



127th MAINE LEGISLATURE

LD 1280

LR 1572(15)

An Act To Provide Income Tax Relief by Expanding Gaming Opportunities

Fiscal Note for Bill as Amended by Committee Amendment " "
Committee: Veterans and Legal Affairs
Fiscal Note Required: Yes

Fiscal Note

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

	FY 2015-16	FY 2016-17	Projections FY 2017-18	Projections FY 2018-19
Appropriations/Allocations				
Other Special Revenue Funds	\$0	\$500	\$500	\$500

Fiscal Detail and Notes

If York and Cumberland counties choose to hold referendums during the state primary election in June 2017, the Department of Secretary of State would need a General Fund appropriation of \$45,812 for ballot printing costs and postage. If the counties choose to hold referendums during the general election in November 2017, the Department of Secretary of State would need a General Fund appropriation of \$45,812 for ballot printing costs and postage only if the questions require printing a separate ballot.

The bill establishes the Fund to Reform Veterans Services in the Department of Defense, Veterans and Emergency Services with a base Other Special Revenue Funds (OSRF) allocation of \$500 beginning in fiscal year 2016-17 in order to allow the department to spend any monies received.

The bill creates a commission to use a competitive bid process to award the privilege to apply for a casino to a single applicant. Bidders will pay a \$250,000 bidding fee to win the right to be the applicant. The Gambling Control Board will accept an application for a casino license in either York County or Cumberland County from the winning bidder as long as the voters of the county where the proposed casino will be located have voted to approve a casino. Only one casino, in either York or Cumberland County, may be licensed.

The facility would be taxed at the rate of 40% of net slot income and 16% of net table game income. The bill requires a casino, beginning no sooner than 5 years after operation of slot machines, to make annual capital improvements to the casino using 3% to 4% of both net slot machine income and net table game income generated during the previous year or direct those funds to the Gambling Control Board. This fiscal note assumes the facility will not direct these funds to the Gambling Control Board. This fiscal note assumes a total of 1,000 slot machines and 24 table games, generating an estimated annual revenue of \$27,635,877 in OSRF revenue and \$1,257,931 in General Fund revenue.

Each non-refundable bid proposal will generate \$250,000 in General Fund revenue. The casino operator license is \$55,000,000, with \$5,000,000 going to the General Fund and \$50,000,000 going into an OSRF account within the Gambling Control Board. \$126,400 in annual OSRF revenue will be generated from registration fees on slot machines and table games. The \$50,000,000 will remain in the OSRF account for 5 years after the new casino in York or Cumberland County becomes operational and then be transferred to the Department of Transportation, Highway and Bridge Capital Program if Oxford Casino and Hollywood Casino continue to operate and provide revenue to host municipalities and counties. If either ceases to operate, then distributions will be made from the OSRF account to compensate certain municipalities and counties, with the distributions lasting 5 years and any remaining monies being transferred to the Highway and Bridge Capital Program. Annual state costs associated with 5 inspectors, 1 auditor, 1 detective and 1 office specialist and other related expenses are estimated to be \$763,705.

Under current law, if the Penobscot Nation and Passamaquoddy Tribe, the fund to supplement harness racing purses or the Sire Stakes Fund receive funds from a casino other than Oxford Casino or Hollywood Casino, then the recipient may not receive funds from Oxford Casino. This would cause Oxford Casino's tax rate on net slot revenue to be reduced to 40% from the current 46% rate, resulting in an estimated annual OSRF revenue loss of \$3,032,560 starting in the year the new southern Maine casino becomes operational and makes distributions to all three recipients.

WhiteSand Gaming's market feasibility study on expanded gaming in Maine estimated a 20% reduction in revenue to Oxford Casino if a new southern Maine casino were to open. This fiscal note assumes the same 20% reduction, resulting in an estimated annual General Fund revenue loss of \$379,070 and OSRF revenue loss of \$5,134,388 when the southern Maine casino becomes operational. An assessment of the impact on revenues generated by Hollywood Casino has not been done at this time.

