

Department of Public Safety

## Gambling Control Board

13th Annual Report

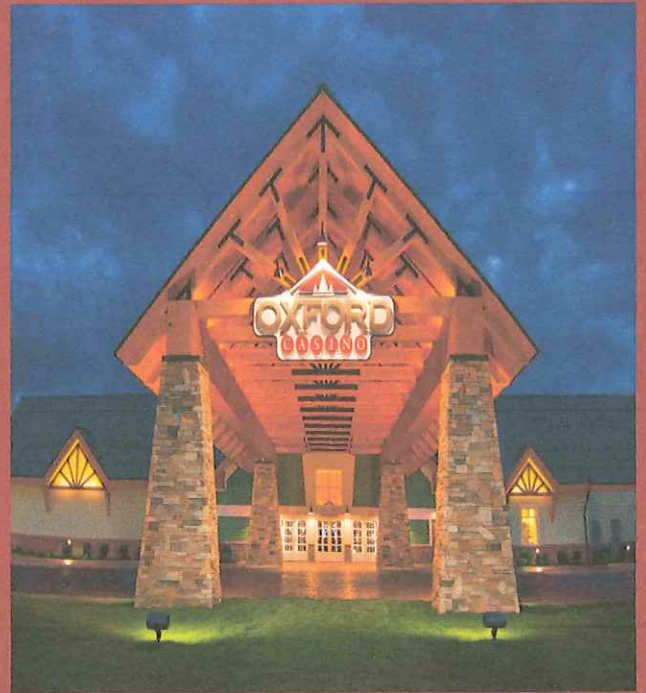
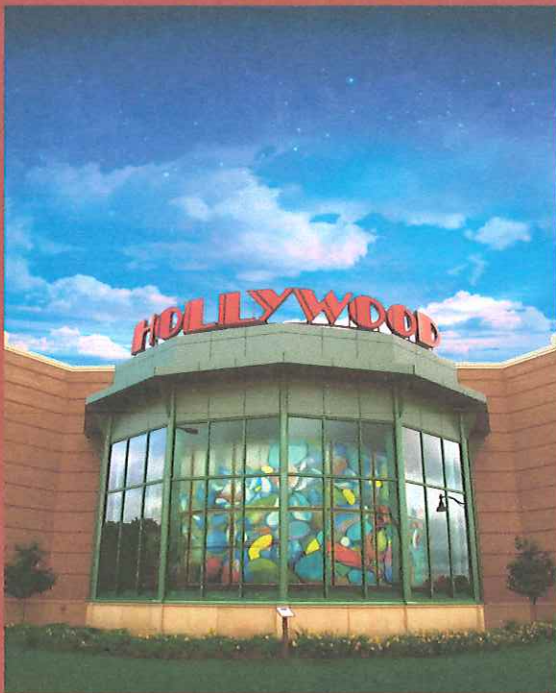
2017

Paul R. LePage  
*Governor*

John E. Morris  
*Commissioner*

Timothy S. Doyle  
*Chairman*

Milton Champion  
*Executive Director*



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# INTRODUCTION

## OVERVIEW

The State of Maine Gambling Control Board was created in 2004 within the Department of Public Safety to carry out the functions specified in M.R.S. Title 8 Chapter 31 in response to a citizen's initiative to allow slot machines at two locations in Maine. In November 2005 Hollywood Casino opened with slot machines only and in November of 2011, after local approval allowed for them to add table games they began operating as a full casino in March 2012. In November of 2010, the citizens of Maine voted to allow a second casino in Oxford County. Oxford Casino began operations as a full casino with both slots and table games in June 2012.

## GAMBLING CONTROL BOARD

The board consists of 5 members appointed by the Governor. At least 4 of the board members must have training or experience in at least one of the following fields: corporate finance, economics, law, accounting, law enforcement, computer science or the gambling industry. One member must have experience in the harness racing industry. An elected official or candidate for elective office may not serve as a board member.

Members of the board serve 3 year terms, except that the Governor shall initially appoint one member for a term of one year, 2 members for a term of 2 years and 2 members for a term of 3 years. A vacancy is filled by appointment for the remainder of the unexpired term of that member. Members whose terms expire serve until their successors are appointed and confirmed. Members may serve no more than 2 full consecutive terms on the board.

Appointees must be reviewed by the joint standing committee of the Legislature having jurisdiction over gambling matters and are subject to confirmation by the Senate. The Governor shall appoint one of the 5 board members as chair. The member serves as chair at the pleasure of the Governor.

## BOARD COMPOSITION

Members who served on the Board in 2017 include: Tim Doyle (Chairman), Barbara Dresser, Robert Harmon, Greg McNeal and Alfred R. Skolfield.

