural fairs in Maine continue to include harness racing, some with extended meets that operate beyond the dates of the fair. Revenues from harness racing contribute funds to the agricultural fair societies that are used for facility improvements and for agricultural prizes and premiums.

When pari-mutuel wagering was legalized, the Maine Harness Racing Commission was created to license and regulate the new activity. Revenues from harness racing were dedicated to support agricultural fairs, supplement purses and encourage the development of a Maine breed of Standardbred horse as well as to provide revenue for the State. Commercial harness racing began at this time as well, with Old Orchard being one of the major stops on the "Grand Circuit" until World War II. (Trigom, 9) Since that time several small commercial harness racing tracks have come and gone. By 1996, only two commercial tracks remain in Maine: Scarborough Downs in Scarborough and Bangor Historic Raceway in Bangor.

In 1936, the first full year of pari-mutuel racing, the total handle , the amount wagered on races, was \$1,252,472. The handle fluctuated up and down over the next 10 years and rose dramatically to over \$6,000,000 in the years immediately after World War II, only to fall to less than \$4,000,000 in 1950 and 1951 during the beginning of the Korean War. It was not until 1959 that revenues returned to post World War II levels. From that time the handle rose fairly steadily until 1986 when the total handle reached \$45,192,735, the highest level ever achieved. The years 1987 through 1992 saw a steady decline which became even more dramatic in 1993 with the initiation of off-track betting. By 1996, the decline had slowed with the handle on live racing anticipated in 1996 reaching \$10,088,660.

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Since the 1970s, harness racing in Maine has been dominated by the commercial tracks, the preeminent track being Scarborough Downs. By 1975, however, things were not going well for horsemen and commercial harness racing tracks in Maine. A 1975 evaluation of the economic impact of the harness racing industry on the State identified "severe economic pressure brought about by ... economic downturn and the energy crisis." (SSRI, executive summary (no page number)). By 1982, the State was beginning to look at the problems of the declining profitability of both horse ownership and harness racing management. (Trigom), 12)

By the late 1980s and early 1990s, as it became clear that the harness racing industry was in a protracted decline, legislative measures were undertaken to provide support for the industry. The state share of harness racing revenues was capped, and a commercial meet stipend was enacted in 1988. Adjustments were made to the percentages of the statutory takeout and finally, in 1993, off-track betting was legalized with portions of the takeout dedicated to support tracks and purses. In 1993 the Maine Harness Racing Promotion Board was created to promote the harness racing industry.

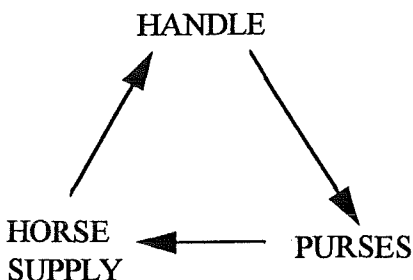
III. HARNESS RACING IN MAINE TODAY

Today there are 2 commercial race tracks in Maine. Scarborough Downs in Scarborough is the largest and most active, racing 129 days in 1996. Bangor Historic Raceway in Bangor raced 26 days. In addition to the commercial racetracks, 9 fairs also held annual race meets ranging in duration from 6 to 9 days. The Skowhegan Fair, the Farmington Fair and the Cumberland Fair held ~~several~~ meets racing additional days beyond the time when the fair is in operation. There were a total of 224 days of live racing in Maine in 1996.

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HARNESS RACING CYCLE

The harness racing cycle can be depicted as a triangle.



HEALTH IN THE SYSTEM

The health of the harness racing system depends first upon the size of the handle

The handle, the total amount wagered in Maine on harness racing, is the first factor that determines the health of the harness racing industry.. The handle includes the amount wagered on live racing at tracks in Maine as well as the amount wagered on off track betting facilities (OTBs) in Maine. Maine statutes provide complicated formulas governing the distribution of the handle. The law determines how much is returned to bettors, how much is retained by the tracks of OTBs and how much is paid to the State. Much of the revenue paid to the state is dedicated for payment to tracks, to support purses and capital improvements and to the agricultural fair associations for a variety of purposes. Because of statutory caps on the amount of revenue retained by the General Fund, the General Fund currently receives less than the cost of regulating harness racing and OTBs. As the size of the handle increases, income increases to all segments of the harness racing system. Tracks, OTBs, horsemen, fairs and the State all benefit.

As the handle increases, the amount available for purses to horsemen increases

Increased handle means that larger amounts are available for purses. When the handle increases, tracks receive more money through the distribution formulas. Tracks also retain more money from wagering that they can put into purses.

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Larger purses attract higher quality horses.

Horsemen will race where they can expect to make the most money. Large purses attract more and better horses. Sire stakes purses are especially important because horsemen will breed and raise horses in states where they can expect to benefit from State sire stakes purses. Breeding and raising horses in the State contribute to the health of the agricultural community and all of the related businesses that benefit from agricultural activity.

Higher quality horses attract more betting -- higher handle.

This is true because higher quality horses attract more interest from betters. Attendance at live racing increases. The ability to market a track's simulcast signal is improved. Greater interest means larger betting pools on a race. Larger pools attract not only more wagers by higher individual wagers.

And the cycle continues.....

Historically the harness racing cycle has been able to rely on the handle from live racing and, more recently, from simulcasting and off-track betting as the source of financial flow in the system; however, as new challenges confront the industry, most persons involved in the industry believe that if the industry is to survive revenues must be sought from additional sources detailed later in this report.

IV. THE STATE HARNESS RACING COMMISSION

Harness racing in Maine is regulated by the State Harness Racing Commission. The commission consists of 5 members appointed by the Governor and confirmed by the Legislature. One member must be affiliated with an agricultural fair. Three must have knowledge of harness racing and one must be a member of the general public with no industry affiliation. The Governor appoints one of the 5 members to be chair. The chair is a full-time, unclassified state employee paid within salary range 28 (currently \$32,240-\$44,969 annually). The full-time chair position has been vacant since July 1995. Commission member Richard Crabtree has been serving part-time as interim chair with many administrative functions being performed by commission staff whose duties have been adjusted to provide for the additional responsibilities.

The State Harness Racing Commission adopts rules for the conduct of live harness racing and for the operation of off-track betting and simulcasting. The commission licenses race tracks, off-track betting facilities and individuals involved in racing and off-track betting operations. Annually, the commission holds hearings and determines the dates on which racing

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may be conducted at race tracks in Maine. The commission enforces its rules through the imposition of penalties and license suspensions for violations. Persons charged with violations are entitled to a hearing before the commission. The commission has delegated authority to the chair to hear appeals involving less serious violations. Licenses may be revoked by the Administrative Court. The commission also operates a controlled medication program for the administration of approved medications at race tracks.

Staff. In addition to the full time chair position, the Harness Racing Commission is staffed by a program coordinator, 2 full time state stewards, a state veterinarian and a full time secretary in addition to several part time, seasonal and intermittent positions. The staffing is primarily oriented toward the regulation and oversight of live harness racing. The commission also contracts for the services of 14 track judges, two veterinarians, two veterinary technicians and 2 blood gas technicians. (An organizational chart can be found in Appendix ??.)

Budget. Budget information for the commission is complicated by the difference between the State budget system which operates on a fiscal year of July 1 to June 30 and the statutory distribution scheme and commission reporting mechanism which operate on a calendar year. In the 1995-97 biennium, the following amounts were appropriated and allocated for the Harness Racing Commission:

	FY 95-96	FY 96-97
GENERAL FUND		
Positions - Legislative count	(5.0)	(5.0)
Positions - Other count	(3.0)	(3.0)
Personal Services	\$ 290,309	\$ 350,356
All Other	547,222	508,579
DEDICATED FUNDS		
Positions - Other count	(1.0)	(1.0)
Personal Services	\$ 53,917	\$ 53,168
All Other	2,728,141	3,295,293

The amounts appropriated and allocated include the costs of operating the Harness Racing Commission and the amounts that the Commission distributes through the distribution formulas provided by statute.

According to annual report of the Commission for 1996, its total operating expenditures for fiscal year 1995-96 were \$729,562. Net revenue to the General Fund from the distribution formulas for calendar year 1996 was \$697,776. Additional amounts were received by the General Fund from license fees, penalties reimbursement by tracks for the cost of judges, fees under the controlled medication program and minor miscellaneous sources.

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The commission's income and expenditures as reported in the 1996 annual report for fiscal year 1995-96 is included in Appendix ??.

V. THE ECONOMIC IMPACT OF THE HARNESS RACING INDUSTRY ON THE STATE OF MAINE

Like any industry, the harness racing industry in Maine has an economic impact on the state. It employs people in a wide variety of jobs. It spends money on food and supplies for horses and all of the normal purchases that are necessary to conduct any business. It generates revenue for the State and provides support for agricultural fairs and the agricultural activities connected with those fairs.

The first attempt in recent history to evaluate the impact of the harness racing industry on the state was made in 1975. The Social Science Research Institute of the University of Maine at Orono used multiple regression analysis and input/output analysis to evaluate the direct and indirect impact of the harness racing industry in Maine. The conclusion of that report was that the contribution of all sectors of the harness racing industry in 1975 was \$54,317,661.

Galen Rose, an economist with the State Planning Office, prepared an estimate for the Task Force of the current economic impact of Harness Racing in Maine. He used an economic model developed by the State Planning Office to evaluate the impact of businesses on the Maine economy. According to the model, if Maine were to lose its harness racing industry, the net impact on the economy would be \$19.1 million. Rose states that the estimate is conservative and could be "...as much as 25% greater."

The figure used in Rose's evaluation cannot be compared to the 1975 figure because the two studies used different methodologies. The 1975 analysis was based on a model developed for the State of Maryland and arguably included some double counting of impacts. It estimated the amount of money put directly and indirectly into the economy by harness racing. It did not evaluate the net loss to the Maine economy if harness racing ceased and the money invested in harness racing was reallocated to other activities which was the methodology used by the Rose evaluation. The Rose report is located in Appendix ??.

VI. ISSUES AND RECOMMENDATIONS

The Harness Racing Commission was originally enacted as a regulatory body to oversee and ensure the integrity of racing and pari-mutuel wagering. It was natural that participants in racing would become involved in the regulatory aspects of the industry. In recent years the world of harness racing has become more complicated. The regulations governing harness racing have increased, revenue collection responsibilities have become more complicated, legal issues have been more time consuming and the authorization of off-track betting has added new responsibilities to the mission of the Commission. The Harness Racing Commission has always been closely tied to the Department of Agriculture. The Commission's work is carried out by Department employees, and its budget is managed by the Department. While the two administrative entities have always worked in tandem for the benefit of harness racing, increasingly ambiguity has arisen about relationship between the regulatory responsibilities of the Commission and the Commission's role in the industry's desire to pursue policy directions to enhance the condition of harness racing.

A. STRUCTURE OF HARNESS RACING REGULATION

RECOMMENDATION A1. The role of the Harness Racing Commission should be clarified by making the Commission a strictly regulatory body and placing all policy making responsibilities with the Department of Agriculture.

The Task Force believes that harness racing and off-track betting policy and regulatory roles should be separated, with the Commission having responsibility for regulatory functions and the Department assuming all responsibility for policy functions and providing budget and administrative services for the Commission. The functions should be divided as follows.

Commission functions:

1. Rulemaking for harness racing and off-track betting operations
2. Hearing appeals of violations of law and rules
3. Licensing of tracks and off-track betting facilities
4. Setting race dates

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Department functions:

1. Bringing members of the industry together to formulate common strategies for improving the status of harness racing in Maine
2. Making recommendations to the Governor and the Legislature to improve the status of harness racing
3. Working with the promotion board to promote harness racing in Maine
4. Providing budgetary and administrative support and support on personnel functions to the Commission
5. Revenue collection
6. Distribution of funds pursuant statutory formulas
7. Management of on-track resources and oversight of track operations
8. Participant licensing

RECOMMENDATION #A2. The Harness Racing Commission should continue to be “affiliated with” the Department of Agriculture

For many years the Harness Racing Commission has been considered to fall under the administrative jurisdiction of the Department of Agriculture (now called the Department of Agriculture, Food and Rural Resources). Legislation enacted in 1991, provides that the Harness Racing Commission is “affiliated with” the Department. The legal implications of this language are not defined in statute; however, it has been interpreted to mean that the Commission is administratively under the Commissioner of the Department. The Commission’s fiscal affairs are managed by the Department. Commission staff are employed by the Department. The Department manages the Commission’s budget².

² Although 8 MRSA §264 authorizes the Harness Racing Commission to hire staff, that function has been performed by the Department of Agriculture in recent years. Similarly, although 8 MRSA §267 gives the commission authority to submit a budget without alteration by the department, since the Commission has been without a full-time chair, the department has prepared the commission’s budget. For a discussion of Harness Racing budget processing see below page ??.

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Because of the origin of harness racing and its connection with the agricultural fairs, the Commission's relationship with the Agriculture Department was logical. With the advent of off-track betting and simulcasting, the demands on the Commission have become less involved with the regulation of agricultural activities and more involved with gambling regulation and the determination of economic issues surrounding competition for race dates and the licensing of additional OTBs. While a strong agricultural connection still remains, it has been suggested that the Commission might be better located in a different administrative umbrella. The following alternatives were considered:

Locations Considered for the Harness Racing Task Force

Location	Rationale
Department of Business and Professional Regulation	Because of its experience in professional licensing and economic regulation
Department of Administrative and Financial Services	Because of its experience with the Lottery and in revenue collection and distribution
Department of Public Safety	Because of its experience in regulating gambling and liquor licensing
Independent agency	To provide greater visibility and autonomy

In the end the Task Force reached the conclusion that it would be best at this time to leave the Harness Racing Commission with its "affiliation" with the Department of Agriculture, Food and Rural Resources. Raising and breeding horses is clearly an agricultural activity. The relationship between harness racing and the agricultural fairs is strong, and the Department has a great deal of familiarity and experience with harness racing that would be lost by moving the Commission under the umbrella of a different agency. Although the prospect of organizing the Commission as an agency separate from a department has some attractiveness, it would require more staff and larger administrative expenditures that the Task Force did not want to recommend.

RECOMMENDATION A3. The staffing structure of the Harness racing Commission and related harness racing functions of the Department should be reorganized.

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RECOMMENDATION #A3a. The full-time chair position should be replaced with an Executive Director position appointed by the Commissioner of Agriculture in consultation with the Commission. The chair of the Harness Racing Commission should be one of the public members and should be designated by the Governor and serve at the pleasure of the Governor.

In 1990, the "Titcomb study"³ was commissioned by the Legislature to review the Harness Racing Commission, primarily with regard to the race date setting process which had become controversial in the previous year. The study reviewed the general operation of the Commission and determined that the problems identified in the harness racing industry were exacerbated by the part-time nature of the Commission and the lack of industry experience among Commission members. The study commission believed that this problem would best be addressed by appointing a full-time experienced chair for the Commission. The study commended that the chair of the Commission be a full-time position in salary range 90 (then projected to be \$60,000 to \$90,000). Although this recommendation of the Titcomb study was originally enacted into law in the 1991 session of the Legislature, the Legislature, later in the same session, in the budget bill, amended the law to reduce the pay range for the full-time chair back to Range 28, the range for the previous position of executive director. The person serving in the position of executive director was subsequently appointed to the full-time chair position, and little change was accomplished as a result of the legislation. The Titcomb study recommended that the Harness Racing Commission determine whether it was advisable to also retain an executive director or executive secretary position. It is unclear whether this determination was ever made; however, no funds were budgeted for such a position.