Under current law, State revenue from both Oxford Casino and Hollywood Casino go to various funds, but this bill directs all State revenue from these casinos to go to the Gambling Control Board when the new southern Maine casino becomes operational, until a new distribution of slot machine and table game revenue is established in law. This results in an estimated annual General Fund revenue decrease of \$8,382,405 and an annual OSRF revenue increase of \$8,382,405. The bill requires the new distribution to be 40% of net slot machine revenue and 16% of net table game revenue for both Oxford Casino and Hollywood Casino, resulting in an estimated annual OSRF revenue loss of \$2,285,711 at the time the new tax rates become law. Due to the recipients of future net slot machine and net table game distributions being unknown at this time, there is no current estimate on the amount of net slot machine and net table game revenue that would go to the General Fund and OSRF.

The additional costs to the Office of the Attorney General are expected to be minor.

	Annual Estimate
Summary of Casino Revenue	
Gross Slot Income (total value of money, tokens, credits and other value used to play slots)	\$659,190,000
Player Payback - Slot Income	\$591,293,430
Net Slot Income	\$67,896,570
Share of Net Slot Income for Distribution - 40%	\$27,158,628
Operator Share of Net Slot Income - 60%	\$40,737,942
Net Table Game Income	\$10,844,880
Share of Net Table Game Income for Distribution - 16%	\$1,735,181
Operator Share of Net Table Game Income - 84%	\$9,109,699

State Revenues by Fund	Annual Estimate
<u>General Fund</u>	
General Fund for Southern Maine Casino	\$1,257,931
Oxford Casino revenue reduced from Southern Maine Casino	(\$379,070)
Oxford Casino revenue was GF, now OSRF	(\$1,516,280)
Hollywood Casino revenue was GF, now OSRF	(\$6,866,125)
Total General Fund Revenue	(\$7,503,544)
Casino Operator License - 1st year Only, Renewed After 20 Years	\$5,000,000
Bidding Fee - assumes 2 bidders	\$500,000 (one-time)
<u>Other Special Revenue Funds</u>	
Gambling Control Board - Annual Registration Fees	\$126,400
Department of Transportation Highway and Bridge Capital Program	\$5,092,243
Fund to Supplement Harness Racing Purses	\$3,734,311
Fund to Reform Veterans Services	\$5,808,975
County Where Slot Machines are Located	\$678,966
Gambling Addiction Prevention and Treatment Fund	\$100,000
Sire Stakes Fund	\$1,018,449
Agricultural Fair Support Fund	\$1,018,449
Fund to Stabilize Off-track Betting Facilities	\$678,966
Municipality Where Slot Machines are Located	\$678,966
Abutting Municipalities	\$678,966
Oxford County	\$509,224
Penobscot County	\$509,224
City of Bangor	\$339,483
Town of Oxford	\$339,483
Department of Education	\$3,055,346
University of Maine Scholarship System and Maine Maritime Academy Scholarships	\$1,018,449
Maine Community College System Scholarships	\$1,018,449
Penobscot Nation, Passamaquoddy Tribe, Houlton Band of Maliseet Indians and Aroostook Band of Micmacs	\$1,106,714
Fund for a Healthy Maine	\$210,479
Maine Milk Pool	\$40,738
Oxford Casino Revenue Reduced	(\$8,166,948)
Hollywood Casino Revenue Reduced	(\$2,285,711)
Oxford Casino Revenue was GF, now OSRF	\$1,516,280
Hollywood Casino Revenue was GF, now OSRF	\$6,866,125
Total Other Special Revenue Funds Revenue	\$25,692,023
Casino Operator License - 1st Year Only, Renewed After 20 Years	\$50,000,000
 Total Revenue - All Funds	 \$18,188,480
 Summary of Expenditure Impacts to the State	
Other Special Revenue Funds	
-- Public Safety	\$126,400
General Fund	
-- Public Safety	\$637,305
Total Expenditure Impacts to the State	\$763,705