The Board meets monthly in the Board Room located at Department of Public Safety Headquarters at 45 Commerce Drive in Augusta. The topics discussed at the meetings of the Gambling Control Board include, but are not limited to:

- Regulating, supervising and exercising general control over the ownership and operation of slot machines and table games, the distribution of slot machines and table games and slot machine facilities and casinos,
- Adopt those rules the board determines necessary to administer and enforce MRS, Title 8, chapter 31,
- Take any action as may be reasonable or appropriate to protect the public interest and enforce chapter 31 and the rules adopted under this chapter including denial, suspension or revocation of a license,
- Approve or disapprove terms and conditions of uniform location agreements
- Impose sanctions, penalties and costs of investigation and hearing against any applicant or licensee for violation of chapter 31 or the rules adopted,
- Regulate, supervise and exercise general control over the operation of advance deposit wagering in the State, and
- Review of relevant pending legislation.

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

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

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

## **GAMBLING CONTROL UNIT**

The Gambling Control Unit is a bureau within the Department of Public Safety. This Unit provides support to the Board under the direction of the Executive Director. The Unit is responsible for the licensing, auditing and inspection of the corporations, business entities, individuals, table games, slot machines and their associated equipment used to operate casinos in Maine.

The Gambling Control Unit staff works diligently to ensure that the casinos are in compliance with the statutes and rules that regulate the casino industry. They work closely with the casinos and other members of the industry to ensure a safe gaming environment for the patrons who choose to participate in gambling. The current positions include an executive director, 1 State Police detective, 1 inspector supervisor, 9 civilian inspectors, 2 auditors, 1 office specialist, and 1 office assistant. There is also 1 identification specialist position in the State Bureau of



Identification funded by the Gambling Control Board due to the large number of fingerprint submissions that the licensing process generates. The board's budget also funds an Assistant Attorney General to assist with the legal work of the board.

## **EXECUTIVE DIRECTOR**

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

- Enforcement of Maine Statutes, Board Rules and Licensee System of Internal Controls,
- Individual and business licensing to include investigations of qualifications,
- Investigate any alleged violations or complaints of the Chapter, rules or internal controls,
- Collect all funds, licensing and registration fees,
- Revenue distribution,
- Oversight of the Central Monitoring System,
- Transport of gaming devices into, out of, or within the State,
- Rule development,
- Staff development,
- Budget planning, and
- Keep accurate and complete records of all areas of operation.

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

- Manage office protocol as directed by the Executive Director,
- Assisting auditors and inspector operations in their needs regarding tech support and supplies,
- Coding and processing all bills for service, contracts and amendments to service,
- Preparing agendas and recording of minutes of Board meetings, and
- Keeping the Gambling Control Board website up to date.

## **OPERATIONS**

There are nine civilian Inspectors assigned to Hollywood and Oxford Casinos. An Inspector is present at the casino when the casino is open to the public. The Inspectors are responsible for random inspections using formal checklists of which an average of 34 per month were completed and an average of 646 per month of informal observations of the gaming floor and support areas. There were 117 self-exclusions and 282 shipments of slot machines, table games or associated equipment into, out of, or within the State of Maine.

Additional responsibilities include, but are not limited to:

- Liaison with local, state and federal law enforcement agencies as needed,
- Receive, remove, record and label slot machines and table games,

- Receive associated equipment, materials and/or software at the facilities,
- Adherence of Maine statutes, rules and facility internal controls,
- Administering and monitoring the self-exclusion program, and
- Being available to the public assisting as requested.

## LICENSING

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

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

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

On an average, there are 750 employees licensed annually by the Gambling Control Board. As well as 2 Casino Operator licenses, 6 Gambling Service Vendor licenses, and 7 licenses for Business Entities that sell associated equipment to Casino Operators.

## AUDITING

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

- Slot machine malfunction
- Hand Payouts

- Coin Tests
- Missing or Voided Ticket In/Ticket Out (TITO) Tickets

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

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

## **INVESTIGATIONS**

The majority of the State Police detective's time is dedicated to conducting all suitability investigations for gaming licenses. In 2017 there were 133 new license investigations conducted along with 558 renewal license investigations that included business entities.

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

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



## Events Shaping the 2017 Gaming Season in Maine

- A shipment application and record was administered to approve and record deliveries of slot machines, table games and associated equipment into, out of and within the State of Maine.
- A review of the individual application process and all forms were completed and updated.
- Six Resolutions were passed giving the Executive Director authority, on behalf of the Board, to complete day to day administrative duties.
- A bill to allow Advance Deposit Wagering was passed and the rules regarding the administering of that bill were submitted for Legislative review and approval.
- Oxford Casino completed its 25 million dollar hotel expansion.
- Request for Proposals for the Central Monitoring System, Financial Reviews of applications and an Advance Deposit Wagering operator are all started and are in the reviewing stages.
- A formal process of documenting complaints and alleged violations was established.
- Gambling Control Unit/Board website was updated and new financial information is being reported on a weekly, monthly and fiscal year to date.



