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Legislative Document

No. 661

H.P. 482

House of Representatives, February 7, 2019

An Act To Increase Gaming Opportunities for Charitable Veterans' Organizations

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

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

ROBERT B. HUNT
Clerk

Presented by Representative MASTRACCIO of Sanford.
Cosponsored by Senator HERBIG of Waldo and
Representatives: BRYANT of Windham, EVANGELOS of Friendship, NADEAU of Winslow,
SHARPE of Durham, SKOLFIELD of Weld.

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 and 2-D.

9 **Sec. 2. 8 MRSA §1001, sub-§13-B** is enacted to read:

10 **13-B. Eligible organization.** "Eligible organization" means a charitable nonprofit
11 organization that:

12 A. Is a veterans' organization exempt from taxation under the United States Internal
13 Revenue Code of 1986, Section 501(c)(19);

14 B. As of October 1, 2017 has been conducting gaming under Title 17, chapter 13-A
15 or 62 for at least 2 consecutive years; and

16 C. Has owned, rented or leased for a minimum of 2 consecutive years the premises
17 that serve as the primary location of the organization's administrative operations, and
18 the premises are located in a municipality in which the voters have approved in a
19 referendum election the operation of slot machines by a charitable nonprofit veterans'
20 organization.

21 **Sec. 3. 8 MRSA §1011, sub-§2-C** is enacted to read:

22 **2-C. Organizations eligible for slot machine operator license.** Beginning January
23 1, 2020, the board may accept an application for a license to operate slot machines from
24 an eligible organization. The application process is governed by this subsection.

25 A. An eligible organization shall submit an application demonstrating that it is a
26 charitable nonprofit veterans' organization eligible for a license to operate slot
27 machines. A refundable administrative deposit of \$2,500 must accompany the
28 application. The eligible organization must:

29 (1) Demonstrate that a majority of the revenue, after deductions for reasonable
30 expenses, generated from gaming conducted under Title 17, chapter 13-A or 62
31 has been used for the charitable purposes of the eligible organization;

32 (2) Demonstrate that the premises on which the slot machines will be operated
33 have been owned, rented or leased for at least 2 consecutive years, serve as the
34 primary location of the organization's administrative operations and are located in
35 a municipality in which the voters have approved in a referendum election the
36 operation of slot machines by a charitable nonprofit veterans' organization;

37 (3) Demonstrate that it has reserved in a segregated account at least \$1,000 in
38 cash for each slot machine the eligible organization intends to operate if issued a
39 license;

1 (4) Identify and submit to the board a list of the charitable purposes for which
2 the revenue from the operation of the slot machines will be used; and

3 (5) Meet other criteria established by the board by rule regarding the licensing
4 and operation of slot machines.

5 B. The board may not issue a license to an eligible organization unless that eligible
6 organization demonstrates compliance with the qualifications and requirements of
7 sections 1016 and 1019 and demonstrates that there is no electronic video machine,
8 as defined by Title 17, section 1831, subsection 4, or similar machine on the premises
9 where the slot machines will be operated. As used in this paragraph, "electronic
10 video machine" and "similar machine" do not include a machine that dispenses
11 preprinted lucky seven or similar sealed tickets that the eligible organization is
12 licensed to sell under Title 17, chapter 62.

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

17 D. Prior to January 1, 2020, an eligible organization that seeks to obtain a license to
18 operate slot machines may file a declaration of intent with the board, accompanied by
19 a \$125 fee. The declaration of intent must include the following:

20 (1) The name and address of the treasurer of the eligible organization and the
21 name of at least one official on the governing board of the eligible organization
22 who will submit the application to the board;

23 (2) A copy of the deed, rental agreement or lease agreement for the premises
24 where the eligible organization intends to operate the slot machines;

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

27 (4) Copies of disposition of funds reports from the operation of games of chance
28 or beano conducted by the eligible organization for the immediately prior 2
29 calendar years.

30 This paragraph is repealed January 1, 2020.

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

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

1 **Sec. 5. 8 MRSA §1016, sub-§1, ¶D**, as amended by PL 2013, c. 212, §15, is
2 further amended to read:

3 D. In the case of a person, other than an eligible organization, applying to be a slot
4 machine operator or casino operator, the person has sufficient knowledge and
5 experience in the business of operating slot machines or casinos to effectively operate
6 the slot machine facilities or casino to which the license application relates in
7 accordance with this chapter and the rules and standards adopted under this chapter;
8 and

9 **Sec. 6. 8 MRSA §1016, sub-§3**, as amended by PL 2013, c. 212, §21, is further
10 amended to read:

11 **3. Applicant other than individual.** If the person, other than an eligible
12 organization, required to meet the qualifications and suitability requirements specified in
13 subsections 1, 1-A and 2 is a business organization, the key executives, directors, officers,
14 partners, shareholders, creditors, owners and associates of the person must meet the
15 suitability requirements specified in subsection 2. For an eligible organization required to
16 meet the qualifications and suitability requirements specified in subsections 1, 1-A and 2,
17 at least 2 officers of the governing board of the eligible organization, of whom one is the
18 treasurer, must meet the suitability requirements specified in subsection 2.