The position of full time chair has been vacant since the summer of 1995. One of the remaining Commission members has been serving as part-time interim chair with Commission staff taking on some of the administrative duties in addition to their normal responsibilities. Some of the administrative duties of the Commission have not been completely fulfilled because of the absence of a full time manager. During the last few years, the work of the Commission has suffered because of the lack of full-time leadership.

³ *Commission to Study the Harness Racing Industry*, 114th Maine Legislature, November 1990. Sen. Bonnie Titcomb of Cumberland was chair of the Commission.

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The Task Force recommends that the full-time chair position be replaced with an executive director position. The hope of the Titcomb study was that a full-time chair at a high enough salary level would bring experienced leadership to the regulation of harness racing. That hope was not fulfilled. In addition, combining the position of chair of the Commission with the function of chief staff person caused some conflict between the role of the Commission as regulator and its role as advocate for the industry. The Commission must serve in an adjudicatory role in the enforcement of harness racing laws and rules. The Chair of the Commission must be the focal point for the Commission on enforcement matters. Changing the leadership of the Commission staff to an executive director means that the executive director can be the Department's point person in working with the industry to address strategies to improve the health of harness racing without jeopardizing the Commission's regulatory role.

The new chair of the Commission should be one of the public part-time members designated by the Governor and serving at the pleasure of the Governor

RECOMMENDATION #A3b. The Executive Director should have knowledge of harness racing, managerial experience and a proven record of leadership.

The Harness Racing Commission has been without full-time leadership for almost two years and before that did not have the type of leadership that it needed to help it address the challenges of the changing nature of the industry. Given this disability, it is critical that an executive director be found who can step into the position immediately and begin the analyses recommended by the Task Force in other sections of this report. Any delay will have serious negative consequences for the industry.

Therefore, the Task Force recommends that an executive director be found who has relevant knowledge of the harness racing industry and strong management and leadership skills. An executive director must work in a very diverse environment and be able to develop consensus among various parts of a diverse industry. The executive director must provide quality management for the Commission and dynamic leadership for the Department in its policy role. The executive director must have a proven record of strong business skills and be able to assess both personnel and technology needs rapidly. A knowledge of accounting

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standards and systems is important as is the ability to communicate effectively both orally and in writing.

RECOMMENDATION #A3c. The Executive Director position should be unclassified and confidential at pay range 32.

Pay range 32 is a range typical of a division director in the Department of Agriculture, a position with a similar level of responsibility to that of an executive director of the Harness Racing Commission. This pay range provides a salary range from \$37,710 to \$52,665. This pay range should not be specified in statute; however, but should be established through the regular administrative channels for establishing pay ranges for positions.

RECOMMENDATION #A3d. Legislation making the change to an Executive Director should be introduced immediately as an emergency measure.

The needs of the harness racing industry must be addressed immediately. The vacancy in the full-time chair position has resulted in gaps that need to be filled. Emergency legislation to make this change should be introduced immediately to implement this recommendation of the Task Force. The industry should not have to wait until 90 days after adjournment of the Legislature, the minimum time for nonemergency legislation,(probably some time in September), for the change to become effective.

RECOMMENDATION #A4. The staffing of the Commission and Department should be reorganized to improve the efficiency and effectiveness of the Commission. The Department and the Commission should work together to develop a plan for the realignment of current positions within existing funding to perform necessary functions.

In recent years the Harness Racing Commission has been confronted with additional responsibilities with the enactment of off-track betting legislation in 1993. While the traditional function of the Commission was the regulation of the activity of harness racing, the licensing and regulation of an activity which is solely gambling has presented additional new challenges. In addition, the Commission has been confronted with challenging cases involving the drug testing program and other legal issues. The need for improvements to the data management system has been identified.

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In recent years staffing needs of the Commission have changed, but there have not been the necessary adjustments in numbers or types of positions. Statewide budget reductions and state government downsizing over the last six years have reduced the resources of the Commission and its ability to keep pace with rapidly changing developments in the harness racing industry. The result is that the Commission has not been able to fulfill its responsibilities to the fullest extent. Existing staff has concentrated on the regulation and enforcement of the conduct of harness racing. Inadequate time is available to consider the broader context of the harness racing industry and the ways in which the position of the industry can be enhanced. The Commission has not had the time to acquire or evaluate all of the information that it needs in order to make licensing and race date determinations. Data collection and reporting requirements have not been fully complied with because staff is not available to perform that function. Technological improvements that are necessary to ensure adequate oversight of the conduct of harness racing and pari-mutuel wagering have not been implemented because of lack of funds and staff availability. In essence, an industry that is rapidly advancing through the 1990s is being regulated by an agency that has not changed much in the last 30 years.

In addition to replacing the full-time chair with an executive director the Task Force believes that the staff of the Harness Racing Commission and the Department should be reorganized to focus on the following functions. The Task Force did not have adequate time to develop a proposal relating to specific positions to perform the specific functions. The Task Force believes that the Department, in consultation with the Harness Racing Commission, should prepare a realignment of current Department staff to meet the needs identified in this report. This realignment is likely to require the elimination of existing positions and the creation of new ones. The Task Force believes that this realignment can be accomplished within existing resources, and that the Department should determine the level of support that can be provided for these activities without additional funding.

The Task Force discussed the need for the following staff functions for the Harness Racing Commission.

Appeals function. The Task Force discussed the need for a hearing officer function to hear all appeals from decisions of the track judges. Currently all appeals from the decisions of the track judges are de novo to the Harness Racing Commission. This requires the Commission to hear evidence and decide on questions of fact in each appeal. Although appeals of minor violations have been delegated to the Commission Chair for hearing, full Commission hearings still require a lot of the Commission's time. Under a proposal discussed by the Task Force, appeals to the full Commission would be on the record only and would

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not require a rehearing of the evidence. This would free up Commission time for more in-depth consideration of track and off-track licensing and the race date setting process. It would also permit the Commission to focus its attention on the legal rather than the factual issues involved in appeals. The evidentiary appeal function should not be performed by the executive director because of the potential conflicts with the executive director's policy responsibilities.

Policy and planning analyst function. In addition to time for consideration of policy issues, the Department requires more information, research and analysis of policy issues. The Task Force discussed the need for a policy and planning function to assist the Department in this area. Current staff must devote most of their time to the daily regulation and enforcement of the conduct of harness racing and the collection and accounting of revenues. Resources are not available for research and analysis. Data collection and reporting is restricted to the minimum required to accomplish basic functions. In recent years, the statistical data included in the annual report has varied and the method of reporting the data has varied making historical comparisons in some categories impossible. The Task Force was unable to analyze the impact on purses of the increase in handle following the authorization of off-track betting because the Commission stopped collecting data regarding purses in 1989. In addition, some reports contain minor internal inconsistencies in data. The original records on which the reports are based are difficult to access because time has not been available for proper documentation and storage.

Accounting function. Another change that the Task Force considered was need for cost control and accounting expertise. The complexity of formulas for calculating the collection and distribution of revenues from harness racing have increased over the years. The addition of off-track betting has added additional financial responsibilities to the Commission. However, staff support for these functions has not been increased. Although the law requires the Commission to consider financial operations and reports from applicants for licenses for both harness racing and off-track betting facilities, sophisticated analysis has not been available to assist in this function.

Functions assigned to the Department under the Recommendations of the Task Force also require enhancement of accounting functions. The lack of staff resources has been a barrier to the investigation and adoption of technological advances for more efficient calculation and transfer of revenues and auditing of financial responsibilities. The

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addition of an accountant function would permit the Department to manage its budget responsibilities more effectively.

RECOMMENDATION A5. The Executive Director shall review the need for improved technology to meet the Department's responsibilities in monitoring wagering at race tracks and OTBs and the Department's responsibilities for collecting revenue and monitoring the expenditure of funds distributed by the State.

Commission staff have performed their work with outdated technology. Some calculation of revenue obligations and submissions is done manually with a calculator. Information regarding the ongoing status of the handle, licenses, revenue collections and distribution of funds is not easily accessible. A significant amount of cash from license and other fees is handled by Commission staff. Historical data is not readily available. If the Department is to manage these responsibilities adequately, improved technology must be acquired

In 1995, the Department of Audit conducted a review of the Harness Racing Commission in response to a request of the Commissioner of Agriculture. While many of its recommendations have been implemented by the Commission, additional accounting and technology improvements could greatly improve the function of the Department. . Some discussions have already been begun by staff toward this goal. Plans should be developed for implementation of improvements as rapidly as possible.

B. CLARIFYING THE ROLES OF THE HARNESS RACING COMMISSION AND THE DEPARTMENT OF AGRICULTURE

RECOMMENDATION #B1. The role of Department should be clarified to emphasize its responsibility to bring together members of the industry to formulate common strategies for improving the status of harness racing in Maine.

The Task Force identified the need for creativity and vision for the harness racing industry in Maine to come together to address the challenges before it. While many members of the Task Force believe that survival of the harness racing industry ultimately depends upon its ability to compete with tracks in other states that have expanded the forms of gambling available at the tracks,

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the Governor has indicated his opposition to such expansion in Maine.⁴ With or without the legalization of additional forms of gambling, the Task Force believes that there are opportunities to improve the condition of the industry that do not require the expansion of gambling. However, in order to identify and pursue these opportunities, it is necessary for all of the elements of the industry to come together, to acknowledge their interdependence and to pursue strategies that benefit the entire industry. The Task Force believes that, while the primary responsibility for this transformation lies in the private sector, the Department of Agriculture can provide the focus for this activity and serve as the catalyst for innovation and improvement. The Department can research strategies that have been identified worldwide to improve the condition of harness racing. It can develop incentive programs and pilot projects that reward activities by tracks that provide quality racing facilities and racing programs and attract greater audience attractiveness. The Task Force believes that the reorganization of the staffing of the harness racing functions and the statutory identification of the importance of this function can create a more dynamic role for the Department and make it the focal point for the betterment of harness racing in Maine. While the Department cannot make a better harness racing industry, it can provide the atmosphere that will make it possible for the industry to improve itself.

RECOMMENDATION #B2. The Department shall review statutory responsibilities for policy making and make recommendations to the Governor for changes in its legislation that recognize the need to adapt to changes in the industry, especially the challenges of maintaining a harness racing industry in the face of competition from other forms of gambling.

The statutes governing the operation of the Harness Racing Commission describe in detail the regulatory responsibilities of the Commission with regard to harness racing. The statutes contain little guidance about which agency should have responsibility for policy roles. The Task Force recommends that the Department should review harness racing statutes and make recommendations for any changes that are necessary to reflect the appropriate roles of the Commission and the Department.

⁴ See discussion under Part F, Alternative Forms of Revenue, below.

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RECOMMENDATION #B3. The Harness Racing Commission shall consider the need for changes in the appeals process to permit the Commission to spend more time on other responsibilities and make recommendations to the Governor for any necessary changes in statutes.

In recent years, much of the time of the Harness Racing Commission has been absorbed with hearing appeals of violations by harness racing participants. For a part-time body, little time is left for adequate consideration of substantial legal issues, issuing licenses and the issues affecting the race date setting process. The Harness Racing Commission should consider how best to balance appeal functions with other responsibilities.

See also the discussion of the need for staffing of an appeals function under recommendation A6.

RECOMMENDATION #B4. The Harness Racing Commission shall maintain an ongoing review its rules to ensure that they provide an efficient and effective framework for the regulation of harness racing that furthers the advancement of the industry while providing protection to the public and participants in the industry.

During the two public comment meetings held by the Task Force, members of the public commented that the rules of the Commission are too lengthy, out-of-date and not uniformly administered or enforced. The rules of the Harness Racing Commission have been reviewed and revised in the last five years. Pursuant to Executive Order No. 6 the Commission should maintain a continuing vigilance of the effectiveness and desirability of its rules to ensure that they are up-to-date and that enforcement is carried out in a fair and uniform manner.

RECOMMENDATION #B5 (DIVIDED: 8 in favor, 2 opposed, 1 abstained). The statutes should be amended to permit the Commission to place conditions on licenses for both race tracks and off-track betting facilities.

In recent years, as part of the track licensing process, the Harness Racing Commission has, on occasion, desired to place conditions on track licenses to facilitate the goal of providing efficient racing and protecting the interests of the public. The Harness Racing Commission has been unable to impose conditions because the statutes do not explicitly authorize the placing of conditions on licenses. On occasion the Commission has been faced with the choice of

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refusing a license or granting one to an applicant that did not completely meet the standards of the Commission.

The majority believes that authority to place conditions on licenses is an important tool for ensuring that the Commission has the flexibility to devise licensing options that facilitate the advancement of quality racing and protect the wagering public.

The minority are concerned that the impact of conditions on licenses is unclear and that imposing conditions could interfere with the ability of a licensee to obtain financing.

C. PROMOTION

RECOMMENDATION #C1. The Harness Racing Promotional Fund should be reorganized as an independent public instrumentality with authority to hire an executive director to implement its mission.

In 1993, the Legislature provided for a portion of the takeout from the handle to be dedicated a Harness Racing Promotional Fund to be used by the newly created Harness Racing Promotion Board "...to implement plans to promote harness racing in the State." In 1996, the Fund received \$162,409.

The Harness Racing Promotion Board is a part-time board composed of volunteers appointed by the Harness Racing Commission and representing statutorily prescribed interests. The board receives no compensation for its services. While it receives some clerical and contract management assistance from the Department of Agriculture, it is without substantive staffing. The board has also been hampered in contracting for assistance by the constraints of the State procurement and accounting systems. By making the board a public instrumentality, it would benefit from being connected with the State but not subject to administrative barriers. This status is a common one for similar types of promotional groups such as the Maine Potato Board, the Maine Sardine Council and the Maine Dairy Promotional Board.

The board currently contracts with a marketing firm for the expenditure of available funds. While the board looks to the marketing firm for leadership in developing promotional strategies, the marketing firm looks to the board for leadership. The Task Force heard substantial concerns that the funds available for promotion were not being used effectively. At least one of the commercial tracks believes that it could make better use of the funds if they were returned to the tracks for promotional purposes. The Task Force believes that those who have served on the board have been dedicated individuals with a firm

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commitment to the harness racing industry; however, it is unfair to expect a volunteer board with no staff to manage the promotion of an entire industry. The board should be authorized to hire an executive director, and other staff if necessary and if funds permit. The executive director should serve at the discretion of the board.

RECOMMENDATION #C2. The membership of the Harness Racing Promotional Board should be changed by replacing the member of the board representing the Harness Racing Commission with a representative of off-track betting facilities.

Currently one member of the board represents the Harness Racing Commission. There is no representation of off-track betting facilities. Off-track betting facilities are an important part of the harness racing industry. They benefit from and contribute to the operation of live racing in Maine. Other groups involved in harness racing have representative on the board, and the Task Force believes that an OTB representative should be added as well. With the revision of responsibilities of the Harness Racing Commission to remove policy roles, there does not appear to be any reason to continue including a representative of the Commission on the Promotion Board. The Commission member should be replaced with a representative of off-track betting facilities, leaving the total number of board members unchanged.

RECOMMENDATION #C3. The Department, in conjunction with the promotion board should explore all opportunities to increase interest in harness racing from all sectors of the public including, especially, strategies for bringing new interest to the activity of live racing.