# FINANCIAL STATEMENTS

## Administrative Expenses

	<u>Expenses Y16</u>	<u>Expenses Y17</u>	<u>Difference</u>
PERSONNEL SERVICES:			
SALARIES	\$742,310.56	\$733,909.43	(\$8,401.13)
	\$43,073.86	\$48,384.98	\$5,311.12
	\$1,320.00	\$2,585.00	\$1,265.00
BENEFITS	\$433,527.27	\$460,802.07	\$27,274.80
TOTAL	\$1,220,231.69	\$1,245,681.48	\$25,449.79
ALL OTHER EXPENSES:			
PROF. SERVICES, NOT BY STATE	\$975,758.03	\$895,990.96	(\$79,767.07)
PROF. SERVICES, BY STATE	\$70,282.55	\$177,920.97	\$107,638.42
TRAVEL EXPENSES, IN STATE	\$246.05	\$202.30	(\$43.75)
TRAVEL EXPENSES, OUT OF STATE	\$3,581.29	\$5,075.27	\$1,493.98
STATE VEHICLES OPERATION	(\$300.00)	\$0.00	\$300.00
RENTS	\$49,208.50	\$51,252.68	\$2,044.18
REPAIRS	\$0.00	\$32.73	\$32.73
INSURANCE	\$1,878.39	\$1,893.01	\$14.62
GENERAL OPERATIONS	\$5,390.70	\$6,964.95	\$1,574.25
EMPLOYEE TRAINING	\$4,017.44	\$2,140.00	(\$1,877.44)
TECHNOLOGY	\$41,102.68	\$55,004.67	\$13,901.99
CLOTHING	\$323.50	\$269.20	(\$54.30)
EQUIPMENT	\$0.00	\$24.99	\$24.99
OFFICE & OTHER SUPPLIES	\$2,744.36	\$5,639.06	\$2,894.70
GRANTS TO CITIES AND TOWNS	\$25,000.00	\$25,000.00	\$0.00
TRANSFERS	\$18,721.66	\$12,180.44	(\$6,541.22)
TOTAL	<u>\$1,197,955.15</u>	<u>\$1,239,591.23</u>	<u>\$41,636.08</u>
Total Expenses	<b>\$2,418,186.84</b>	<b>\$2,485,272.71</b>	<b>\$67,085.87</b>

# STATE REVENUE FUNDS COLLECTED

## SLOT MACHINE COLLECTED FUNDS 2017

	2016	2017	Difference
HOLLYWOOD	\$19,588,560.29	\$ 18,751,194.48	(\$837,365.81)
OXFORD	\$29,833,978.78	\$ 31,612,486.35	\$1,778,507.57
TOTAL	\$49,422,539.07	\$ 50,363,680.83	\$ 941,141.76

## TABLE GAME COLLECTED FUNDS 2017

	2016	2017	Difference
HOLLYWOOD	\$1,461,312.60	\$ 1,396,891.66	(\$64,420.94)
OXFORD	\$ 2,502,061.19	\$ 2,810,262,.67	\$ 308,201.48
TOTAL	\$3,963,373.79	\$ 4,207,154.33	\$ 243,780.54

**TOTAL COLLECTED FUNDS 2017      \$54,570,835.16      \$1,184,922.30**

**FEES COLLECTED 2017      \$810,033.00**

Fees include operators, vendors, individual employee, slot machines, table games and miscellaneous fines.



# ALLOCATION OF FUNDS COLLECTED

## SLOT MACHINE ACTIVITY

1% of the gross revenue collected from Hollywood Casino is distributed to the General Fund.

39% of the net revenue collected from Hollywood Casino is distributed by and to the following:

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

46% of the net revenue collected from Oxford Casino is distributed by and to the following:

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 GCB and gambling Addiction counseling services
2%	Town of Oxford
1%	Agricultural Fair Support
1%	Harness Racing Purse Supplements
1%	Sire Stakes Fund
1%	Oxford County
0.5%	Dairy Improvement Fund
<u>0.5%</u>	Maine Milk Pool
46%	Total

## TABLE GAME ACTIVITY

16% of the net revenue collected from Hollywood Casino is distributed by and to the following:

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

16% of the net revenue collected from Oxford Casino is distributed by and to the following:

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

## TOTAL ALLOCATION OF FUNDS BY RECIPIENT

General Fund	\$ 6,374,501.18
General Fund for the Administrative Expenses of the Gambling Control Board and for Gambling Addiction Services	\$ 2,588,608.12
Gambling Control Board Other Special Revenue Account	\$ 261,917.19
Department of Education for Grades K-12	\$18,937,114.03
University of Maine System	\$ 3,301,621.44
Maine Maritime Academy	\$ 199,430.11
Maine Community College System	\$ 2,437,753.74
Fund to Encourage Racing at Maine's Commercial Tracks	\$ 1,504,279.41
Harness Racing Purses	\$ 4,447,926.48
Sire Stakes Fund	\$ 1,815,437.52
Agricultural Fair Support Fund	\$ 1,815,437.52
Fund to Stabilize Off Track Betting	\$ 376,069.85



Penobscot and Passamaquoddy Tribes	\$ 2,748,911.86
Town of Oxford	\$1,725,738.75
City of Bangor	\$ 550,681.31
Oxford County	\$ 862,869.37
Healthy Maine Fund	\$ 3,760,698.52
Dairy Improvement fund	\$ 343,613.98
Milk Pool	\$ 343,613.98
Veterans' Assistance	\$ 174,611.46
<b>TOTAL ALL ALLOCATIONS</b>	<b>\$54,570,835.16</b>