19 **Sec. 7. 8 MRSA §1017, sub-§1-A** is enacted to read:

20 **1-A. Exception for eligible organization.** Notwithstanding the requirements of
21 subsection 1 regarding about whom the information must be supplied, an application
22 submitted by an eligible organization must include the information required by subsection
23 1 for at least one officer with decision-making authority in the eligible organization and
24 the treasurer of the eligible organization.

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

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

29 A. Except for slot machines operated as part of a training and education program as
30 provided by section 1011, subsection 1-B, the initial registration fee for a registered
31 slot machine is \$100. The annual renewal fee is \$100 for each registered slot
32 machine.

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

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

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

1 C. ~~The~~ Except as provided in paragraph C-2, the initial application fee for a slot
2 machine operator license is \$200,000.—The, and the annual renewal fee is \$75,000
3 plus an amount, set by rules of the board, equal to the cost to the board of licensing
4 slot machine operators and determined by dividing the costs of administering the slot
5 machine operator licenses by the total number of slot machine operators licensed by
6 the board.

7 C-1. The initial application fee for a casino operator license is \$225,000, except that
8 the initial application fee for an applicant that is a commercial track that was licensed
9 to operate slot machines as of January 1, 2011 is \$25,000. The annual renewal fee is
10 \$80,000 plus an amount, set by rules of the board, equal to the cost to the board of
11 licensing casino operators and determined by dividing the costs of administering the
12 casino operator licenses by the total number of casino operators licensed by the
13 board. In addition, a casino operator shall pay an initial gaming table fee of \$100,000
14 for the privilege to operate each gaming table for a period of 20 years as long as the
15 casino operator is licensed. Each gaming table is also subject to an annual gaming
16 table renewal fee of \$1,000. The gaming table fees authorize the casino operator to
17 conduct any authorized table game at the gaming table during the 20-year period. A
18 casino licensed in accordance with section 1011, subsection 2-A, paragraph A is not
19 required to pay the gaming table fees until after one calendar year of table game
20 operation. Fees collected in accordance with this paragraph must be deposited to the
21 Gambling Control Board administrative expenses Other Special Revenue Funds
22 account, which is a nonlapsing dedicated account.

23 C-2. The initial application fee for a slot machine operator license for an eligible
24 organization is \$500. The annual renewal fee is \$175.

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

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

28 In addition to the application fee for a license or annual fee for a registered slot machine
29 or table game, the board may charge a one-time application fee for a license or
30 registration listed in paragraphs A to C-1, D and E in an amount equal to the projected
31 cost of processing the application and performing any background investigations. If the
32 actual cost exceeds the projected cost, an additional fee may be charged to meet the actual
33 cost. If the projected cost exceeds the actual cost, the difference may be refunded to the
34 applicant. All fees collected pursuant to this section must be deposited directly to the
35 Administrative Expenses Other Special Revenue Funds account, which is a dedicated
36 nonlapsing account within the Gambling Control Board, except that \$25,000 of the
37 annual renewal fee for a slot machine operator or casino operator must be deposited to the
38 Gross Slot Income Other Special Revenue Funds account within the Gambling Control
39 Board to be transferred to the municipality in which the slot machine facility or casino is
40 operated, in accordance with subsection 2. All application and registration fees are
41 nonrefundable and are due upon submission of the application.

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

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

8 **Sec. 10. 8 MRSA §1019, sub-§7**, as amended by PL 2011, c. 417, §6, is further
9 amended to read:

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

19 **Sec. 11. 8 MRSA §1019, sub-§§8 and 9** are enacted to read:

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

24 **9. Segregated account for net slot machine income distribution by eligible**
25 **organization.** In accordance with rules established by the board, an eligible organization
26 licensed to operate slot machines in accordance with this chapter shall establish a
27 segregated account for the deposit of net slot machine income as required by section
28 1036, subsection 2-D. The board may require that the segregated account for the deposit
29 of net slot machine income include authorization for the board to make withdrawals to
30 ensure compliance with the distributions required by section 1036, subsection 2-D.

