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FIRST REGULAR SESSION-2015

Legislative Document

No. 620

H.P. 433

House of Representatives, March 3, 2015

An Act To Allow Veterans' Organizations To Own and Operate Slot Machines

Reference to the Committee on Veterans and Legal Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative PICCHIOTTI of Fairfield.
Cosponsored by Representatives: BRYANT of Windham, FARRIN of Norridgewock, FOLEY of Wells, HANINGTON of Lincoln, LONG of Sherman, LONGSTAFF of Waterville, THERIAULT of China, WINSOR of Norway.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 5 MRSA §20006-B, sub-§1**, as amended by PL 2011, c. 657, Pt. AA, §24,
3 is further amended to read:

4 **1. Fund established.** The Gambling Addiction Prevention and Treatment Fund,
5 referred to in this section as "the fund," is established for the purpose of supporting
6 gambling addiction analysis, prevention and treatment to be administered by the
7 department. The fund is a dedicated, nonlapsing fund into which payments are received
8 in accordance with Title 8, section 1036, ~~subsection~~ subsections 2, 2-D and 2-E.

9 **Sec. 2. 8 MRSA §1001, sub-§5-C** is enacted to read:

10 **5-C. Charitable nonprofit organization.** "Charitable nonprofit organization"
11 means a fraternal beneficiary society, order or association exempt from taxation under the
12 United States Internal Revenue Code, Section 501(c)(8), a domestic fraternal society,
13 order or association exempt from taxation under the United States Internal Revenue
14 Code, Section 501(c)(10) or a veterans' organization exempt from taxation under the
15 United States Internal Revenue Code, Section 501(c)(19).

16 **Sec. 3. 8 MRSA §1001, sub-§13-B** is enacted to read:

17 **13-B. Eligible organization.** "Eligible organization" means an organization that:

18 A. Is a charitable nonprofit organization that, as of October 1, 2014, has been
19 conducting gaming under Title 17, chapter 13-A or 62 for at least 2 consecutive years
20 and has owned or leased for a minimum of 2 consecutive years the premises that
21 serve as the primary location of the organization's administrative operations, which
22 are located in a municipality in which the voters have approved in a referendum
23 election the operation of slot machines by a charitable nonprofit organization; or

24 B. Is an off-track betting facility licensed under section 275-D and that was in
25 operation as of January 1, 2014.

26 **Sec. 4. 8 MRSA §1011, sub-§2-C** is enacted to read:

27 **2-C. Organizations eligible for slot machine operator license.** Beginning January
28 1, 2016, the board may accept an application for a license to operate slot machines from
29 an eligible organization. The application process is governed by this subsection.

30 A. The eligible organization shall submit an application, as determined by the board,
31 demonstrating that it is a licensed off-track betting facility or charitable nonprofit
32 organization that meets the requirements of this section. A refundable administrative
33 deposit of \$5,000 must accompany the application. The eligible organization must:

34 (1) If the eligible organization is a charitable nonprofit organization, demonstrate
35 that a majority of the revenue, after deductions for reasonable expenses,
36 generated from gaming conducted under Title 17, chapter 13-A or 62 has been
37 used for the charitable purpose of the eligible organization;

1 (2) If the eligible organization is a charitable nonprofit organization, demonstrate
2 that the premises on which the slot machines will be operated have been owned
3 or leased for at least 2 consecutive years, serve as the primary location of the
4 organization's administrative operations and are located in a municipality in
5 which the voters have approved in a referendum election the operation of slot
6 machines by a charitable nonprofit organization;

7 (3) Demonstrate that it has at least \$2,000 in cash reserved in a segregated
8 account for each slot machine the eligible organization intends to operate if
9 issued a license;

10 (4) If the eligible organization is a charitable nonprofit organization, identify and
11 submit to the board a list of the charitable purposes for which the revenue from
12 the operation of the slot machines will be used; and

13 (5) Meet other criteria established by the board pursuant to rule regarding the
14 licensing and operation of slot machines.

15 B. The board may not issue a slot machine operator license to an eligible
16 organization unless that eligible organization demonstrates compliance with the
17 qualifications and requirements of sections 1016 and 1019 and demonstrates that
18 there is no other electronic video machine or similar machine, as defined by Title 17,
19 section 1831, on the premises where the slot machines will be operated. As used in
20 this paragraph, "electronic video machine or similar machine" does not include a
21 machine that dispenses preprinted lucky seven or similar sealed tickets that the
22 eligible organization is licensed to sell under Title 17, chapter 62.