Harness racing is an industry that has been slow to adapt to the changes that have occurred in recent years in the area of sports promotion. Harness racing attendance has dropped, and the average age of customers increased because younger persons are not being attracted to harness racing as an entertainment option. The Commission should explore all opportunities for increasing revenue available for purses and for increasing participation and interest in live harness racing. The Task Force anticipates that one of the most important roles of the executive director of the promotion board will be to generate increased funds for the promotion of harness racing in Maine.

In recent years media interest in harness racing has dropped off. Television coverage of racing events is nearly nonexistent. At least in the Portland area, newspaper coverage has also been much less than it was in the heyday of racing. Promotional efforts should focus on determining the reason for the drop in media coverage and strategies for placing harness racing as an

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entertainment option before the public in a more visible way. Promotional efforts could also assist the race tracks in determining the ways of improving the public image of harness racing to attract new fans and to return a portion of fans who have lost interest in the activity.

RECOMMENDATION #C4. The Promotion Board should investigate methods of increasing the marketability of simulcasting signals from Maine tracks, including the possibility of marketing to Canada.

Increasing the broadcasting of simulcasting from Maine tracks, increases the pools on those races, providing greater revenue to the Maine Harness Racing industry and increasing the interest in Maine pools by persons wanting to make large bets. The Harness Racing Commission should investigate ways of assisting Maine track to make their signals more attractive to simulcasting markets.

Currently, simulcasting to Canada is generally not considered possible because of federal Internal Revenue Service requirements that amounts be withheld from certain winnings. The applicability of the IRS rules to harness racing simulcasting is somewhat ambiguous, however, and, although the Task Force believes that increased simulcasting in the United States should be the priority, the possibility of simulcasting to Canada should also be investigated, if resources permit.

RECOMMENDATION #C5. The promotion board should investigate strategies for improving conditions at Maine race tracks and attracting new and former customers.

Comments received from members of the public at meetings held by the Task Force indicated a belief on the part at least some members of the public that attendance at live racing could be improved if improvements were made to Maine tracks. Since the authorization of off-track betting, the funds available for track improvements have increased and tracks are beginning to make repairs and upgrade facilities that were not possible during the lean years in the late 1980s and early 1990s.

The Task Force recommends that the promotion board investigate whether there are other financing mechanisms available that might assist tracks in making improvements. Part of the promotional strategy should include making recent track improvements more widely known.

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D. OFF-TRACK BETTING REGULATION

Legislation authorizing off-track betting facilities was enacted in 1993. Since 1993, seven off-track betting facilities have been licensed. Six are currently in operation. The operation of OTBs resulted in a very large increase in the amount wagered in Maine on horse racing. From 1992, the last full year without off-track betting to 1994, the first full year with off-track betting the total pari-mutuel handle increased from \$25,665,253 to \$59,531,486. Because much of the revenue from off-track betting is dedicated to harness racing and agricultural fair purposes, the financial condition of the harness racing industry has benefited enormously from the addition of this activity. It seems certain, however, that off-track betting has exacerbated the decline in attendance at live racing events

A review of the OTB legislation suggests several possible oversights in the original drafting that should be reviewed.

RECOMMENDATION #D1. The statutes should be amended to require an initial application fee of \$1,000 for an off-track betting facility and \$250 for renewal of a license.

When it was enacted in 1993, the statute did not provide for any license fee for an OTB. Processing of OTB applications is a complicated and frequently time consuming activity. With other state licenses, ordinarily license fees are assessed to at least partially offset the State's cost. The method of determining fees varies for other types of licenses issued by state government. In some instances, the fees are meant to approximate the cost of the licensing process. In a similar kind of licensing review process, agency liquor stores pay a much higher fee for an initial license (\$2,000 minimum) that requires substantial agency review than for a renewal (\$300) that requires less processing.

The Task Force believes that a \$1,000 fee for an initial application is an appropriate recognition the regulatory burden on the State of processing an application an should be affordable for any business proposing to become an off-track betting facility. A renewal fee of \$250 recognizes that much less work is required of the State for renewal of a license.

RECOMMENDATION #D2. The statutes should be amended to provide that an annual renewal of an OTB license is required and to clarify the relationship between OTBs and the race date setting process.

The OTB statutes do not specifically require any renewal of an OTB license. The Harness Racing Commission has effectively instituted a "renewal" process

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by including OTBs in the annual race date setting process; however, the statutory foundation for this interpretation is uncertain. The Task Force believes that this situation should be clarified to specifically authorize the procedure that has been adopted by the Harness Racing Commission in order to avoid any potential future legal challenges.

RECOMMENDATION #D3. The statutes should be amended to provide for Administrative Court revocation of an OTB on the same grounds as the statutes provide for revocation of a track license (i.e. “for violation of the Commission’s rules or licensing provisions”)

The statutes currently provide no grounds for revocation or suspension of a license. Coupled with the uncertainty of the need to renew a license, the potential exists that an OTB facility, once granted a license may not be denied authority to operate even though it may have committed serious violations of the law. The Task Force believes that grounds should be established for revocation or suspension of OTB licenses in order to ensure that the Harness Racing Commission has the ability to enforce compliance with the laws and prohibit a facility with serious violations from continuing in operation.

RECOMMENDATION D4. The statutes should be amended to clarify that an off-track betting facility license can be granted to a business licensed under the liquor laws as Class A restaurant/lounge or a hotel.

Currently, only a business licensed under the liquor laws as a Class A restaurant may obtain an OTB license. A Class A restaurant is a restaurant defined for purposes of obtaining a liquor license as a restaurant that serves full course meals. A Class A restaurant/lounge is defined under the liquor laws, as a restaurant that does not serve meals after 9 p.m. A hotel is defined as a place where the public obtains sleeping accommodations and where meals may be served. A Class A restaurant/lounge and a hotel that serves meals must meet all the same standards of reliability that relate to Class A licenses for liquor licensing. A Class A restaurant/lounge or a hotel should be authorized to obtain an OTB license if it meets all the qualifications for a license. A hotel should be authorized if it serves meals in a public dining room.

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RECOMMENDATION D5. The statutes should be amended to require the Harness Racing Commission to adopt rules to ensure adequate coverage of Maine simulcast races at off-track betting facilities rather than the current requirement that 50% of the monitors carry Maine races.

Current law requires that if live racing conducted in Maine is available for simulcasting that OTBs must carry broadcasts originating in Maine on at least 50% of the monitors in the facility. The Task Force believes that adequate coverage of Maine racing should be ensured, but that the 50% requirement may be counterproductive. Especially where a facility is set up so that monitors are located in groups, it seems unreasonable to require that 50% of the monitors carry Maine races, especially where only one Maine track is racing. Different requirements may need to be adopted for different types of monitor placement. The Task Force believes that the law should be amended to require adequate coverage of Maine races but leave the details of the requirement to be determined by the Harness Racing Commission by rule.

E. DISTRIBUTION FORMULAS

Under Maine law, 82% of the regular wagers on harness racing and 74% of the exotic wagers must be returned to the bettors as winnings. The remainder, the commission is distributed according to a complicated set of formulas established in statute. The distribution of the commission on a wager varies according to whether it is a regular wager or an exotic wager and according to whether the wager was made on live racing, intrastate off-track betting, interstate off track betting or interstate simulcasting at a track. Revenues from harness racing and off-track betting are distributed for the following purposes:

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- General Fund
 - Commercial Meet Fund
 - Agricultural Stipend Fund
 - Extended Meet Fund
 - Sire Stakes Fund
 - Purse Supplement
 - Promotional Fund
 - Horsemen's Purse*
 - OTB Simulcast Fund
 - Track Share*
 - OTB Share*

* These amounts are retained by the facility where the wager was made. The other categories are sent to the Harness Racing Commission which distributes them according to formulas established by statute.

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General Fund. This portion of the commission is paid to the General Fund. If the total amount of wagers in a year exceeds \$33.5 million, 72% of the amount collected on the handle over \$33.5 million goes to the Commercial Meet Fund, 9% to the Agricultural Stipend Fund and 9% to the Sire Stakes Fund.

Commercial Meet Fund. This portion of the commission is paid to commercial meet licensees based their proportion of live racing wagers at their facility. The total amount of the Commercial Meet Fund is determined and payments made after the end of the calendar year. Licensees must use one half of the funds to supplement purse money and one half is reimbursement for approved improvements made to the racing facility during the calendar year. Improvements must receive prior approval and be verified.

Agricultural Stipend Fund. This portion of the commission to agricultural fair societies -- 44% to those conducting racing for the improvement to race tracks, 8% to those not conducting racing for the improvement of facilities and 35% based on agricultural premiums and gratuities. Thirteen percent is paid to the General Fund for administration, inspections services and administration of the standardbred horses and Sire Stakes programs. Eighty percent of the amount collected over \$400,000 is paid to the Extended Meet Fund.

Extended Meet Fund. This portion of the commission is distributed to organizations conducting extended meets based on their percentage of live racing handle. One-half of receipts must be used to supplement purses.

Sire Stakes Fund. This portion of the commission is used to supplement Sire Stakes purses, fund promotional activities of the Maine Standardbred Breeders and Owners Association, and administration.

Purse Supplement. This portion of the commission is distributed to live racing licensees on the basis of race dates of actual live racing to supplement purses.

Promotional Fund. This portion of the commission is used by the Harness Racing Promotion Board to develop and implement plans to promote harness racing.

Horsemen's Purse. This portion of the commission is retained by race tracks to supplement purses.

OTB Simulcast Fund. This portion of the fund is distributed to live racing licensees that provide simulcast transmissions based on the proportion of the licensee's handle.

Track Share. This portion of the commission is retained by the race track.

OTB Share. This portion of the commission is retained by the OTB.

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Charts of the flow of revenues to the various distributions are contained in Figures ?? to ??.

RECOMMENDATION #E1 (DIVIDED). The majority (9 members) recommends that there be no change in the distribution formulas. A minority of the Task Force (1 member) recommends that the calculation of the Commercial Meet Stipend and the Extended Meet Stipend should be simplified by removing the caps that trigger them and making them a direct percentage of the handle.

Currently the Commercial Meet Stipend and the Extended Meet Stipend are calculated according to complicated formulas.

The Commercial Meet Stipend is derived from a portion of the "State share" when the handle exceeds \$33.5 million. Because of the \$33.5 million trigger, no amount can be calculated until the total handle for the year reaches \$33.5 million. The total amount available for distribution cannot be known until the trigger is reached. This means that the amounts distributed to commercial tracks cannot be paid until the calendar year is complete and the total amount of the handle known. This delay means that commercial tracks do not receive the funds in a timely fashion to supplement purses and pay for capital improvements. The timing of the calculation also causes timing problems for the State because the funds are appropriated to the Harness Racing Commission on a fiscal year basis and the Commercial Fund Stipend may come due before adequate funds have been collected in the fiscal year to pay it.

Similarly, the Extended Meet Fund is derived from a portion of the Agricultural Stipend Fund. When amount in the Agricultural Stipend Fund reaches \$400,000; 80% of the amount collected over \$400,000 goes to the Extended Meet Fund.

The majority of the Task Force believes that the distribution formulas have been carefully derived and should not be altered.

A minority of the Task Force recommends that both distributions be calculated as a direct percentage of handle rather than being triggered by other amounts. The current formulas cause inconvenient delays for tracks receiving distributions and are difficult for the State to administer. This procedure would make funds available more readily, provide greater ability for the tracks to plan and ease the administrative work of the State.

Under the minority proposal, the Commercial Meet Stipend should be set at 30% of the "State share" with the remaining 70% remaining with the State.

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Under this division, given a total handle similar to calendar year 1995, the Commercial Meet Fund would accrue roughly the same amount as under the current formula. The portion of the "State share" currently going to the Agricultural Fair Stipend and the Sire Stakes Fund would be eliminated. The State would retain somewhat more of its share to more closely approximate the cost of maintaining the Harness Racing Commission.

Under the minority proposal the Extended Meet Stipend would be set at 34% of the Agricultural Fair Stipend. Using 1995 handle figures, the amount distributed to the two funds remains substantially the same.

COMPARISON OF CURRENT FORMULAS WITH RECOMMENDED FORMULAS

"State Share Comparison: (based on 1995 handle)

	Current Formula (cap)	Proposed Formula (no cap)
Total "State Share"	\$ 1,016,065	\$ 1,016,065
To Commercial Meet Stipend	311,768	304,820
To Agric. Fair Stipend	89,774	0
To Sire Stakes Fund	38,971	0
Net General Fund	575,551	711,245

Extended Meet Comparison: (based on 1995 handle)

	Current Formula (cap)	Proposed Formula (no cap)
Total Agric. Fair Stipend	\$ 770,316	\$ 770,316
Retained by Agric. Fair Stipend	508,130	508,409
To Extended Meet Stipend	262,186	261,907

The majority of the Task Force believe that the distribution formulas represent a careful working out of the various interests receiving funds from the distribution and recommends that there be no change.

RECOMMENDATION #E2. The statutes should be amended so that the formulas for distribution of the handle are easier to understand.

Maine statutes currently provide for distribution to takeout from the racing handle for 11 different purposes. Different percentages are specified for live racing, intrastate off track betting, interstate off track betting and simulcasting at a race track. Nine different sections of the statutes must be digested in order to determine the complete distribution panorama. The Task Force recommends that the statutes be revised to include an easily understandable listing of the distribution percentages for different purposes.

RECOMMENDATION #E3. If the Department reviews the current distribution formulas to determine whether they need to be adjusted to improve the health of the harness racing industry it should bring the various segments of the harness racing industry together in a public forum to conduct that review.

The current statutory distribution formulas are the result of years of legislative adjustment to balance the interests of the varying interests in harness racing. Although the issue of the adequacy of current formulas was raised in Task Force discussions, the Task Force did not hear any significant demand for change in the formulas. The Task Force recommends that if the Department decides to review the current formulas, it should do so in conjunction with the interests receiving funds for the purpose of determining whether there need to be adjustments to provide for the greater overall health of the industry.

F. ALTERNATIVE REVENUE SOURCES

The Task Force was created by the Governor in response to a legislative session that saw the consideration and ultimate failure of legislation to authorize video gaming machines at Maine race tracks with a portion of the revenue dedicated to agricultural and harness racing interests.⁵ Various amendments were proposed; however, the bill ultimately died. The Governor had threatened to veto the bill.

When the Governor addressed the Task Force at its first meeting in July 1996, he indicated again that he would not support recommendations from the Task Force that would legalize video gaming in Maine; however, he also indicated that he did not intend to restrict the ability of the Task Force to make recommendations.

⁵ LD 1218, An Act to Amend the Laws Relating to Harness Racing sponsored by Rep. George Kerr of Old Orchard Beach.

The authorization of video gaming or the expansion of other gambling alternatives was an issue of strong contention for the Task Force. Members of the Task Force were appointed to represent all of the differing interests in harness racing and there are members who feel strongly on both sides of this issue. The result is divided recommendations in this issue.

F1(MAY BE DIVIDED). The statutes should be amended to authorize simulcasting of pari-mutuel wagering events other than harness racing and that the State share of the takeout attributable to simulcasting of events other than horse racing not be subject to deductions for the Commercial Meet Stipend but remain in the General Fund.

The Task Force recognizes that additional revenue sources are needed to meet the challenges of the racing industry and to provide additional funding for the industry as well as those entities that benefit from existing pari-mutuel wagering. Authorization of pari-mutuel wagering of events other than horse racing would provide substantial new income to the harness racing industry. The Task Force also recognizes that revenues to the General Fund from harness racing and off-track betting are less than the expenditures necessary to regulate those activities. Therefore, the Task Force recommends that the takeout and distribution formulas for any new pari-mutuel options remain the same as for interstate simulcasting of horse racing and that the State share of the takeout attributable to simulcasting of events other than horse racing not be subject to deductions for the Commercial Meet Stipend but remain in the General Fund.

