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State of Maine
 ONE HUNDRED AND TWENTY-FOURTH LEGISLATURE
 COMMITTEE ON LEGAL AND VETERANS AFFAIRS

February 11, 2010

To: Senator Bill Diamond, Co-chair
 Representative Emily Cain, Co-chair
 Members, Joint Standing Committee on Appropriations and Financial Affairs

From: Senator Nancy Sullivan, Co-chair
 Representative Pamela Jabar Trinward, Co-chair
 Members, Joint Standing Committee on Legal and Veterans Affairs

RE: LD 1671 Supplemental Budget Report-back CONTINUED

The Legal and Veterans Affairs Committee has continued its work regarding the proposals put forth in LD1671 as well as its work to develop proposals that may help benefit the general fund for this budget cycle and into the future. The following are the proposals considered by the committee:

Authorize BABLO to operate Megamillions game

General Fund Revenue:	FY 09/10	\$135,827	FY 10/11	\$1.5 million
Committee vote:	10 Yes		0 No	

As noted in our earlier report, the committee considered authorizing BABLO to operate an additional on-line, big-jackpot, multi-drawing game into the mix of products offered by lottery agents in the state. Megamillions is the newest multi-state that has gone on-line in several other states, including all of the other New England states as of January 31st. There will be some impact on existing games, a fact that our revenue projection takes into account.

From the revenue to be realized this fiscal year Megamillions sales (\$250K) we are recommending funding the position of the Executive Director of the Gambling Control Board for FY 09/10 (\$9,412) and FY 10/11 (\$104,761). We also recommend an appropriation of \$7,500 to the Maine Women Veterans Commission.

Reorganization of Gambling Control Board under DAFS

General Fund Revenue:	FY 09/10	\$104,439	FY 10/11	\$154,955
Committee Vote:	8 Yes		0 No	

This proposal transfers the administration of the Gambling Control Board from under the Department of Public Safety to the Department of Administrative and Financial Services. It maintains the Executive Director of the Gambling Control Board and adds to the duties of that position, administration of the laws governing non-profit games of chance. Currently, non-profit games of chance are administered by the Weapons and Gaming Division within the Department of Public Safety. Operations in that division are funded by license fees deposited into an Other Special Revenue Account. This proposal would take the gaming fees from the DPS account and establish a new Other Special Revenue account for the new Gaming Division under DAFS. Any excess funds in this new OSR account under DAFS would be transferred to the general fund. The Gambling Control Board will still be funded through the General Fund.

This proposal results in the elimination of a Sergeant position under DPS and the transfer of positions from Gaming and Weapons within DPS to DAFS. Funding for the enforcement functions for gaming and weapons remaining in DPS maintain funding under this proposal. When developing this proposal, the committee worked to ensure that this would have no additional impact on the number of trooper positions currently within DPS by funding all existing positions that assigned to weapons. We were careful in our development of this proposal to ensure no impact on frontline public safety officers.

Since the cost of the Executive Director position through FY 10/11 is being funded by the revenue recognized from the implementation of Megamillions, there is no impact to the general fund under this proposal to pay for the costs of maintaining that position.

A breakdown of this recommendation is attached.

** The vote on this proposal was taken on February 1st. A draft of this report was reviewed on February 10th. Although this item was not reconsidered for a vote, Sen. Goodall is opposed. Sen. Goodall supports maintaining the Executive Director position and consolidation of oversight generally, but he does not support the current proposal to meet those objectives.*

Authorization of BABLO to conduct KENO

General Fund Revenue

Proposal A	FY 09/10	\$0	FY 10/11	\$2,356,200
Proposal B	FY 09/10	\$0	FY 10/11	\$2,314,200

Committee Vote:

Divided

5 for Keno proposal A

(Sullivan, Trinward, Valentino, Carey, Russell)

4 for Keno proposal B

(Fitts, Nass, Pinkham, Beaulieu)

1 opposed to Keno (Tuttle)

Proposal A:

Five members of the committee voted to support Keno proposal "A." This proposal would authorize BABLO to operate Keno through agents comprising taverns, lounges, Class A

restaurants and charitable non-profits with an on-premise liquor license. The law would be structured in a way so that 10% of licensees would be charitable non-profits. By the end of FY10/11 gross sales of Keno (200 machines) will bring in gross sales of \$8.4 million, over \$2.3 million of which will go to the General Fund (28.15% state share). The commission for agents is 5% (\$420,000 first year) of gross sales and the keno machine vendor share is 4.85% (\$407,800 first year). Payout to Keno players is 62%.