23 C. If at any time the number of applications received by the board exceeds the
24 number of slot machine licenses that may be granted pursuant to section 1020,
25 subsection 3, paragraph E, the board may use a lottery system, as developed by rule,
26 to determine the order in which the applications will be considered.

27 D. Prior to January 1, 2016, an eligible organization that seeks to obtain a license to
28 operate slot machines may file a declaration of intent with the board, accompanied by
29 a \$250 fee. The declaration of intent must include the following:

30 (1) The name and address of the eligible organization and, for an eligible
31 organization that is a charitable nonprofit organization, the name of the
32 organization's treasurer and at least one official on the governing board of the
33 eligible organization who will submit the application to the board;

34 (2) A copy of the deed, rental agreement or lease agreement for the premises
35 where the eligible organization intends to operate a slot machine;

36 (3) State and federal tax returns of the eligible organization for the immediately
37 prior 2 calendar years; and

38 (4) For an eligible organization that is a charitable nonprofit organization, copies
39 of disposition of funds reports from the operation of games of chance or beano
40 conducted by the eligible organization for the immediately prior 2 calendar years.

41 **Sec. 5. 8 MRSA §1011, sub-§4**, as amended by PL 2005, c. 663, §6, is further
42 amended to read:

1 **4. Requirement for license; agreement with municipality where slot machines**
2 **are located.** A Except for a slot machine operator that is an eligible organization, a slot
3 machine operator shall enter into an agreement with the municipality where the slot
4 machine operator's slot machines are located that provides for revenue sharing or other
5 compensation, including, but not limited to, a provision requiring the preparation, in
6 conjunction with the municipality, of a security plan for the premises on which the slot
7 machines are located. The revenue-sharing agreement must provide for a minimum
8 payment to the municipality of 3% of the net slot machine income derived from the
9 machines located in the municipality.

10 **Sec. 6. 8 MRSA §1016, sub-§1, ¶D,** as amended by PL 2013, c. 212, §15, is
11 further amended to read:

12 D. In the case of a person that is not an eligible organization that is a charitable
13 nonprofit organization applying to be a slot machine operator or casino operator, the
14 person has sufficient knowledge and experience in the business of operating slot
15 machines or casinos to effectively operate the slot machine facilities or casino to
16 which the license application relates in accordance with this chapter and the rules and
17 standards adopted under this chapter; and

18 **Sec. 7. 8 MRSA §1016, sub-§3,** as amended by PL 2013, c. 212, §21, is further
19 amended to read:

20 **3. Applicant other than individual.** If the person, other than an eligible
21 organization that is a charitable nonprofit organization, required to meet the qualifications
22 and suitability requirements specified in subsections 1, 1-A and 2 is a business
23 organization, the key executives, directors, officers, partners, shareholders, creditors,
24 owners and associates of the person must meet the suitability requirements specified in
25 subsection 2. For an eligible organization that is a charitable nonprofit organization
26 required to meet the qualifications and suitability requirements specified in subsections 1,
27 1-A and 2, at least 2 officers of the governing board of the eligible organization, of whom
28 one is the treasurer, must meet the suitability requirements specified in subsection 2.

29 **Sec. 8. 8 MRSA §1017, sub-§1-A** is enacted to read:

30 **1-A. Exception for eligible organization.** Notwithstanding the requirements of
31 subsection 1 regarding about whom the information must be supplied, an application
32 submitted by an eligible organization must include the information required by subsection
33 1 for at least one officer with decision-making authority in the eligible organization and
34 the treasurer of the eligible organization.

35 **Sec. 9. 8 MRSA §1018, sub-§1,** as amended by PL 2011, c. 417, §4; c. 469, §5;
36 and c. 585, §§5 and 6, is further amended to read:

37 **1. Fees.** The application fee for a license and the annual fee for a registered slot
38 machine or table game under this chapter are as set out in this subsection.

39 A. Except for slot machines operated as part of a training and education program as
40 provided by section 1011, subsection 1-B, the initial registration fee for a registered

1 slot machine is \$100. The annual renewal fee is \$100 for each registered slot
2 machine.