RECOMMENDATION #F2. Recognizing that the harness racing industry is experiencing significant financial stress, the Task Force recognizes that there are important revenue raising options that should be considered including telephone betting. The Task Force recommends that the Governor extend the time available for the Task Force to investigate this option for increasing revenue and report to the Governor by March 15, 1997.

Some race tracks across the country have experimented with permitting wagering customers to establish an account with a track and telephone in to place a bet on a race. This convenience is especially helpful to persons who have trouble getting to the track because of physical or transportation difficulties or obligations to other activities. Telephone betting could help to increase the size of betting pools and make wagering on Maine races more attractive to those who want to place a larger amount of money on one bet.

The Task Force did not have time to appropriately assess the success of telephone betting or evaluate the potential problems of accounting for revenues and ensuring that all wagering is conducted legally. The Task Force recommends that the Governor extend the authority of the Task Force so that it may consider telephone betting and make recommendations to the Governor by March 15, 1997.

RECOMMENDATION #F3 (DIVIDED):

#1a. The statutes should be amended to authorize video gaming at commercial tracks and off-track betting facilities with revenues distributed to the harness racing industry. (MAJORITY -- 9 members)

Supporters of this recommendation believe strongly that video gaming must be approved at Maine commercial race tracks and off track betting facilities if commercial harness racing is to survive in Maine.

Tracks in Maine must compete with tracks in other states for both horses and bettors. Horsemen are very mobile, frequently trucking their horses large distances to race in the most advantageous situation. Tracks actively recruit higher quality horses to their tracks. The initiation of off track betting in 1993 dramatically increased the total handle in Maine from \$25.6 million in 1992 to \$71.0 million in 1996. Purses, especially Sire Stakes purses have begun to increase, and the quality of horse can be expected to improve. More horses are being bred in Maine this year than in the past few years. But the system takes a few years to feel the full impact of the changes.

Meanwhile, developments in other states are threatening to counteract the improvements that could be expected from the recent years increase in handle. Casino gambling has increased dramatically throughout the country in recent years. The popularity of this type of gambling draws from harness racing many of the patrons who are interested in the gambling aspects of the entertainment experience. Increasingly, race tracks are looking at adding casino-type gaming, notably video gaming machines or slot machines to the entertainment options available at the track. Dover Raceway in Delaware, recently added slot machines to its facility and rapidly transformed itself from a facility with low purses and horse supply problems to one of the richest and most popular facilities on the east coast. According to reports from horsemen, daily purses at Dover have increased from \$10,000 several years ago to \$100,000 this year. While several years ago, Scarborough Downs was attracting horses from Dover by offering higher purses, now the horses are traveling in the opposite direction.

Meanwhile, the states along the east coast from New Jersey to New Hampshire are considering adding video gaming options to race tracks.

Race tracks and horsemen in Maine believe that they will not be able to compete with racing in other states unless video gaming is available at Maine commercial tracks and Off track betting facilities. While OTB revenues have improved Maine's situation, with video gaming in other states, many in the racing industry believe that the playing field will be put so out of balance that Maine will be unable to retain harness racing as a viable activity. Scarborough Downs maintains that it will not be able to compete and is likely to go out of business. While it is unclear whether another entity would take Scarborough's place or how the rest of the tracks would manage, it is certain that the impact would be dramatic and that the economic value of harness racing to the State would be diminished. The impact on OTBs is unclear. Current statutes require at least 150 days of live racing in the State in the previous calendar year before off track betting may be licensed. For calendar year 1997, the Maine Harness Racing Commission approved 246 live pari mutuel race dates, with 146 of the 246 being approved at Scarborough Downs.

Competition from alternative forms of gambling also draws customers away from race tracks. Expansion of the State Lottery or the availability of gambling for nonprofit organizations in Maine will also have a negative effect on harness racing. Also threatening is the emergence of telephone betting and gaming through the Internet. For those harness racing customers whose primary entertainment value is from gambling, the availability of alternative forms and locations will reduce attendance at tracks and OTBs.

Task Force member Richard Crabtree wishes to qualify his support for this recommendation by indicating that he strongly believes that this recommendation is essential for the survival of the live harness racing industry in Maine, but that the other implications of the expansion of gaming must be considered by the Governor and the Legislature.

In the Fall of 1996 a citizen's initiative petition drive was begun primarily by persons connected with Scarborough Downs race track to place before Maine voters the question of authorizing slot machines at race tracks and off-track betting facilities. If the petition is signed by 10% of the number of votes for Governor at the last gubernatorial election (51,131 signatures), the bill goes to the Legislature which may either enact it without change or the question goes to the voters for approval or rejection.

#1b. Gambling alternatives should not be expanded to support the harness racing industry. (MINORITY – 3 members)

Supporters of this recommendation believe that expansion of gambling is not in the best interests of the State of Maine.

Although expansion of legalized gambling has been increasing nationally in the last 10 years, gradually, communities across the country are coming to the conclusion that gambling as a source of revenue is not a wise policy choice. Although gambling appears to present an attractive and easy source of revenue for governments, the social, cultural and economic disadvantages of the expansion of gaming are becoming more apparent.

Increasingly, concerns are being raised about the potential negative impacts of gambling on society. In the most serious cases, gambling can be an addiction, resulting in individual and family tragedies for persons who are unable to control their gambling activity. Video gambling can be especially addictive is highly appealing to teens and young people raised on video games and computers. Some studies indicate an increase in gambling related social problems with the expansion of gambling activity in a local area.

Gambling is not a particularly effective method of economic development. It siphons off money that would be spent on other activities and services in the community that are more likely to create jobs and positive growth. Government should not be depending upon gambling as a source of revenue. It has been demonstrated to be a regressive form of tax that takes more from low income persons than from high income persons. It places the government at cross purposes when it must depend on gambling for revenues, while at the same time trying to restrict the problems that result from the activity.

The supporters of this recommendation are concerned that gambling increases the potential for criminal activity and the need for increased expenditures in law enforcement and corrections.

The best that can be said about gambling is that its impact on a community is unclear. Studies on the impact of gambling can be cited to support both the evils and the benefits of gambling expansion. Most are criticized as being biased by those who disagree with the study's conclusions. Last Fall, in response to the rapid expansion of gambling nationwide, Congress enacted legislation to provide for a federal study of the impact of gambling. That study will be completed in 1998. Until the results of that study are known, Maine should not be making any moves to expand legalized gambling beyond what is currently available.

G. SIMULCASTING

RECOMMENDATION #G1 (DIVIDED — 5 in favor, 2 opposed, 1 abstention.) The Task Force recommends that the statutes be amended to provide that a commercial track simulcasting facility should make payments to tracks within a 35-mile radius conducting live racing. The payments should equal 2% of wagers made at the facility during the time that live racing is being conducted and 1% of other wagers made on days when live racing is conducted.

Current law requires off-track betting facilities to make payments to tracks conducting live racing. Payments of 2% of wagers are required for wagers made at the time live racing is being conducted within a 75-mile radius. Payments of 1% of wagers are required for other wagers made on day when live racing is conducted within a 50-mile radius. The majority of the Task Force believes that on track simulcasting facilities should make payments within a 35 mile radius.

The minority of the Task Force opposes requiring payments.

RECOMMENDATION #G2. Simulcast facilities should be required to carry Maine races in the same way as an OTB and be subject to the same distribution formulas on those wagers as an OTB.

Currently, off-track betting facilities are required to carry simulcast signals originating from tracks in Maine. Simulcast facilities are not required to carry Maine signals. To the extent that out-of-state races might be more attractive than Maine races, simulcast facilities receive an advantage from being able to broadcast out-of-state races when OTBs are required to broadcast Maine races, and Maine racing pools do not benefit from wagers from the simulcast facility.

Scarborough Downs, the only on-track simulcast facility has stated that it intends to carry all Maine signals in the future. The Task Force recommends that the statutes be amended to clarify the legal obligation to do so.

RECOMMENDATION G3. The Task Force recommends that the statutory requirement that 50% of the monitors at an OTB carry Maine signals when Maine races are being conducted be amended to give the Harness Racing Commission authority to adopt rules to ensure adequate coverage of Maine races.

The intent of the 50% requirement is to guarantee that Maine race tracks receive adequate coverage at off-track betting facilities. When first adopted it was believed that Maine races might not be able to compete with national races for OTB customer attention; however, the Task Force heard that Maine races in general attract more attention than national races. In addition, the 50% requirement does not work in certain setups where a bank of monitors broadcasts races. Instead of an arbitrary requirement that results in inefficiencies, the Harness Racing Commission should be authorized to adopt rules that will more appropriately meet the needs of OTB facilities while preserving the availability of Maine races on OTB monitors.

H. "HOUSEKEEPING" CHANGES

RECOMMENDATION #H1. The definitions section in 8 MRSA §275-A should be amended to apply to the entire harness racing chapter.

Title 8, chapter 11 (sections 261 to 284) contains the statutes relating to harness racing and off-track betting. When the off-track betting laws were enacted in 1993, it included a definitions section (section 275-A) that, by its terms, applies to sections 275-A to 275-L. Some of the terms defined in section 275-A are used in other sections in chapter 11. Section 275-A should be amended to apply to all of chapter 11.

RECOMMENDATION #H2. The statutory language on timing of the annual report should be changed to accommodate the time when necessary data is available.

Title 8, section 267 of the Maine Revised Statutes Annotated requires the Harness Racing Commission to submit a report to the Governor and the Legislature "coincident with its submission of its budget." The report must include "...an account of the commission's operations and actions, a report of its financial position, including receipts, an account of the practical effects of application of [chapter 11] and any recommended legislation." Budget submissions are ordinarily required by the Budget Office in the Fall of the year. The annual report of the Commission is ordinarily issued in the Spring covering information relating to the previous calendar year. It would make more sense to require the Commission report to be submitted by May 1, 1995 when Commission staff has the time to collect and combine data and prepare the report.

RECOMMENDATION #H3. The statutes should be amended to correct drafting errors in the distribution formulas percentages.

When the off-track betting law was enacted in 1993, several drafting errors appear to have been made. These errors result in impossible calculations of the harness racing commission. The Harness Racing Commission has made administrative adjustments necessary in order to administer the law. The statutes should be amended to make the necessary corrections and reflect the way the law is administered.

One change corrects the base for calculation of the Agricultural Fair Stipend. The other changes correct percentages so that they add up to 100%. Current law requires the impossible distribution of more than 100%

H4. The statutes should be amended to clarify that the fee for a race track license is the greater of \$10 per week of operation or \$100.

Current law, 8 MRSA section 271, subsection 1, provides that the fee for a race track license "... may not exceed annually the greater of \$100 or \$10 for each calendar week or part of a week of harness racing..." Although the language of the statutes currently appears to provide that the fee for a track license is the greater of \$10 per week or \$100, it has been interpreted to mean that the maximum fee is \$100. The language should be clarified to ensure that the license fee is the higher of the two options. For example, if a race track conducts harness racing for 5 days during a week, its license fee should be \$100; if a race track conducts harness racing during 20 calendar weeks, its license fee should be \$2,000.

hrprint

Executive Order

APPENDIX A



OFFICE OF
THE GOVERNOR

NO. 6 BY 95/96
DATE February 12, 1996

AN ORDER ESTABLISHING THE MAINE
HARNESS RACING TASK FORCE

WHEREAS, live harness racing and related businesses are an important part of the Maine economy and a vital part of Maine's long tradition of agricultural fairs;

WHEREAS, the current regulatory structure governing the harness racing industry was established years ago when the regulatory focus was agricultural fair racing and the proper care of horses;

WHEREAS, the advent of off-track betting and commercial racing has produced significant industry growth and shifted the focus of regulation to the complex issues presented by highly competitive commercial enterprises and gambling;

WHEREAS, the Department of Agriculture, Food and Rural Resources Maine Harness Racing Commission, the current regulator of the industry, is now forced to cope with economic regulation of race dates, off-track betting and other gambling related issues not primarily connected to the department's mission;

WHEREAS, a comprehensive review of the modern live harness racing industry and off-track betting is needed in order to assure that the State's regulatory structure is best designed to meet the challenges of this modern industry;

NOW THEREFORE, I, Angus S. King, Jr., Governor of the State of Maine, do hereby establish the Maine Harness Racing Task Force:

1. Purpose and Charge

The Task Force shall review the current status and future challenges to the industry and make recommendations to the Governor on how the State can most efficiently regulate the industry in order to support the health of the industry and related businesses, while protecting public health, safety and welfare. The Task Force shall make recommendations to the Governor on the following issues:

2. A strategic plan to support the harness racing industry including both governmental and private initiatives, but designed to be accomplished within existing state resources;

and drivers and prevent corruption of race results;

- c. The most effective regulation of economic issues related to racing, including regulation of race dates, off-track betting and simulcasting in order to support the health of the industry, preserve the role of harness racing in the agricultural fairs, and protect the public interest;
- d. How to minimize the administrative costs of regulation and enforcement in all phases of harness racing while fully protecting the public health, safety, and welfare.

2. Report

The Task Force shall submit a final report to the Governor, President of the Senate and Speaker of the House of the 113th Legislature no later than February 15, 1997.

3. Membership

The Task Force may have up to fifteen members, representing government, agricultural fairs, commercial race tracks, off-track betting facilities, all sectors of the Maine equine industry, veterinarians, and the general public. The Commissioner of the Maine Department of Agriculture, Food and Rural Resources, or his designee, shall serve as Chairman of the Task Force.

4. Funding and Staff

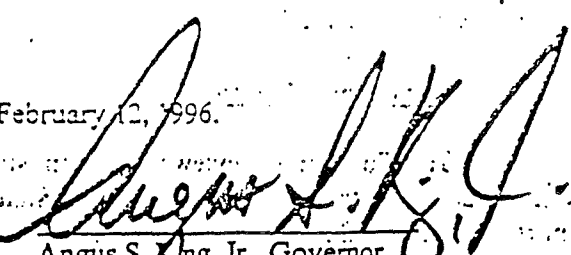
The Task Force will be supported, staffed and funded, within existing resources, by the Maine Department of Agriculture, Food and Rural Resources. The Attorney General and the Office of Policy and Legal Analysis shall be invited to appoint a designee to serve as a resource to the Task Force. Upon demonstration of need and within existing resources, the Task Force members may receive travel reimbursement for Task Force work, consistent with existing state policies.

5. Meetings

The Task Force will meet at least monthly.

6. Effective Date

The effective date of this Executive Order is February 12, 1996.


Angus S. King, Jr., Governor

And published by the printer of the State of Maine at Augusta, Maine, this 12th day of February, 1996.