Looking into the future, it is estimated that Keno could result in over \$3.8 million in year 2 (FY11/12) and just over \$5 million in year 3 (FY 12/13).

Proposal B:

This proposal is the same as Proposal A except that non-profit agents would receive a commission of 10% while all other Keno agents would receive 5%. This adjustment of an increased commission would impact about 20 Keno agents and result in a difference in revenue to the general fund of \$42,000 less than Proposal A.

Authorize the operation of table games at the racino in Bangor

General Fund Revenue	FY 09/10 \$5,000,000	FY 10/11 \$1,330,000
Committee vote:	4 Yes 6 No	

This proposal would authorize the operation of table games at the existing slot machine facility in Bangor. The initial license fee to operate table games would be \$5million. A fee for annual renewal was not decided upon, but should be part of ongoing discussion should this proposal move forward. Based on testimony from the general manager of the slot facility in Bangor, 25 to 30 table games could result in revenue to the facility of \$8.3 million. With a state share of table game revenue at 16% the general fund is projected to receive \$1.33 million in the first year. Table game revenue would not be subject to the distribution often referred to as "the cascade." This proposal based on the information provided by Hollywood Slots, slot revenue is expected to increase by 10% with the addition of table games at the facility. This recommendation proposes that any increase in slot revenue realized from the addition of table games would be deposited directly to the General Fund.

There are significant details that would need to be worked out in order to make this proposal complete. If your committee chooses to move forward, we expect to stay fully engaged in the development of this change.

Implementing a cap on dedicated funds that receive racino revenue

General Fund Revenue	FY 09/10 \$1.8 million	FY 10/11 \$2.2 million
Committee vote:	6 NO 4 YES	

As presented in our previous report, this proposal would replicate what has been done in LD 1668 with the Fund for a Healthy Maine and impose similar caps to the dedicated accounts that receive racino revenue. See attached.

Another proposal that had been described in our earlier report that addressed the monitoring contract at the racino has been withdrawn.

Ongoing issue of concern:

Legal and Veterans Affairs continues to monitor the issue of enrolling Maine's ever-growing population of veterans in the Federal VA system to ensure they receive the benefits to which they are entitled. We've brought this to your attention in the past and you will be receiving another letter from us this session regarding this issue. It is our intent to be repetitive because this is a priority for the committee. We have significant concerns about the refusal of the Department of Health and Human Services to communicate with the Bureau of Veterans Services regarding the numbers of people receiving benefits through DHHS that would be entitled to federal VA benefits if properly enrolled. As we've stated in the past, receipt of these benefits could save the state money in MaineCare expenditures and can also prove to be an ongoing source or income to veterans who qualify for a pension and other benefits. We strongly recommend you pay attention to this issue not only in light of the current state of the budget but in order to best serve our veterans.

We also acknowledge the suggestion from your committee for us to consider the consolidation of administration and enforcement of the laws governing alcoholic beverages. This is an area of interest for our committee. We simply have not found the time to properly consider it to date.

We have not attached a worksheet in consideration of saving paper. All of the initiatives included in the worksheet were approved unanimously with the exception of the item #1214 on LVA-7 that booked savings from the elimination of the Executive Director of the Gambling Control Board. This is a change from the worksheet as presented to you on January 27th that made comment on ref. #314 on LVA 5, and ref #s 1213 and 1215 on LVA 7.

Thank you for your time and consideration of our report. We anticipate that we will continue to work with you as the proposals take shape as part of LD 1671.