31 **Sec. 12. 8 MRSA §1020, sub-§2, ¶G**, as amended by PL 2013, c. 212, §24, is
32 further amended to read:

33 G. Must have a minimum average daily aggregate payback percentage of 89%
34 computed for all slot machines operated at each slot machine facility or casino on a
35 quarterly basis. A slot machine operated by an eligible organization must have a
36 minimum average daily aggregate payback percentage of 80% computed for all slot
37 machines operated on the premises of the eligible organization on a quarterly basis;
38 and

39 **Sec. 13. 8 MRSA §1020, sub-§3**, as amended by PL 2011, c. 585, §8, is further
40 amended to read:

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

5 A. Except for slot machines used for training and educational purposes at
6 postsecondary institutions as provided by section 1011, subsection 1-B, the total
7 number of slot machines registered in the State may not exceed ~~3,000~~ 3,150; and

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

11 C. An eligible organization licensed in accordance with this chapter may not operate
12 more than 3 slot machines on the premises of that eligible organization; and

13 D. Prior to January 1, 2021, the total number of slot machines operated by all eligible
14 organizations licensed in accordance with this chapter may not exceed 80. Beginning
15 January 1, 2021, the total number of slot machines operated by all eligible
16 organizations licensed in accordance with this chapter may not exceed 150.

17 **Sec. 14. 8 MRSA §1031-A** is enacted to read:

18 **§1031-A. Eligible organization; age limit on slot machine use; play limited to**
19 **members and guests; access by minors; credit prohibited**

20 Notwithstanding the provisions of section 1031, the following provisions apply to the
21 operation of slot machines by an eligible organization.

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

24 **2. Play limited to members and guests.** When slot machines are operated, there
25 must be one member of the eligible organization present for every 2 nonmembers present.

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

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

32 **Sec. 15. 8 MRSA §1035**, as amended by PL 2011, c. 585, §10, is further amended
33 to read:

34 **§1035. Location of slot machines**

35 Slot machines may be located only on the premises of an eligible organization
36 licensed in accordance with this chapter, the premises of a commercial track, the premises
37 of a casino or the premises of an accredited postsecondary institution for the purposes of
38 training and education under section 1011, subsection 1-B. For the purposes of this

1 section, "premises of a commercial track" means property owned by the person who owns
2 the property on which a commercial track is located and that is either within 200 feet of
3 the outside edge of the racing oval or, if the commercial track was owned by a
4 municipality when a license to operate slot machines in association with that commercial
5 track was issued, within 2,000 feet of the center of the racing oval.

6 **Sec. 16. 8 MRSA §1036, sub-§2-D** is enacted to read:

7 **2-D. Distribution of slot machine income from eligible organization.** An eligible
8 organization shall collect and distribute 30% of net slot machine income from slot
9 machines operated by the eligible organization to the board for distribution by the board
10 as follows:

11 A. Ten 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. Eight percent of the net slot machine income must be deposited to the General
15 Fund;

16 C. Two 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 and

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

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

26 SUMMARY

27 This bill permits the Department of Public Safety, Gambling Control Board,
28 beginning January 1, 2020, to issue a license to a charitable nonprofit organization that is
29 a veterans' organization that is tax-exempt under the United States Internal Revenue Code
30 of 1986 to operate up to 3 slot machines on premises that have been owned, rented or
31 leased by the organization for at least 2 consecutive years, that serve as its primary
32 administrative operations headquarters and that are located in a municipality that has, by
33 referendum of the voters, approved the operation of slot machines in that municipality.
34 The charitable nonprofit veterans' organization must be able to demonstrate that it has a
35 cash reserve of \$1,000 for each machine the organization intends to operate.

36 A charitable nonprofit veterans' organization that wishes to apply prior to January 1,
37 2020 may file a declaration of intent to apply with the Gambling Control Board. An
38 application must include a refundable \$2,500 deposit. The initial application fee for a slot
39 machine operator license is \$500, and the annual renewal fee is \$175.

1 A slot machine operated by a charitable nonprofit veterans' organization is subject to
2 the same central site monitoring that applies to casinos and slot machine facilities at
3 harness racing tracks. The total number of slot machines allowed to be operated by
4 charitable nonprofit veterans' organizations statewide between January 1, 2020 and
5 December 31, 2020 is 80; beginning January 1, 2021 the number increases to 150.

6 The bill provides that 10% of the net slot machine income from a charitable nonprofit
7 veterans' organization is required to be deposited directly with the Gambling Control
8 Board for administrative expenses; 8% goes directly to the General Fund; 10% goes to
9 the host municipality; and 2% is dedicated to gambling addiction prevention and
10 treatment. A charitable nonprofit veterans' organization that is licensed to operate slot
11 machines is required to establish a separate account, from which the board may withdraw
12 funds to distribute the net revenue percentages. The remaining revenue generated from
13 the slot machines must be used to support the charitable purposes of the veterans'
14 organization.