Members of the Task Force

Appendix B

HARNESS RACING TASK FORCE

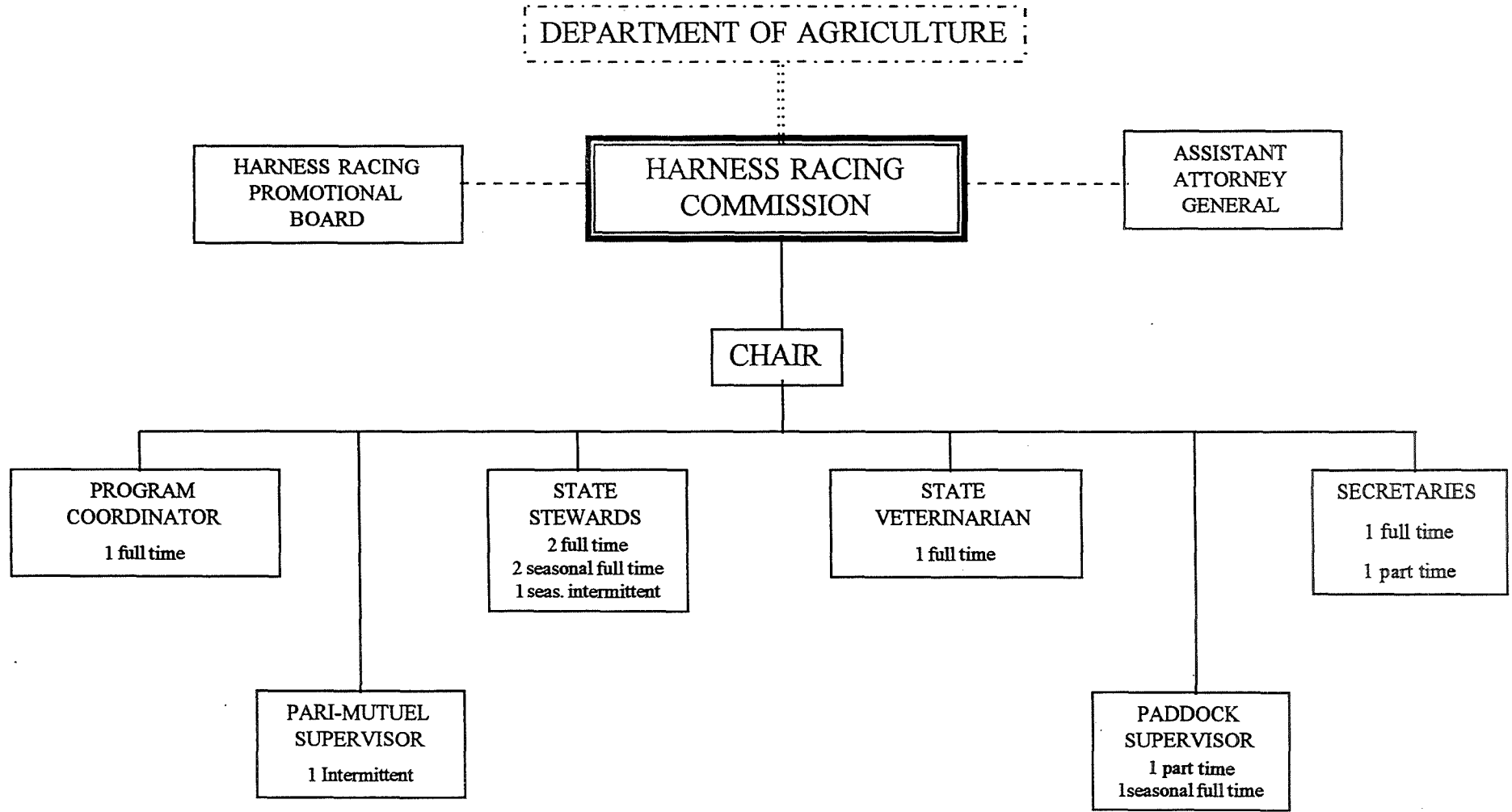
MEMBERS

John H. Richards, Chair	Deputy Commissioner Department of Agriculture, Food, and Rural Resources
Peter Beatham	Public member
Michael Carpenter	Public member
Dana Childs	Maine Standardbred Breeders' and Owners' Association
Rep. Nancy Chizmar	State Representative
Michael Corey	Maine Association of Agricultural Fairs
Richard Crabtree	Chair Maine Harness Racing Commission
James Day	Off-track betting facility operator
David Dineen	Veterinarian
Don Marean	Maine Standardbred Breeders' and Owners' Association
Joseph Molnar	Maine Harness Horsemen's Association
Fred Nichols	Bangor Historic Raceway
Gary Reed	State Representative (term expired 12/4/96)
Alfred Skolfield, Jr.	Commissioner Department of Public Safety
Rep. Robert Spear	State Representative
Sharon Terry	Scarborough Downs

*Organizational Chart
Harness Racing Commission*

Appendix C

ORGANIZATIONAL CHART



Contracted services:

- 14 Judges
- 2 veterinarians
- 2 Blood gas technicians
- 2 Veterinary technicians

*Harness Racing Commission
Revenues and Expenditures
Fiscal Year 1995-96*

Appendix D

G. COMMISSION OPERATING BUDGET

EXPENDITURES:

3100 Perm. Reg	122,897.49
3200 Limited Period Reg	11,839.20
3300 Seasonal	35,830.60
3600 Differential	4,403.52
3800 Unemp. Pd	5,917.47
3900 Benefits	<u>72,296.70</u>
Total Personal Services	255,184.98
4000 Services Not By State	164,722.95
4100 Services By State	219,282.55
4200 Mileage, Meals & Lodging	7,259.76
4300 Out Of State Travel	0
4500 Telephone	5,562.15
4600 Room Rental	13,180.44
4700 Repair and Maintenance of Equip	736.00
4800 Insurances	539.64
4900 Operating Expenses	48,389.08
5300 Office Supplies	2,551.79
5600 Lab Supplies	11,150.66
8000 Interest	<u>2.49</u>
Total All Other	473,377.51
Total Expenditures	726,562.49
INCOME	
4201 1221 Track Licenses	355.00
1301 Commissions on PM	544,064.84
1303 Track Reimb. Judges	72,309.50
1448 Participant Licenses	59,133.75
2001 Participant Fines	21,829.00
2686 Misc. Income	<u>83.75</u>
Total Income to General Fund	697,775.84

The information contained on this page is for Fiscal Year 1996, July 1, 1995 through June 30, 1996. There may be differences with other information contained in this report. Distribution figures found in other parts of this report are based on the calendar year 1996, January 1 through December 31, 1996.

Economic Value of Harness Racing
Galen Rose
State Planning Office
December 1996

Appendix E

from Helen Ken - SPO
12/9/96

Economic Value of the Maine Harness Racing Industry

Results

The following two tables summarize the results of our analysis of the total economic value of the harness racing industry in Maine.

Estimated Economic Value of the Maine Harness Racing Industry; 1995

	Direct <u>Expenditures¹</u>	<u>Payroll²</u>	<u>FTE Employment³</u>
Direct Impacts	\$11 mil.	\$2.1 mil.	168
Indirect Impacts	<u>8.1 mil.</u>	<u>.9 mil.</u>	<u>111</u>
Total Economic Value	\$19.1 mil.	\$3.0 mil.	279

- 1.) Includes all track and off-track-betting establishment expenditures including purses, transfers to stipend, Sire Stakes and other funds, but not transfers to the State General Fund.
- 2.) Payroll is included in Direct Expenditures.
- 3.) Full-time equivalent employment.

State Government Tax Revenues; 1995
(based on Total Economic Value of the Industry)

Paramutual Tax	\$626,000
Racing License Fees	\$ 53,900
Personal Income Tax ¹	\$117,000
Sales Tax ²	<u>\$ 72,000</u>
Total Revenues	\$ 868,900

- 1.) At average effective rate of 3.9% of payroll (from Maine Bureau of Taxation).
- 2.) Per National Income and Product Accounts and Maine tax laws, 0.39% of payroll is spent for taxable goods at an average effective rate of 6.09% (from Maine Bureau of Taxation), yielding tax revenues at 2.4% of payroll.

It is important to note that due to budget and time constraints this analysis was based solely on existing data, including Maine State Harness Racing Commission records and interviews of Maine track officials and other experts. As a result, the accuracy of our estimates of total economic value depend heavily on several assumptions we made from incomplete data. We have made every attempt to be conservative in our assumptions and believe the values shown in the above tables to be minimum values. The true values could be as much as 25% greater.

Methodology

Traditional economic impact analysis considers the expenditures into the State economy of the entity being measured as 'direct' impact, and the cumulative effects of the recirculation of this money within the State (until it has all leaked out of the State's economy) as 'indirect' impact. In the case of a typical factory, its sales to out-of-State customers brings money into the factory, and the portion spent (within the State) for raw materials, plant and equipment, financial/legal/other services, payroll, etc. become the direct impacts. If the factory were to cease operating, these expenditures, plus the multiplier or indirect effects of their recirculation in the economy, would comprise the economic loss to the State. The sum of these direct and indirect impacts then represent the total economic value of the factory to the State economy. In calculating the economic value of the harness racing industry then, we are attempting to measure the loss of direct and indirect expenditures in the Maine economy were all racing operations to cease.

In the harness racing industry, the tracks and off-track-betting establishments (OTB's) are the point-of-sale. Their expenditures (including purses) support, as indirect effects, the horse owners, trainers, drivers and grooms as well as veterinarians, feed suppliers, stables, and less directly related sellers of other goods and services. Unlike the factory in the example above, however, the sales in the case of tracks are largely to Maine consumers. That is, the money is already in the State economy. In this scenario, if harness racing were to cease in Maine, the money would simply be spent for other goods and services and there would be no net loss to the economy.

In this analysis, we made two adjustments to this scenario. The first involves bettors bringing money into tracks from other states or Canada - as this money would be lost to the Maine economy without the tracks - and the second involves money that would be spent in other states or Canada by Maine bettors who would take their passion for the action elsewhere if there were no racing in Maine.

Parking lot license plate surveys at the Bangor track in 1994 found that approximately one-third of the track's customers are from out-of-state. Also, more than one-third of the horses entered at the track's races are from out-of-state. Scarborough Downs officials reported similar statistics. Thus, we assumed conservatively that thirty percent of all track and OTB expenditures would be lost to the Maine economy without harness racing.

The retained earnings of all tracks and OTB's totaled \$12.8 million in 1995 (from financial reports filed with the commission). Thus, thirty percent of this \$12.8 million, or \$3.8 million, would be lost to the Maine economy as out-of-staters would not be bringing it into the economy if there were no harness racing.

For the other adjustment, we began with the industry rule-of-thumb that ten percent of the track bettors account for eighty percent of the handle. These are the 'heavy hitters' who have a passion for betting the horses. Many-if not most- of these people would travel outside the State to place their bets, thereby removing the money from Maine's economy.

We were unable to document this ten-eight ratio and suspect that it may be exaggeration of fact, as many multiplier rules-of-thumb of other industries have proven to be. Additionally, it seems unlikely that all of the heavy-hitter betting money would leave the State.

On the other hand, the one-third of track and OTB customers who came from out-of-State made other expenditures in Maine for lodging, food, transportation costs, etc., while they were here. Without surveys, we were unable to accurately assess this impact. However, using tourist spending patterns from a recent study of Maine tourism (The Economic Impact of Expenditures by Tourists on Maine; Davidson-Peterson Associates, Inc.; July 1992), and average race day attendance figures from the Bangor and Scarborough tracks, we estimated that out-of-Staters visiting these tracks likely spent a minimum of \$6 million in Maine. Doubtless, not all of these people came here primarily for the racing and they would continue to come without racing. This could possibly reduce this impact to \$3 million to \$4 million.

Ultimately, we made the assumption that any exaggeration of loss of expenditure in Maine by the heavy-hitters taking their betting money out of Maine was approximately compensated for by our failure to include the 'tourist' expenditures out-of-staters make while in Maine visiting the tracks.

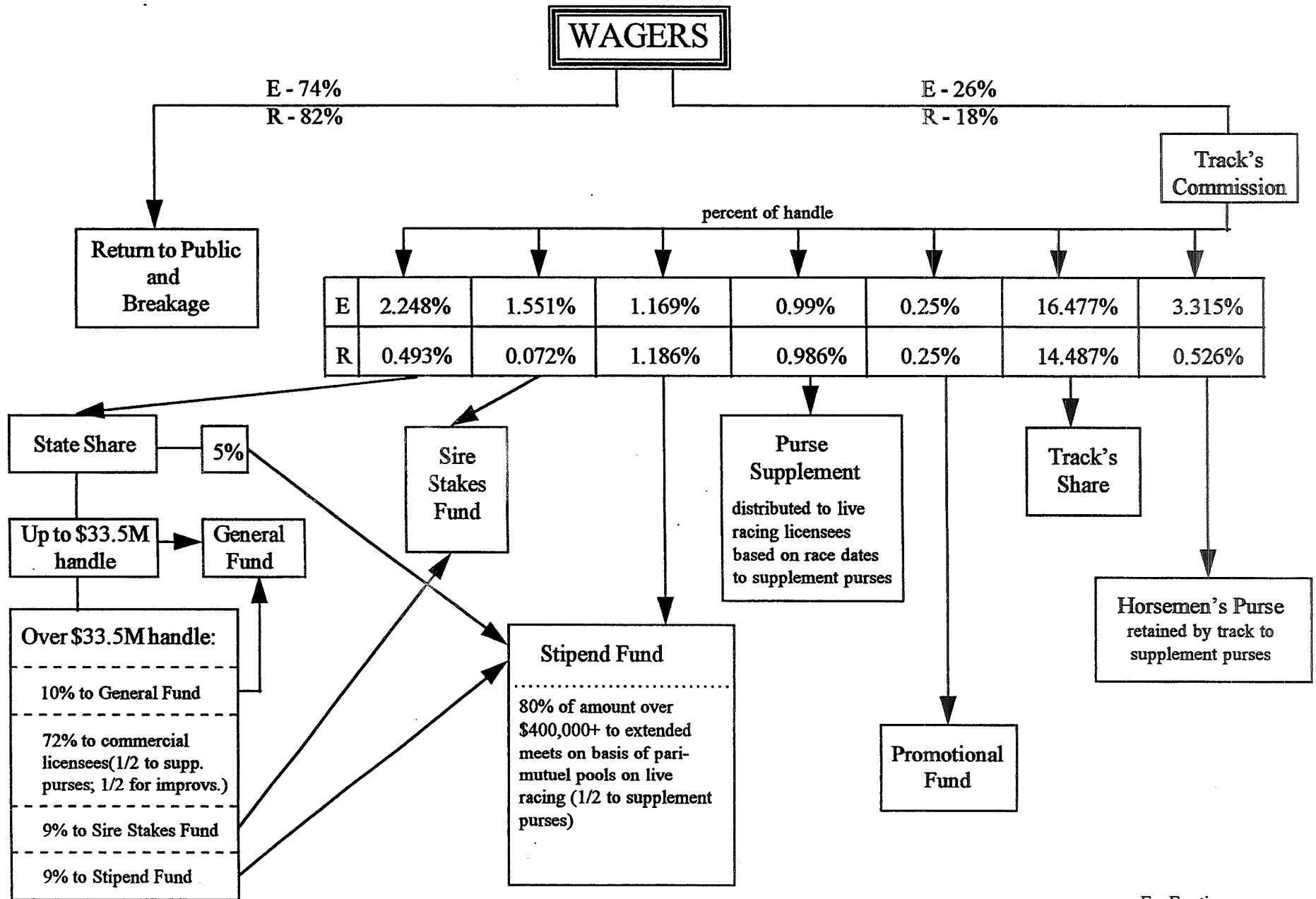
In summary, of the \$12.8 million expenditures by the tracks and OTB's, thirty percent or \$3.8 million, supported by out-of-staters would be lost to the economy. Of the remaining \$9 million, eighty percent, or \$7.2 million, would be lost because of the heavy-hitters taking their betting money elsewhere. Thus, a total \$11 million in direct expenditures would be lost to the Maine economy if harness racing here were to cease.

