

MAINE GAMBLING CONTROL BOARD

April 19, 2016

09:00 – 10:50am

Gambling Control Board Room

45 Commerce Drive Suite 3, Augusta Maine 04333

Meeting opened at 9:00 am

Board members present: Tim Doyle, Chair; Barbara Dresser; Robert Harmon; Joe Laliberte

Staff present: Detective Don Armstrong, auditor Donald Berrie, Auditor Jill Tobey, Inspector Supervisor Vicki Gardner, Office Assistant II Mallory Reilly, Office Specialist I Janine Collins, Executive Director Patrick Fleming.

Legal counsel present: Assistant Attorney General Katie Johnson

Introductions:

The Board introduced themselves followed by introductions of the staff and counsel by Executive Director Fleming.

Review of the minutes 04/19/2016

Motion to accept the minutes: Joe Laliberte , Board Member

Seconded: Robert Harmon, Board Member

Vote: Unanimous

Executive Director Report: Legislature – the bill to create another casino in southern Maine was killed by the House and Senate. It was passed by a small margin out of committee with several different reports for the House and Senate to choose from. The bill took an interesting turn this session where it was initially moved ought to pass in the senate and ought not to pass in the house. Last spring when it was voted on before the decision to carry it over the moves were opposite. The motions were made by the same legislators as last time as well. The senate did finally concur with the house and voted ought not to pass, killing the bill.

The potential for a new casino is over for this year in the legislature but the citizens' initiative to allow a southern Maine casino is still in the process. As you know the signatures on the petitions had to be verified by the Secretary of State's office and the Secretary of State determined that the petitioners did not meet the requirements for a valid initiative. The petitioner's appealed the decision to the Superior Court and the judge ruled in favor of the Secretary of State. The petitioners have now appealed the Secretary of State's decision to the Maine Supreme court. The Supreme Court will hear arguments on April 26 as they are under a 30 day review requirement of the initial decision which was April 7.

Another bill that the Gambling Control Board was brought into was LD 1279 – An Act to Authorize Advance Deposit Wagering for Horse Racing. This bill in its current form would allow patrons of commercial harness racing tracks and OTB's to establish accounts at a third party to place bets and hold winnings from those bets in electronic format. The bill would require the gambling control board to establish rules for advanced deposit wagering and then set up an RFP process to award one entity the contract to provide the services to the state. The gambling board would then be responsible for regulating this type of wagering on harness racing. The bill passed both the House and Senate and is currently awaiting action in the Governor's office. If this bill is signed by the Governor and becomes law it is not an emergency measure so it will go into effect 90 days after the conclusion of the session. If it does become law he will start researching the rules used by other states to see which rules might work best for Maine. Fortunately there are several states that already allow this type of betting and he has already started collecting material. Executive Director was asked to submit a fiscal note for this bill which was difficult because did not know how the system would work but I assumed that there would be an auditing component so he requested an additional auditor. Because the bill requires that the rules for advanced deposit wagering are major substantive they will have to go before the next legislature after being passed by this board. This builds in some time that adjustments can be made to the budget once we know more about how this will work.

Employee Issues– we were notified recently that an employee at one of the casinos was convicted of theft. The employee self-reported that they were charged with the theft last spring and we have been waiting for disposition

before taking action, the theft was not employment related. The Executive Director will be sending out a notice of hearing this week for a hearing to be held at the next meeting.

May meeting – Just as a reminder the May meeting will be held at the Oxford municipal building. He has invited the local dignitaries and legislators to the meeting. The start time will be the usual 9 AM and directions will be sent out as we get closer to the meeting date. Board members are welcome to visit the Oxford Casino after the meeting.

Self-Exclusions – The Executive Director wanted to give the Board an update on the self-exclusion list. The Board took over the list in February 2014 and currently has 218 names on the list. There was an additional 76 people on the list that their exclusions have expired and they have been removed from the list. April seems to be the busiest month for people to sign up for the list with 17 signing up the first year, 21 in 2015, and 11 so far this month. At this point I am not sure what causes the uptick in people self-excluding in April. A positive reason for this could be that March is problem gambling awareness month and the word is getting out to those that need the help and they are self-excluding for their own good.

Other States - The bill to allow the State of New Hampshire to open one casino in Salem was defeated in the Senate in a close vote. In years past the bill would normally get out of the senate and die in the house but this year it did not even make it out of the senate. The bill was tabled in the senate after the vote and since it needs a 2/3 vote to take it off the table it is essentially dead.

The Boston Casino is still moving along slowly. The name was recently changed from the Wynn Everett to the Wynn Boston Harbor, which caused a stir because the location of the casino does not actually border the Boston harbor but the river it is on does empty into the harbor. The city of Somerville is the most recent city to try and halt the building of the casino and they have taken the casino to court regarding traffic and environmental impacts. Steve Wynn announced recently that he does not expect the court case to go very far and has stated that he wants to break ground July 1st of this year with an anticipated opening 28 to 30 months later. The casino is expected to cost approximately \$1.7 billion.