3 A-1. Except for table games operated as part of a training and education program as
4 provided by section 1011, subsection 1-B, the initial registration fee for a registered
5 table game is \$100. The annual renewal fee is \$100 for each registered table game.

6 B. The initial application fee for a slot machine distributor license is \$200,000. The
7 annual renewal fee is \$75,000.

8 B-1. The initial application fee for a table game distributor license is \$5,000. The
9 annual renewal fee is \$1,000.

10 C. ~~The~~ Except as provided in paragraph F, the initial application fee for a slot
11 machine operator license is \$200,000.~~The, and the~~ annual renewal fee is \$75,000
12 plus an amount, set by rules of the board, equal to the cost to the board of licensing
13 slot machine operators and determined by dividing the costs of administering the slot
14 machine operator licenses by the total number of slot machine operators licensed by
15 the board.

16 C-1. The initial application fee for a casino operator license is \$225,000, except that
17 the initial application fee for an applicant that is a commercial track that was licensed
18 to operate slot machines as of January 1, 2011 is \$25,000. The annual renewal fee is
19 \$80,000 plus an amount, set by rules of the board, equal to the cost to the board of
20 licensing casino operators and determined by dividing the costs of administering the
21 casino operator licenses by the total number of casino operators licensed by the
22 board. In addition, a casino operator shall pay an initial gaming table fee of \$100,000
23 for the privilege to operate each gaming table for a period of 20 years as long as the
24 casino operator is licensed. Each gaming table is also subject to an annual gaming
25 table renewal fee of \$1,000. The gaming table fees authorize the casino operator to
26 conduct any authorized table game at the gaming table during the 20-year period. A
27 casino licensed in accordance with section 1011, subsection 2-A, paragraph A is not
28 required to pay the gaming table fees until after one calendar year of table game
29 operation. Fees collected in accordance with this paragraph must be deposited to the
30 Gambling Control Board administrative expenses Other Special Revenue Funds
31 account, which is a nonlapsing dedicated account.

32 D. The annual application fee for a license for a gambling services vendor is \$2,000.

33 E. The initial application fee for an employee license under section 1015 is \$250.
34 The annual renewal fee is \$25.

35 F. The initial application fee for a slot machine operator license for an eligible
36 organization is \$1,000. The annual renewal fee is \$350.

37 In addition to the application fee for a license or annual fee for a registered slot machine
38 or table game, the board may charge a one-time application fee for a license or
39 registration listed in paragraphs A to E in an amount equal to the projected cost of
40 processing the application and performing any background investigations. If the actual
41 cost exceeds the projected cost, an additional fee may be charged to meet the actual cost.
42 If the projected cost exceeds the actual cost, the difference may be refunded to the
43 applicant. All fees collected pursuant to this section must be deposited directly to the

1 Administrative Expenses Other Special Revenue Funds account, which is a dedicated
2 nonlapsing account within the Gambling Control Board, except that \$25,000 of the
3 annual renewal fee for a slot machine operator or casino operator must be deposited to the
4 Gross Slot Income Other Special Revenue Funds account within the Gambling Control
5 Board to be transferred to the municipality in which the slot machine facility or casino is
6 operated, in accordance with subsection 2. All application and registration fees are
7 nonrefundable and are due upon submission of the application.

8 **Sec. 10. 8 MRSA §1019, sub-§6**, as amended by PL 2011, c. 417, §5, is further
9 amended to read:

10 **6. Proximity of licensed casinos and slot machine facilities.** A Except for a
11 license issued to an eligible organization to operate slot machines, a casino operator
12 license or slot machine operator license may not be issued under this chapter to operate
13 any casino or slot machine facility located within 100 miles of a licensed casino or slot
14 machine facility. This subsection does not prohibit a commercial track that was licensed
15 to operate slot machines on January 1, 2011 from obtaining a casino operator license for
16 the same facility where slot machines were operated as of January 1, 2011.