This \$11 million, the "direct" impact, also has indirect or multiplier effects on the economy. To calculate those effects, we used the U.S. Department of Commerce regional multipliers for Maine derived from their RIMS II model (Source: "Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)"; U.S. Department of Commerce; Bureau of Economic Analysis; 1992). The results of these calculations are shown in the table in the first page of this report.

Distribution of Harness Racing Revenues

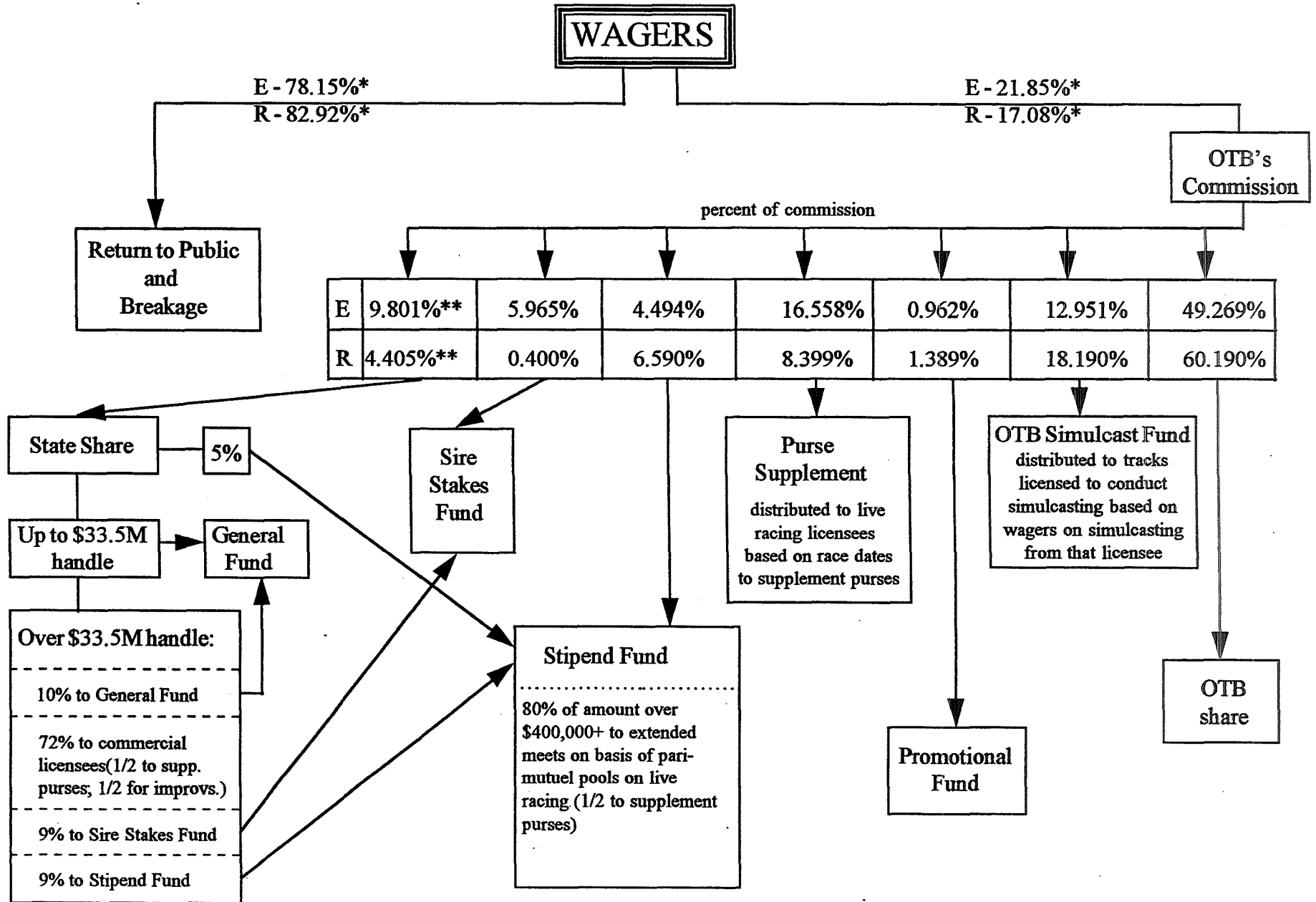
Appendix F

DISTRIBUTION OF WAGERS ON LIVE RACING



E - Exotic wagers
R - Regular wagers

DISTRIBUTION OF WAGERS AT OTBs - INTERSTATE POOLS

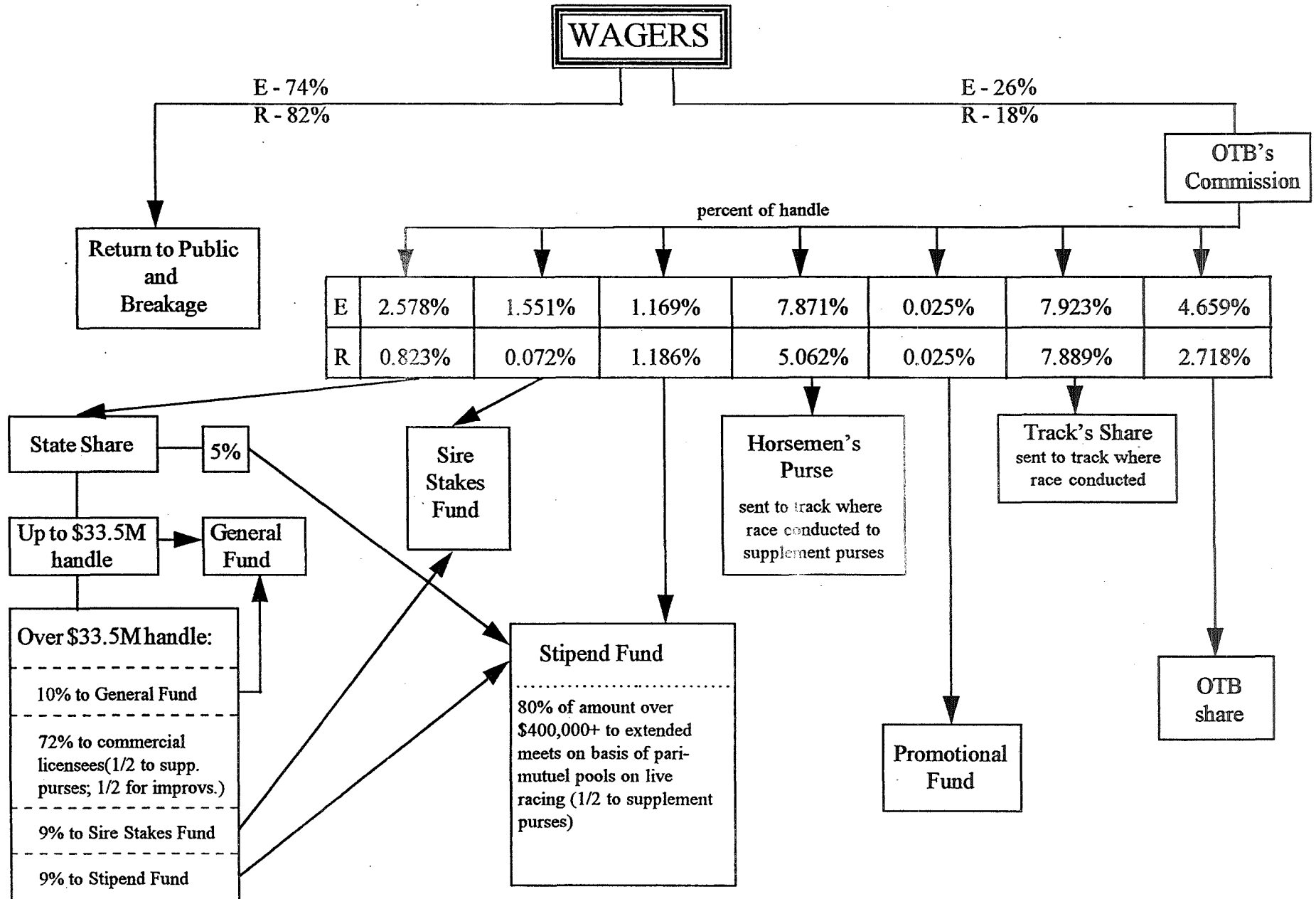


* Amounts returned to public and retained as commission are governed by the law of state where pool originates. Amounts listed are averages

** O. in the same municipality as a commercial track (Bangor or Scarborough) pay 8.647% of ex. wagers and 2.739% of regular wagers

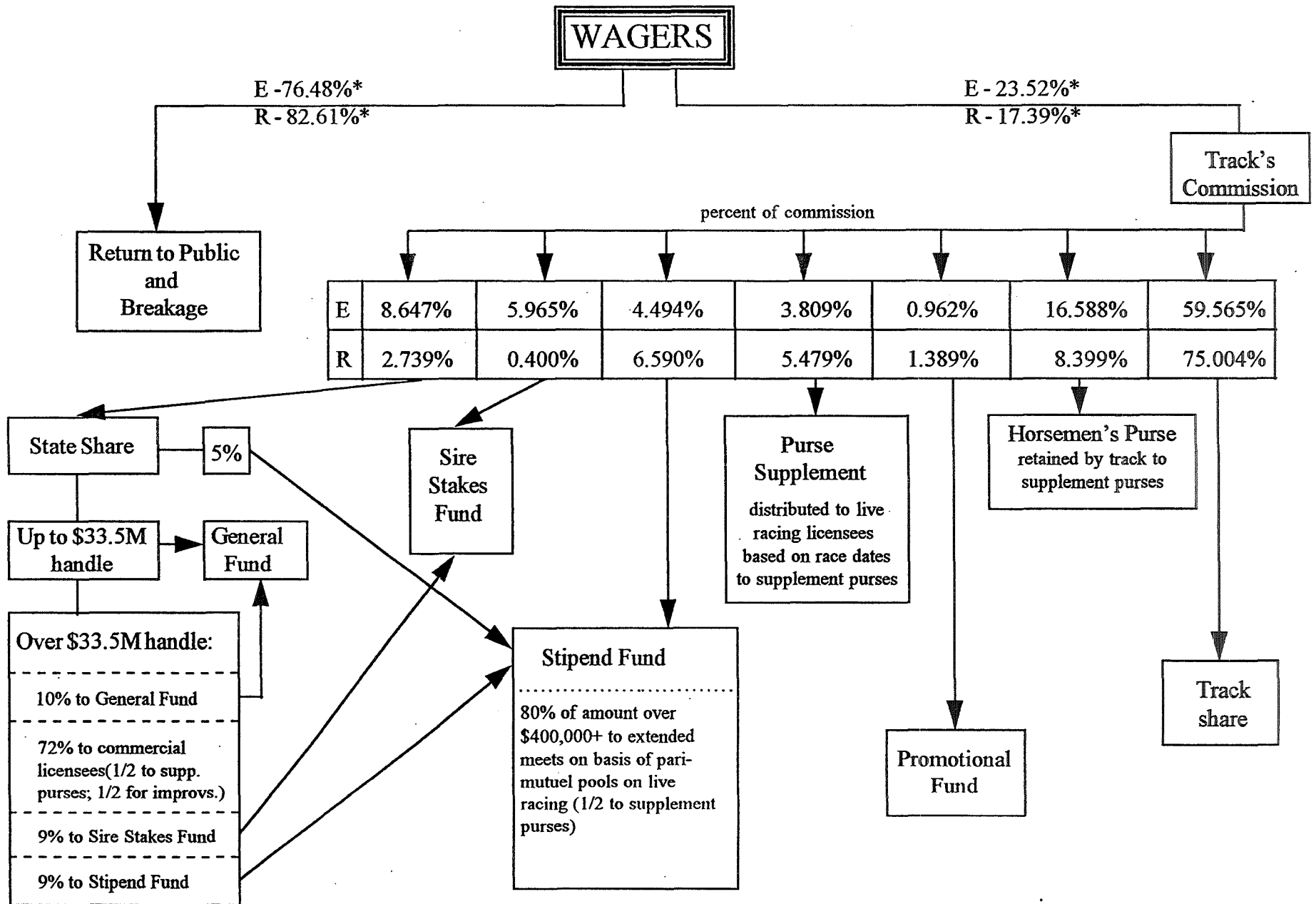
E - Exotic wagers
R - Regular wagers

DISTRIBUTION OF WAGERS AT OTBs - INTRASTATE POOLS



E - Exotic wagers
R - Regular wagers

DISTRIBUTION OF WAGERS AT TRACKS- INTERSTATE SIMULCAST



* Amounts returned to public and retained as commission are governed by the law of state where pool originates. Amounts listed are averages.

E - Exotic wagers
R - Regular wagers

Historical Trends in Harness Racing

Appendix G

DISTRIBUTION OF REVENUES FROM HARNESS RACING

jsj
8/12/96

(rounded to nearest dollar)

Calendar Year	Total Handle	General Fund	Commercial Meets	Stipend Fund	Extended Meets	Sire Stakes Fund	Purse Supplement	Promotional Fund	Horseman's Purse	OTB		Returned to Public	
										Simulcast Fund	Track Share		OTB Share
1982	27,936,460	761,215		345,060	15,511	251,951	279,364		251,951		4,121,377		21,722,469
1983	30,997,500	476,518		341,107	41,470	272,483	309,957		272,483		4,912,768		24,140,296
1984	30,893,030	479,141		339,935	40,568	275,147	308,930		275,149		4,906,319		24,049,966
1985	35,949,724	564,503		358,994	86,236	326,063	359,517		326,062		5,725,975		27,961,474
1986	37,467,431	595,577		365,417	99,956	345,967	374,674		345,967		5,985,020		29,114,246
1987	45,192,735	721,380		391,693	169,792	419,844	451,927		419,844		7,226,229		35,112,515
1988	44,321,132	614,399	85,841	372,576	161,913	459,956	443,212		542,561		7,460,771		33,873,450
1989	41,020,747	616,942	47,742	361,769	132,077	433,638	410,207		528,756		6,984,275		31,249,608
1990	35,320,836	598,843	0	338,933	94,084	381,944	353,208		468,580		5,984,750		28,838,767
1991	29,838,187	516,148	0	315,846	29,167	330,872	298,362		403,821		5,124,340		22,633,361
1992	25,665,253	444,903	0	295,937	0	285,770	255,653		344,479		4,400,157		19,468,542
1993	31,752,974	499,136	0	321,536	34,516	317,191	394,218	57,594	397,208	137,462	3,009,190	*	*
1994	59,531,486	536,778	278,516	458,040	251,998	568,233	965,711	137,561	888,808	686,675	4,846,626	2,618,782	47,866,977
1995	63,549,413	626,354	311,769	569,041	262,186	698,976	1,143,131	144,284	1,041,703	903,237	4,592,942	3,413,753	50,022,856

DESCRIPTION OF CATEGORIES:

Total Handle

Total amount wagered

General Fund (8 MRSA §275-H.2)

Amount of revenue accruing to the General Fund as undedicated revenue

Commercial meets (8 MRSA §275-H.3)

Distributed to commercial meet licensees based on live racing wagers to be used:

1/2 to supplement purses

1/2 as reimbursement for improvements to racing facilities

Stipend Fund (7 MRSA §62, 8 MRSA §§275-F and 275-H.3.B)

Distributed:

44% to agricultural societies conducting pari-mutuel racing for improvement of racing facilities

8% to agricultural societies not conducting pari-mutuel racing for improvement of facilities

13% to General Fund for administrative and inspection services, administration of standardbred horses program and Sire Stakes Fund

35% to qualified agricultural societies based on agricultural premiums and gratuities paid

Extended meets (8 MRSA §275-F.3.C)

Distributed to organizations conducting extended meets based on live racing wagers.