Auditors Report: In recognition of a new Board member, Mr. McNeal, being present, this month's auditors report has been expanded to provide some insight into what the auditors do and how we arrive at the numbers we report at each meeting. In addition, I will briefly address a few of the other duties Auditor Tobey and I perform.

There are two casinos operating in the state of Maine that offer both slot machines and table games. At this time Hollywood Casino in Bangor has 788 slot machines in play and 16 table games. Oxford Casino has 848 slot machines in play and 26 table games. Each casino, as well as our electronic slot auditing firm known as Scientific Games provide the auditors with daily activity data that is the basis for calculation and collection of weekly gaming taxes. Daily reports of table game revenue are also received by the auditors for the same purpose. Should there be any variances between slot activity reported by the casinos and Scientific Games, investigation is performed and adjustments are made to provide final daily taxable amounts. Every seven days invoices are submitted to the casinos and Financial Services is advised of the distribution of these funds and the casinos wire payments to the state treasurer's office.

Activity and revenue data are consolidated into monthly totals for entry on the Gambling Control Board Web Site and reported to appropriate parties. The auditors also provide analyses of revenue which the board has already received. Statute determines the tax rates assessed as well as the distribution of the tax revenues. This distribution is referred to as the "cascade."

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

The 16% Tax at Hollywood is broken down:

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

16% Total

The 16% Tax from Oxford is broken down:

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

- 1% Oxford County
- 16% Total

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

Hollywood Slot Tax is allocated as follows

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

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

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

Slot machine tax at the Oxford Casino is calculated at 46% of net casino income or “win” and is allocated as follows:

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

Slot machine hold is the relationship between a casino’ overall slot win and the overall slot “coin in” or amount played for all slot machines. Slot win cannot exceed 11% of the amount played for all slot machines over a three month period. Auditors are reviewing this statistic on a daily, weekly and quarterly basis to ensure compliance. Since the Gambling Control Board did not meet in March I will be reporting data for the month of February as well as March.

You have received revenue reports for the months of February as well as March 2016, calendar year-to-date 2016, and the first calendar quarter 2016. These reports also provide comparisons with results for the same time frames in calendar year 2015. This information is a compilation of data reported on the “Revenue Totals” tab of the Gambling Control Board website.

February 2016 tax revenue was \$4,272,000, an increase of \$744,000, or 21% above the same period in 2015, making calendar year-to-date revenue \$8,134,000, an increase of \$1,235,000 or 18% over the same period in 2015. Data for first calendar quarter is only two out of three months and reflects the same numbers as year-to-date.

March 2016 tax revenue was \$4,471,000 a decrease of \$52,000, or 1% from the same period in 2015. Year-to-date revenue ended March 31st was \$12,605,000 or 10% over the same period in 2015. Since March completes the first quarter, the dollar change and percentage change is the same as year-to-date figures.

The revenue trend chart depicts the February spike in tax revenue and illustrates that the overall revenue pattern is consistent with prior years.

You have also received reports for Hollywood and Oxford Casinos showing monthly, quarterly and year-to-date allocations of these revenues for calendar year 2016.

Now that we have completed the first complete quarter in 2016 we can report that slot machine hold is in compliance at both casinos.

Audit Program

The purpose of the audit program is to ensure compliance with all facets outlined in Maine statute and rules. These facets are broken down into components for review. In house review of casino policies and procedures and minimum internal controls (known as MICS) is performed to determine compliance with statute and rules. On-site visits are also performed to review daily activity documentation and backup for selected components

Auditor Tobey reported at the February meeting that the first round of reviews has been completed.

The second round of on-site reviews will commence with the drop and count component. Procedure observation will take place at Oxford Casino next week.

Slot Machines and Software

All slot machine games are controlled by software that meets standards in the State of Maine. A game manufacturer such as Aristocrat, Bally, IGT, Konami or Williams must submit their product to an independent testing company such as Gambling Laboratories International (GLI) or BMM Testlabs for review and approval. Notification of approval is sent to the Gambling Control Board by these testing companies. In addition, Scientific Games must test the software for functionality before a casino can install the game. Once passed by Scientific Games the game and relevant technical data is sent to the GCB website. Also, auditors are kept in the loop when it comes to new gaming equipment, removals and rearrangements on the gaming floor.

Career Development

The auditors are able to take advantage of education to broaden our knowledge of casino auditing. Both of us have completed courses at the International Gaming Institute and have attended gaming-related conferences sponsored by the Institute of Internal Auditors. Auditor Tobey has recently attended one such conference.

It is important to point out that the auditors do not perform their tasks in a vacuum. The success of our function is made possible by interaction with the Gambling Control Board, the casino staff, testing labs, manufacturers, Scientific Games, inspectors and colleagues.

State Police Report: Detective Armstrong for the last two months 86 new licenses 55 pending and 11 tito thefts.
Bangor PD reports 30 visit to Hollywood Casino

Unfinished Business: None

New Business: None

Public Comment: None

Motion to adjourn: Joe Laliberte

Second: Barbara Dresser

Vote: Unanimous

Meeting Adjourned:

**Next meeting is May 17, 2016 @ 9am @ Town of Oxford municipal building
85 Pleasant St, Oxford, ME**

Respectfully submitted Janine Collins Office Specialist I