17 **Sec. 11. 8 MRSA §1019, sub-§7**, as amended by PL 2011, c. 417, §6, is further
18 amended to read:

19 **7. Statewide and county referendum; municipal vote.** After January 1, 2011, ~~any~~
20 a proposed casino or slot machine facility may not be issued a license unless it has been
21 approved by a statewide referendum vote and a vote of the municipal officers or
22 municipality in which the casino or slot machine facility is to be located, except that a
23 commercial track licensed to operate slot machines on January 1, 2011 is only required,
24 as a condition to obtain a casino license, to receive approval to operate a casino by means
25 of a referendum of the voters of the county in which the commercial track is located.
26 This subsection does not apply to the issuance of a license to an eligible organization to
27 operate slot machines under section 1011, subsection 2-C.

28 **Sec. 12. 8 MRSA §1019, sub-§§8 and 9** are enacted to read:

29 **8. Maintenance contract required for eligible organization licensed to operate**
30 **slot machines.** An eligible organization licensed to operate slot machines in accordance
31 with this chapter shall enter into a contract with a licensed slot machine distributor or,
32 with approval of the board, a 3rd party for the maintenance of slot machines.

33 **9. Segregated account for net slot machine income distribution by eligible**
34 **organization.** In accordance with rules established by the board, an eligible organization
35 licensed to operate slot machines in accordance with this chapter shall establish a
36 segregated account for the deposit of net slot machine income for distributions as
37 required by section 1036, subsection 2-D. The board may require that the segregated
38 account for the deposit of net slot machine income include authorization for the board to
39 make withdrawals to ensure compliance with the distributions required by section 1036,
40 subsection 2-D.

1 **Sec. 13. 8 MRSA §1020, sub-§2, ¶G**, as amended by PL 2013, c. 212, §24, is
2 further amended to read:

3 G. Must have a minimum average daily aggregate payback percentage of 89%
4 computed for all slot machines operated at each slot machine facility or casino on a
5 quarterly basis. A slot machine operated by an eligible organization must have a
6 minimum average daily aggregate payback percentage of 80% computed for all slot
7 machines operated on the premises of each eligible organization on a quarterly basis;
8 and

9 **Sec. 14. 8 MRSA §1020, sub-§3**, as amended by PL 2011, c. 585, §8, is further
10 amended to read:

11 **3. Limits on total slot machines.** The board shall determine the number of slot
12 machines to be registered in the State. The board shall make this determination based
13 upon the minimum net slot machine income, when distributed pursuant to section 1036,
14 necessary to maintain the harness horse racing industry in this State, except that:

15 A. Except for slot machines used for training and educational purposes at
16 postsecondary institutions as provided by section 1011, subsection 1-B, the total
17 number of slot machines registered in the State may not exceed ~~3,000~~ 3,250; and

18 B. A slot machine operator may not operate more than 1,500 slot machines at any
19 one commercial track and a casino operator may not operate more than 1,500 slot
20 machines at a casino;

21 C. An eligible organization that is an off-track betting facility may operate up to 50
22 slot machines;

23 D. An eligible organization that is a charitable nonprofit organization licensed in
24 accordance with this chapter may not operate more than 5 slot machines on the
25 licensed premises of that eligible organization; and

26 E. Until January 1, 2016, the total number of slot machines operated by all eligible
27 organizations licensed in accordance with this chapter may not exceed 100.
28 Beginning January 1, 2017, the total number of slot machines operated by all eligible
29 organizations licensed in accordance with this chapter may not exceed 250.

30 **Sec. 15. 8 MRSA §1031**, as amended by IB 2009, c. 2, §39, is further amended by
31 adding a new first paragraph to read:

32 The following provisions apply to the operation of slot machines and table games by
33 operators licensed in accordance with section 1011, subsections 2 and 2-A.

34 **Sec. 16. 8 MRSA §1031-A** is enacted to read:

35 **§1031-A. Eligible organization; age limit on slot machine use; play limited to**
36 **members and guests; access by minors; credit prohibited**

37 The following provisions apply to the operation of slot machines by an eligible
38 organization licensed in accordance with section 1011, subsection 2-C.

1 **1. Minimum age.** An eligible organization may not permit a person under 21 years
2 of age to play a slot machine.

3 **2. Ratio of members to nonmembers.** One member of the eligible organization
4 that is a charitable nonprofit organization must be present for every 2 nonmembers
5 present where slot machines are operated.

6 **3. Placement of slot machines.** A slot machine operated by an eligible organization
7 may be located only on the premises of that eligible organization. Slot machines may be
8 placed only in an area from which persons under 21 years of age are prohibited except
9 during events when slot machines are not operational.