1/2 of receipts must be used to supplement purses.

Purse Supplement (8 MRSA §275-I)

Distributed by Harness Racing Commission to licensees conducting live racing on the basis of race dates to supplement purses

Sire Stakes Fund (8 MRSA §§275-G and 281):

Must be used to:

Supplement purses

Administration

Other appropriate expenses incurred by the commission

Promotional Fund (8 MRSA §§275-L, 284):

Must be used to develop and implement plans to promote harness racing in Maine

Horsemen's Purse (8 MRSA §275-J):

Retained by track licensees to supplement purses

OTB Simulcast Fund (8 MRSA §275-J.1.A):

Distributed by Harness Racing Commission to live racing licensees that provide simulcast transmissions of live racing based on amount of wagers

Track Share (8 MRSA §275-J):

Retained by track where wager was placed

OTB Share (8 MRSA §§275-K and 275-M):

Retained by OTB where wager is placed

Returned to Public (8 MRSA §275-E):

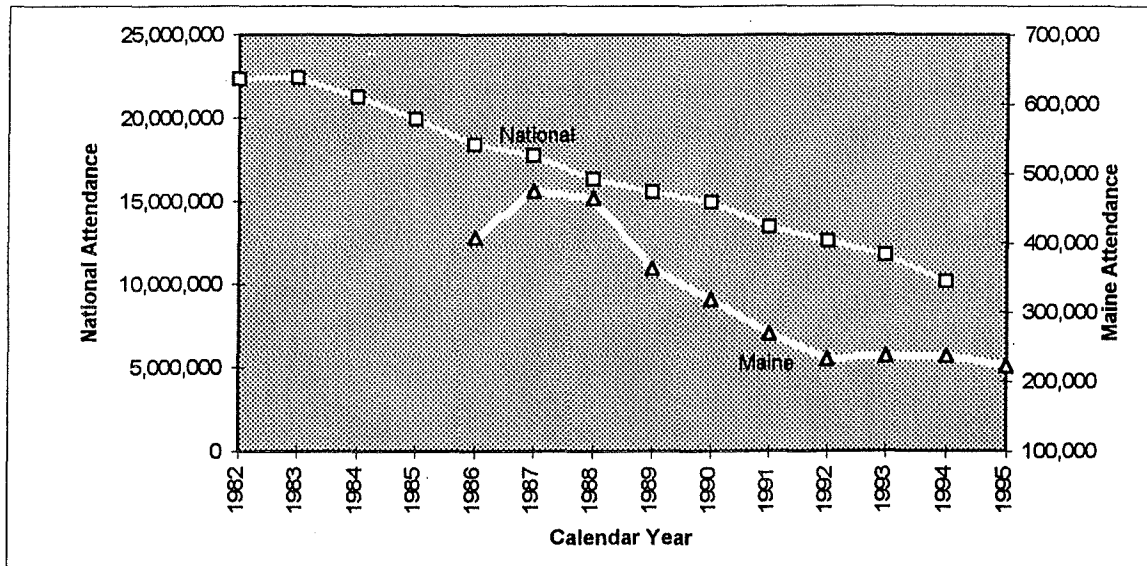
Amount paid to persons placing winning wagers

* These figures were not included in the 1993 annual report

HARNESS RACING PARTICIPATION

Calendar Year	Attendance*		Horses Starting National	Maine Yearlings Nominated for Sire Stakes**	Licenses Issued By Maine Commission***
	National	Maine			
1982	22,317,406		52735	181	4,281
1983	22,383,270		55134	245	4,502
1984	21,236,074		56518	225	4,404
1985	19,925,399		57422	238	not available
1986	18,397,142	407,173	57021	224	"
1987	17,747,029	474,273	56938	249	"
1988	16,317,560	463,917	55822	202	"
1989	15,550,871	363,639	54066	238	5,415
1990	14,955,827	318,638	53254	281	not available
1991	13,441,273	269,136	51493	229	"
1992	12,604,565	232,020	49260	179	"
1993	11,758,555	236,810	46614	183	2,174
1994	10,177,948	237,142	43593	82	2,146
1995		221,695		123	2,115

ATTENDANCE

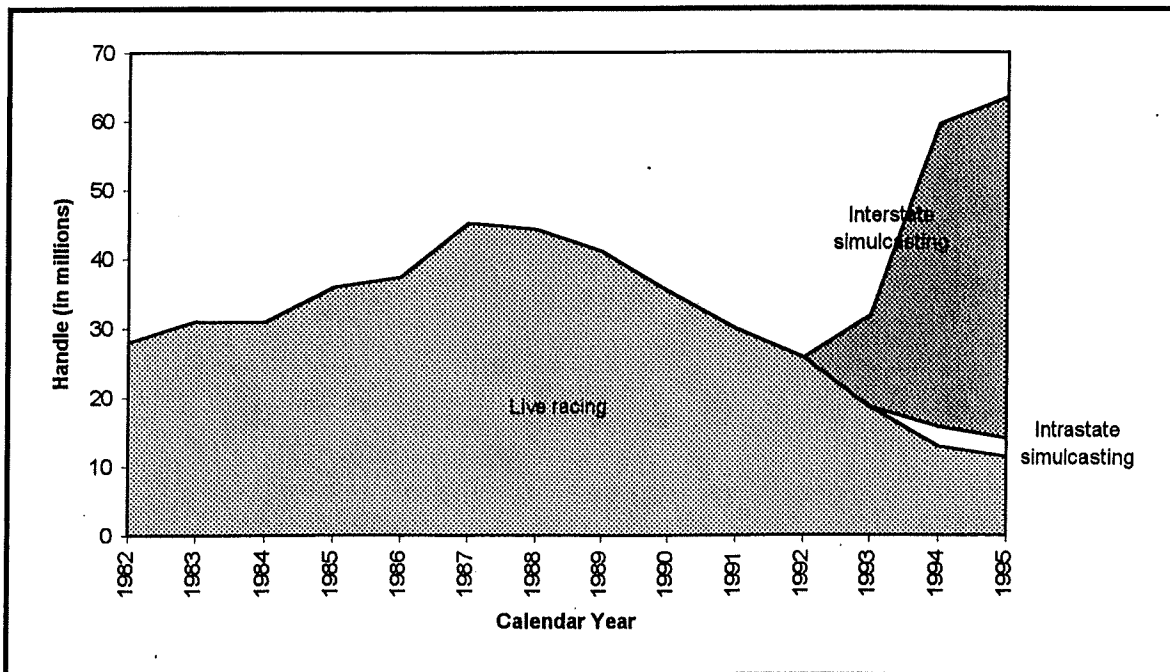


* Source: United States Trotting Association
 ** Source: Maine Harness Racing Commission
 *** Source: Maine Harness Racing Commission annual reports

HARNESS RACING HANDLE

(dollars)

Calendar year	Live Racing	Intrastate Simulcasting	Interstate Simulcasting	Total Handle
1982	27,936,460			27,936,460
1983	30,997,500			30,997,500
1984	30,893,030			30,893,030
1985	35,949,724			35,949,724
1986	37,467,431			37,467,431
1987	45,192,735			45,192,735
1988	44,321,132			44,321,132
1989	41,020,747			41,020,747
1990	35,320,836			35,320,836
1991	29,838,187			29,838,187
1992	25,665,253			25,665,253
1993	18,558,794		13,194,180	31,752,974
1994	12,866,245	2,853,945	43,811,296	59,531,486
1995	11,336,156	2,720,451	49,492,806	63,549,413



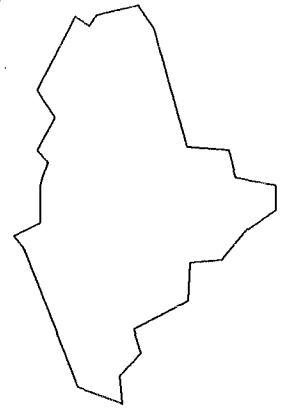
Source: Maine Harness Racing Commission annual track statistics

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- Critical Insights. Survey Report to the Maine Harness Racing Promotional Board and Perry and Banks. August 1995.
- Maine. Department of Agriculture, Food and Rural Resources. Division of Harness Racing and Fairs. Annual Report. 1985-1995.
- Maine. Legislature. Commission to Study the Harness Racing Industry. Final Report. November, 1990.
- Maine. Maine State Harness Racing Commission. Annual Report. 1981-83, 1993-95. (From 1984 to 1992, annual statistical information was compiled, but no report was published).
- Northeast Research. An overview of the Harness Racing Industry in Maine and Review of Maine Statutes, Regulations and Harness Racing Commission Operations. January 15, 1986.
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- Social Science Research Institute.[SSRI] University of Maine at Orono. What the Harness Racing Industry Means to the State of Maine. Report 13A. April 9, 1975.
- Trigom. The Relationship Between Harness Racing and Agricultural Fairs in Maine. (Prepared for the Maine Department of Agriculture, Food and Rural Resources and the Steering Committee for the Study of Harness Racing and Fairs). January, 1982.
- United States Trotting Association.

Advisory Committee on Gambling

John R. Selser, Staff Coordinator
Post Office Box 206
Readfield, Maine 04355
(207) 685-4259



26 February 1997

TO: Members of the Advisory Committee on Gambling
FROM: John R. Selser

SUBJ: Summary of Advisory Committee on Gambling meeting # 11 of 12 February 1997

The attached summary will be brief, only to outline the discussion at the last meeting. Topics not covered in the summary or more details on some topics included in the summary will be reflected in the draft report # 5.

The latest news from the Harness Racing Task Force is that they have received a delay in their final reporting date until March 7, 1997. Two issues remain outstanding: telephone wagering and simulcasting events other than horse/harness racing. The final report will reflect a divided report on both issues. TELEPHONE WAGERING: Some will recommend that it be looked at in more detail. A Kentucky company that has a pilot project spoke to the Task Force, but the Maine Task Force decided that they would recommend it be looked at in more detail and see what other states experiences are with it. SIMULCASTING: A majority of the Task Force will seek an expansion to allow simulcasting of non-horse racing events also. We may have a final draft before our next meeting. If so, I will bring copies. In the meantime, I have attached the February 7th version of their final draft.

Major Harmon has noted numerous gambling bills are appearing before the Legislative committees. They are not delaying the hearings and work sessions on the bills, so we may want to ensure that our report is forthcoming. We should be prepared to finish as much as we can of the report at the upcoming meeting. The report should be in your hands in a few days

John

P.S.

The most serious charge which can be brought against New England is not Puritanism but February. -- Joseph Wood Krutch (1893-1970), U.S. author, editor. Twelve Seasons, "February" (1949).

**ADVISORY COMMITTEE ON GAMBLING
MEETING SUMMARY # 11**

12 February 1997

This Summary approved on _____

ATTENDANCE

Members:

Members listed in bold attended this meeting:

Gerald E. Rudman, Chair
Senator Vinton E. Cassidy
Richard Crabtree
Richard Davies
Michael Heath
Linwood Higgins
Representative Paul F. Jacques
Linda Meader
Senator John J. O'Dea
Alfred Skolfield, Jr.
Representative Harry True

Staff:

John R. Selser 685-4259
P.O. Box 206
Readfield, Maine 04355

Galen Rose 287-1478
State Planning Office
State House Station # 38
Augusta, Maine 04333

Deborah Friedman 287-1670
Office of Policy & Legal Analysis
State House Station # 13
Augusta, Maine 04333

Major Jeffrey D. Harmon 624-7062
Maine State Police
36 Hospital Street
Augusta, Maine 04333

Charlie Leadbetter 626-8800
Office of The Attorney General
State House Station # 6
Augusta, Maine 04333

Speakers / Invitees:

Bill Chenaway

Visitors:

Next Meeting is scheduled for:

9:00 AM - 3:00PM on Wednesday, 5 March 1997
... at the Lottery Commission offices, Augusta, Maine.

Call to Order and Approval of Summary

The regularly scheduled meeting of the committee was convened by Gerald Rudman, chair of the Committee. The previously scheduled meeting for January 28 was rescheduled today due to inclement weather.

Harness Racing Task Force Update

Major Harmon made the following suggestions for the committee to consider in its review of the Harness Racing Task Force report:

1. Video gaming at commercial tracks and OTB (a divided report by HR Task Force) should be looked at for the state as a whole and not in a piecemeal fashion.
2. Criminal enforcement of video gaming was not mentioned in the report. The State Police would need some clear direction on enforcement with specific statutory authority/responsibility for criminal enforcement of video gaming activities. They currently only have general enforcement powers.

Economic Impact of Gambling: Galen Rose

LOTTERY: The Lottery study done in 1994 deals with the economics of the lottery. Assuming little change in 1996, the results of that study should still be fairly accurate. There are 1,200 jobs directly supported by the lottery and about 400 jobs supported indirectly by the multiplier effect at a payroll of \$23,000,000. These jobs would be lost to the state economy if the lottery were terminated.

HARNESS RACING: Harness Racing contributes \$19,000,000 to the state economy. It supports 280 full-time jobs at a payroll of \$3,000,000. If harness racing were terminated, the jobs and the monetary effect of harness racing would be lost to the state. However, the net effect would be that some of the money spent on harness racing gambling (by the betting public) would be spent in other ways in the state. Roughly one third of the money is spent at the Scarborough and Bangor commercial tracks. This money would be lost to the state's economy if Harness Racing left the state.

IN GENERAL: To the extent that the small gambler habits can be identified, they are spending discretionary money and that money would probably be spent elsewhere in the state if they could not gamble with it. In regards to the heavy gambler, some money spent by the heavy gambler would be spent out of state if that person's form of gambling were not available in Maine. The heavy gambler has a tendency to play his or her favorite game and if it is unavailable in-state, the assumption is that they will go out of state for that game. An undocumented estimate of the impact of the heavy gambler on the total handle is that 80% of the money is spent by 10% of the gamblers. *The source for this could not be identified by the State Planning Office. Please note this is a rule of thumb at best and not a statistic that can be supported.*

The money spent on non-gambling activities by tourists who come to Maine for gambling has not been studied, evaluated, or estimated. That information is not available.

If money that would have been spent on gambling is spent in other ways in the community, there is no total net gain or loss on the economic impact to the community. It is just a redistribution of the same money. Whether it is a good or a bad thing to distribute this money by gambling activities is a social question, not an economic question.

BEANO & GAMES OF CHANCE: Major Harmon and Galen Rose will discuss further what information needs to be collected to ensure enough data for informed decisions about Beano and Games of Chance in regards to their economic impact.

In addition, the following items were discussed:

1. Does the money that the establishments take out of the community from the game equal the money that is spent back into the community?
2. Gross prize amounts are not relevant from an economic impact standpoint because the money is just redistributed in the community, it stays in the community.
3. The handle (the money wagered) - (minus) prizes - (minus) operating expenses - (minus) the money donated to charitable causes = the profit.
4. Information available for Beano and Games of Chance (a reasonable per capita estimate) includes: (gross receipts, amount spent for license fees, net economic value after some expenses are deducted.)

Galen Rose will prepare answers to the questions in Draft #4, Chapter V to the extent that the information is available.

New information/license forms for Beano and Games of Chance

Major Harmon and Bill Chenaway spoke to the Committee regarding proposed forms for Beano and Games of Chance that were being developed to gather information. The forms, attached, were designed to provide better management of Beano and Games of Chance, to develop a process to ensure the data is accurate, and to ensure that the data would provide meaningful information for legislative and regulatory decision-making. The new forms also provide more information to allow the State Police to audit the operation of these games and to spot irregularities.

The new data collection/forms system is on the verge of being implemented. One estimate is that it would take 2-3 months to be up and running. Some hardware purchases need to be made and possibly some software development.

The new forms, which have been field tested, create less paperwork and are clearer. The quality of the sample returns appeared to provide much better and more accurate information.

Regulatory recommendations for Beano and Games of Chance

See February 11 memo by Major Harmon, attached.

The impact of raising the license fees is equivalent to having an extra 1/4 of a person playing each game.

Don Macomber in the Attorney General's office is drafting language that will provide for an annual license and give the State Police the ability to suspend or revoke that license. Without the ability to suspend or revoke, the State Police would have to wait to the end of the licensing

period to refuse to renew the license. A year long license period would not be effective from an enforcement standpoint without that ability to suspend or revoke.

Video gaming

Major Harmon suggested that the Committee consider the following recommendation on video gaming:

The Committee feels that

1. The current situation is unacceptable. (in re Grey machines).
2. There are two acceptable ways to proceed.
 - A. Video Gaming should be made illegal. (Legislation has been introduced this year to stop video gaming by Mills Cleveland, the John Buck successor bill.) If this option is chosen, video gaming would be stopped.
 - B. Video gaming should be made legal. If the state legalizes video gaming:
 1. Grey machines would be illegal.
 2. The state should look at state-wide distribution and not piecemeal distribution. Where will the machines be placed?
 3. Forfeiture of machine and contents should be authorized.
 4. The regulatory scheme, including on-line monitoring, should be examined carefully.

MEETING ADJOURNED

Attachments to this summary:

1. Harness Racing Task Force Draft Report of 7 February 1997
2. Proposed Beano and Games of Chance Forms
3. Major Harmon memo dated 11 February 1997



STATE OF MAINE
DEPARTMENT OF PUBLIC SAFETY
MEMORANDUM

TO: Advisory Committee on Gambling
FROM: Maj. Jeffrey D. Harmon, Maine State Police
DATE: February 11, 1997
RE: Enforcement and Regulation of Beano and Games of Chance

Administrative Procedure

Strengthen the administrative procedures by adding the following to 17 M.R.S.A. § 317-A and creating 17 M.R.S.A. § 343-A :

The ability to investigate all aspects of this chapter including direct or indirect ownership or control of any license.

The ability to immediately suspend or revoke any license issued under this chapter if the Department has probable cause to believe that the licensee, licensee's agents or employees has violated any provision of this chapter and the violation alleged is a criminal offense.

The ability to suspend or revoke any license issued under this chapter if the licensee or the licensee's agents or employees has violated any provision of this chapter. The suspension or revocation would occur only after notice by the Department of intent to suspend or revoke the license.

Staffing

As outlined in my memorandum of October 22, 1996 increase staffing by four positions (1 Detective, 2 P.S. Inspectors, 1 Clerk Typist II). The cost for this would be \$279,000 (FY 98), \$206,000 (FY 99).

Licensing

Raise license fees for Beano to \$12 per week, \$36 per month from the current \$7.50 per week, \$22.50 per month.

Create a new Beano license class that is valid for one year at a cost of \$432.

Raise license fees for Games of Chance to \$15 per week, \$60 per month from the current \$9 per week, \$36 per month.

Create a new Games of Chance license class that is valid for one year at a cost of \$720.

Handwritten notes on the left margin: 'and license w/ ability to suspend/revoke (important) for and a hearing and hearings for full of member does not' and 'impact 1/4 of 1 person to handle over'.



Application for a License to Operate Beano/Bingo or a Game of Chance

1. License to Operate: Beano/Bingo: **OR** Game of Chance:
 (Check only one)

2. Organization Name: Name of Game of Chance:
 Open to Public? Yes: No:

Organization Number:

Business Address:

Mailing Address:

Phone:

3. Date of Founding: Place of Founding:

4. Current Officers:

Name & Title	Address	City/Zip	Phone	Date Term Exp.

5. Location of Beano/Bingo or Game of Chance:

Building Address City

6. Person responsible for operation of Beano/Bingo or Games of Chance:

Name: Daytime Phone Evening Phone

Mailing address where licenses will be sent:

7. Days of the week you expect to operate (circle all that apply) Mon Tue Wed Thu Fri Sat Sun

8. For Beano/Bingo only. How many times per month do you plan to run Beano/Bingo? _____

9. Dates to be licensed – Specify weeks (Monday through Sunday) or full months. You may apply for up to six (6) months of licenses in advance.

Complete this application - both front and back. Sign, date, and return it to the Licensing and Inspections Unit at the address above.

If inaccurate or incomplete information about your organization or about the activity you wish to license has been preprinted by our system, line through the incorrect information and make additions or corrections using a pen or pencil of contrasting color.

Check here if you have made corrections or additions _____.

FOR OFFICE USE ONLY	
Check #	_____
Amount \$	_____

10. Does the organization own all the equipment used in operating this amusement? _____

If "NO", explain the circumstances under which the equipment is to be used: _____

11. Has any **current** officer of this organization or association ever been convicted of violating the gambling or lottery laws of the United States or of the State of Maine? _____

If "YES", give name and address of the person and the date and place of conviction: _____

12. If the Applicant is a Fair Association, attach a list of the names and home addresses of the persons operating or assisting in the licensed activity. **Write your organization name and number on the list.**

13. The applicant agrees to obey the laws of the State of Maine and of the United States. The applicant agrees to obey the rules and regulations governing Beano/Bingo or Game of Chance promulgated by the Chief of the State Police. The applicant warrants the truth of the foregoing statements on penalty of perjury.

Signed: _____

Name: _____ Title: _____ Date: _____
(Please print - must be duly authorized officer of this organization - title is required)

The Licensing Unit must receive this application at least eight (8) days prior to first day on which you plan to conduct Beano/Bingo or a Game of Chance.

14. The following consent must be completed by the municipal officers of the city or town where the Beano/Bingo or Game of Chance will take place unless a separate "Blanket Letter of Approval" is filed with the Chief of the State Police.

_____ Check here if you have previously filed a "Blanket Letter of Approval" with us.

_____ Check here if you have attached a "Blanket Letter of Approval"

CONSENT

The undersigned being municipal officers of the (City) (Town) of _____ hereby certify that we consent to this application for a license to operate Beano/Bingo or a Game of Chance in accordance with the provisions of 17 M.R.S.A. Chapter 13-A (Beano) or Chapter 14 (Games of Chance) and in accordance with the Rules and Regulations promulgated by the Chief of the State Police governing the operation of Beano/Bingo or Games of Chance.

Name: _____ Date: _____

Name: _____ Date: _____

Name: _____ Date: _____

Name: _____ Date: _____

Name: _____ Date: _____

FEES

Beano \$7.50/week or \$22.50/month

Games: \$9.00/week or \$36.00/month Video Poker \$15.00/week or \$60.00/month

Original Game of Chance Application fee is \$7.50 on a separate check or money order. **Non Refundable.**

Make checks payable to Treasurer, State of Maine



BEANO OR BINGO OCCASION REPORT

Organization Name:

Number:

License Number:

License Period:

1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
4	4	4	4	4	4	4	4	4	4
8	8	8	8	8	8	8	8	8	8
P	P	P	P	P	P	P	P	P	P

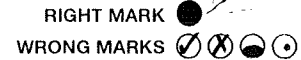
For
Licensing
Unit
Use
Only

If your license number, organization name, and organization number are not printed above, please write them where indicated.

Instructions

- Complete this form for EVERY date on which you conduct Beano.
- Complete the Winner Take All block (number 5) even if you do not run Winner Take All Rounds. If no rounds were run, enter zero in this block.
- Do **NOT** include Winner Take All receipts in block 3, Total Receipts for Regular Games.
- Do **NOT** include Winner Take All prizes in block 4, Total Prizes for Regular Games.
- Write all numbers aligned to the right edge of the boxes, then darken the circle corresponding to each digit.

Use a No. 2 pencil or blue or black ink pen only.
Do NOT use red ink.



1 Date of Game or Occasion

MONTH	DAY	YEAR
<input type="radio"/> Jan		
<input type="radio"/> Feb		
<input type="radio"/> Mar	0 0	0 0
<input type="radio"/> Apr	1 1	1 1
<input type="radio"/> May	2 2	2 2
<input type="radio"/> June	3 3	3 3
<input type="radio"/> July	4 4	4 4
<input type="radio"/> Aug	5 5	5 5
<input type="radio"/> Sept	6 6	6 6
<input type="radio"/> Oct	7 7	7 7
<input type="radio"/> Nov	8 8	8 8
<input type="radio"/> Dec	9 9	9 9

2 Total Number of Players For This Date

,				
0	0	0	0	0
1	1	1	1	1
2	2	2	2	2
3	3	3	3	3
4	4	4	4	4
5	5	5	5	5
6	6	6	6	6
7	7	7	7	7
8	8	8	8	8
9	9	9	9	9

3 Total Receipts For Regular Game(s) On This Date

\$								
0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9

4 Total Prizes For Regular Game(s) On This Date

\$								
0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9

Check Numbers

To

5 Total Winner Take All Prizes On This Date

\$								
0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9

Check Numbers

To

Certification

I certify that the foregoing statement is true,

Signed _____

Date _____

Name (Please print) _____

Title _____

(Treasurer or other officer)

This report must be filed with the Chief of the State Police %

**Department of Public Safety
Licensing and Inspections Unit**

164 State House Station, Augusta, Maine 04333-0164

within six (6) days after the last day of this license period. Failure to comply with filing deadlines can result in denial of future licenses.



GAMES OF CHANCE DISPOSITION OF FUNDS

Organization Name:

Number:

Game Licensed:

License Number:

License Period:

1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
4	4	4	4	4	4	4	4	4	4
8	8	8	8	8	8	8	8	8	8
P	P	P	P	P	P	P	P	P	P

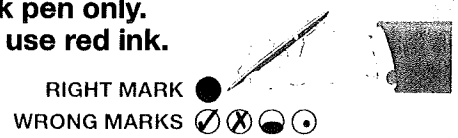
For
Licensing
Unit
Use
Only

If your license number, organization name, and organization number are not printed above, please write them where indicated.

Instructions

- Complete this form for the game conducted under this license. If no game was conducted, enter zero for amount of receipts.
- If this license is for a video game, enter the serial number of the machine and its starting and ending meter readings. If you replace the machine during the licensed period, enter the new serial number and meter readings in the boxes provided.
- Write your dollar figures, aligned to the right, in the boxes provided and darken the circle corresponding to each digit.

Use a No. 2 pencil or blue or black ink pen only.
Do NOT use red ink.



1 Receipts

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

2 Prizes and Winnings Paid

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

3 Video Poker (and other video machines)

Serial Number of Machine

(Replacement Machine, if any)

Beginning Meter Reading

(Replacement Machine, if any)

Ending Meter Reading

(Replacement Machine, if any)

Rental Fee For THIS month

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

Certification

I certify that the foregoing statement is true,

Signed _____ Date _____

Name (Please print) _____

Title _____
(Treasurer or other officer)

This report must be filed with the
Chief of the State Police c/o
**Department of Public Safety
Licensing and Inspections Unit**
164 State House Station, Augusta, Maine 04333-0164
within six (6) days after the last day of this license period.
Failure to comply with filing deadlines can result
in denial of future licenses.



MONTHLY ACCOUNT ACTIVITY REPORT

Organization Name:

Organization Number:

Month Ending:

This Report is For Your Account Type:

Beano	Games
<input type="radio"/>	<input type="radio"/>

1	1	1	1
2	2	2	2
4	4	4	4
8	8	8	8
P	P	P	P

Feb
March
April
Use
Only

1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
8	8	8	8	8
P	P	P	P	P

If your organization name, organization number, the month-ending date of your Monthly Account Activity Report, and the type of account are not printed above, please write them where indicated.

Date Due:

Instructions

- Use this sheet to report the account activity totals as requested. Use both sides! Enter 00 in the cents position for categories with no activity during the month.
- Write the numbers in the boxes provided and darken the circle corresponding to each digit.
- In several places we have cited the Maine Criminal Statutes, 17 M.R.S.A., and the Rules of the Department of Public Safety, 16-222 Chapters 2 and 3. The Section and Rule numbers given refer to these documents.

(Note: Receipts, prizes, and video poker rental fees are to be reported on specialized forms included with your license.)

Use a No. 2 pencil or blue or black ink pen only.
Do NOT use red ink.



1 Wages

Payments to Beano and Lucky Seven workers and certain other wages as defined and restricted in §326 and §335 and in Rules 3.05A and 3.06.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

2 Utilities

Payments for such things as telephone, sewer, water, electricity, heat, and cable.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

3 Operations

All the expenses, not reported elsewhere, resulting from the administration of your Beano or Games of Chance operations. This includes license fees and cost of material. See §322 and §336 and Rule 3.07.

(Do not include video machine rental fees here—they are reported on form BG-2.)

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

4 To Further the Purpose of the Organization

Expenses that you incurred to further the purpose for which your organization was formed.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

5 Maintenance

Payments for such things as repairs, construction, plowing, and mowing.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

6 Rent

Payments for rent or mortgage for the premises where you conduct Beano or Games of Chance.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

7 Charitable Donations

Donations to charity and payments made to members, auxiliary members and employees to defray the cost of serious illness or injury, and casualty loss. See §326 1-A,C for Beano and §335 2-A,B for Games of Chance. See the Beano/Games Instruction Booklet for the definition of qualifying charitable donations.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

8 Transfers

The sum of all transfers into (+) or out (-) this account. This includes purchase of bank CD's, money received from cashing in bank CD's, payment of bank service charges, and receipt of interest. If the net of these transfers is negative, darken the "-", if positive, darken the "+."

-
+

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

9 Starting Balance

Report your account balance as of the **first** day of the **calendar** month. The dollar value you enter here will be compared to the amount you reported last month as the "Ending Balance."

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

10 Ending Balance

Report your account balance as of the **last** day of the **calendar** month. The dollar value you enter here will be used to confirm the "Beginning Balance" you report next month.

\$

0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

Certification

I certify that the foregoing statement and the following reports are true:

Beano or Bingo Occasion Report(s) (BG-1) dated:
Paper clip an additional sheet if needed. Write your organization name and number on it.

Date _____ Date _____ Date _____
Date _____ Date _____ Date _____

Games of Chance Disposition of Funds (BG-2) dated:
Paper clip an additional sheet if needed. Write your organization name and number on it.

Date _____ Date _____ Date _____
Date _____ Date _____ Date _____

Signed _____

Name (Please print) _____

Title (Treasurer or other officer) _____

Subscribed and sworn to before me,

Signed (Notary Public) _____

Date _____

My Commission Expires _____

Itemized Monthly Account Activity Report (BG-4) dated:

Date _____

This report must be filed with the Chief of the State Police c/o

Department of Public Safety
Licensing and Inspections Unit
164 State House Station
Augusta, Maine 04333-0164

within six (6) days after the last day of this license period. Failure to comply with filing deadlines can result in denial of future licenses.