10 **4. Credit prohibited.** An eligible organization may not allow a person to use a
11 credit card or debit card to play a slot machine.

12 **Sec. 17. 8 MRSA §1035,** as amended by PL 2011, c. 585, §10, is further amended
13 to read:

14 **§1035. Location of slot machines**

15 Slot machines may be located only on the premises of an eligible organization
16 licensed in accordance with this chapter, the premises of a commercial track, the premises
17 of a casino or the premises of an accredited postsecondary institution for the purposes of
18 training and education under section 1011, subsection 1-B. For the purposes of this
19 section, "premises of a commercial track" means property owned by the person who owns
20 the property on which a commercial track is located and that is either within 200 feet of
21 the outside edge of the racing oval or, if the commercial track was owned by a
22 municipality when a license to operate slot machines in association with that commercial
23 track was issued, within 2,000 feet of the center of the racing oval.

24 **Sec. 18. 8 MRSA §1036, sub-§2-D** is enacted to read:

25 **2-D. Distribution of slot machine income from eligible organization.** An eligible
26 organization shall collect and distribute 30% of net slot machine income from slot
27 machines operated by the eligible organization to the board for distribution by the board
28 as follows:

29 A. Ten percent of the net slot machine income must be deposited to the Gambling
30 Control Board administrative expenses Other Special Revenue Funds account, which
31 is a nonlapsing dedicated account;

32 B. Eight percent of the net slot machine income must be deposited to the General
33 Fund;

34 C. Two percent of the net slot machine income must be credited to the Gambling
35 Addiction Prevention and Treatment Fund established by Title 5, section 20006-B;
36 and

37 D. Ten percent of the net slot machine income must be forwarded directly to the
38 municipality where the slot machines are located.

1 Net revenue from the operation of slot machines by an eligible organization after the
2 distributions required in paragraphs A to D must be used to support the charitable
3 purposes identified to the board under section 1011, subsection 2-C, paragraph A, except
4 that the net revenue may be used to pay compensation and defray expenses in the same
5 manner as prescribed for revenue from games of chance by Title 17, section 1838.

6 **Sec. 19. 8 MRSA §1036, sub-§2-E** is enacted to read:

7 **2-E. Distribution of slot machine income from off-track betting facilities.** An
8 eligible organization that is an off-track betting facility shall collect and distribute 45% of
9 net slot machine income from slot machines operated by the eligible organization to the
10 board for distribution by the board as follows:

11 A. One percent of the net slot machine income must be deposited to the Gambling
12 Control Board administrative expenses Other Special Revenue Funds account, which
13 is a nonlapsing dedicated account;

14 B. Five percent of the net slot machine income must be deposited to the General
15 Fund;

16 C. One percent of the net slot machine income must be credited to the Gambling
17 Addiction Prevention and Treatment Fund established by Title 5, section 20006-B;

18 D. Five percent of the net slot machine income must be forwarded directly to the
19 municipality where the slot machines are located; and

20 E. Thirty-three percent of the net slot machine income must be deposited into the
21 Coordinated Veterans Assistance Fund established in Title 37-B, section 514.

22 SUMMARY

23 This bill authorizes the Department of Public Safety, Gambling Control Board to
24 issue licenses for the operation of slot machines to charitable nonprofit organizations and
25 off-track betting facilities. A charitable nonprofit organization must have been a bona
26 fide nonprofit for at least 2 years prior to October 1, 2014 and must own or lease the
27 premises on which the slot machines are operated. An eligible nonprofit charitable
28 organization is limited to 5 slot machines. Facilities licensed as off-track betting facilities
29 are limited to 50 machines per facility. The bill increases the statewide limit on the
30 number of slot machines to be operated from 3,000 to 3,250.

31 A charitable nonprofit organization authorized to operate slot machines is required to
32 distribute 30% of net slot machine revenue to the board to be divided among the
33 Gambling Control Board, gambling addiction and treatment programs, the General Fund
34 and the host municipality. An off-track betting facility is required to distribute 45% of
35 net slot machine revenue to the board to be divided among the Gambling Control Board,
36 gambling addiction and treatment programs, the General Fund, the host municipality and
37 the Coordinated Veterans Assistance Fund.