Summary of revenues attached to Legal and Veterans' Affairs committee proposals. Proposals have varying levels of support as noted above in committee votes.

Proposal	Fiscal Year 2009-10	Fiscal Year 2010/11
Megamillion	\$250,000	\$1,500,000
Gaming oversight consolidation	\$104,439	\$154,955
Keno (proposal A)	\$	\$2,356,200
Table games	\$5,000,000	\$1,330,000 (plus renewal fees not determined)
"Cascade" cap	\$1,864, 614	\$2,207,426
	Subtotal - \$7,219,053	
Less Funding requests : Ex. Dir position and Women Veterans Commission	\$121,673 for FY 10 only	
TOTAL	\$7,097,380	\$6,198, 581

Gaming Regulation Consolidation

I. Consolidation and changed Reporting Relationships

- A) Consolidate Gaming division (administrative and regulatory functions) and Gambling Control Board under DAFS
 - 1. Retain Gambling Board Executive Director Position
 - 2. Eliminate State Police Sergeant position in gaming division
 - 3. Transfer 4 Non-enforcement positions to Gambling Control Board (2 Public Safety Inspectors, 2 clerks)
- B) Enforcement remains at DPS
 - 1. As currently, Gambling Control board detective (sworn officer) works at GCB but reports to State Police.
 - 2. Gaming/Weapons detective will remain in DPS (40% of his time is spent investigating gaming).
 - 3. Lieutenant currently in charge of Gaming, Liquor, Exec Protection, and Special Investigations will remain at DPS

II. Accounting Changes

- A) Transfer revenue from DPS to DAFS to fund Gaming Regulation
 - 1. All Gambling Control Board Revenue and Expense are transferred to DAFS from DPS (revenue is General Fund except for the pass-through to the host municipality).
 - 2. All money generated from gaming activities is transferred out of DPS to DAFS.
- B) Transfer money from DAFS to DPS to maintain gambling enforcement activities
 - 1. Pay for the Gaming enforcement time of the Gaming/Weapons Detective on an ongoing basis from DAFS (OSR) to DPS (GF)
 - 2. Pay 100% of Liquor/Exec Prot./Special Investig. Lieutenant by transfer from DAFS (OSR) to DPS (GF) in FY 11
 - 3. Pay 100% of non-personnel costs in Weapons division by transfer from DAFS (OSR) to DPS (GF) in FY 11
- C) Have no effect on non-gaming Public Safety
 - 1. Transfer \$50,000 to DPS from DAFS to ensure that a trooper position is not lost from the road due to bumping rights under collective bargaining agreement obligations
- D) Transfer surplus Gaming Revenues to General Fund

In / Out		General Fund			Gaming License Fees (OSR)		
		FY 10	FY 11	FY 12, etc	FY 10	FY 11	FY 12, etc
IN Ref: # NEW 1	Eliminate State Police Sergeant - Headcount reduction of 1 <i>- Is \$10,000 correct for the All Other value of the headcount reduction?</i>					(-1.0) 120,516 Personal Services 10,000 All Other	[Not in baseline]
IN Ref: # NEW 2	Transfer Gambling Control Board to DAFS - GCB Executive Director Reports to DAFS Commissioner - Transfer entire headcount <ul style="list-style-type: none"> o Exec Dir o Detective (continues to report to State Police) o ID Spec o 2 Inspectors o Auditor - \$488,246 OSR to the Host Municipality – that is just a pass-through from the cascade, right? If so, I will not include on the budget proposal as it will be unaffected by the proposal.		DPS (-6.0) (1,085,778) Expense & Revenue DAFS (6.0) 1,085,778 Expense & Revenue				DAFS 1,085,778 Expense & Revenue
IN Ref: # NEW 3	Transfer Gaming Division Expenses to DAFS - Transfer 4 headcount to DAFS <ul style="list-style-type: none"> o 2 public safety inspectors o 2 clerks 					DPS (-4.0) (219,786) PS (94,635) AO DAFS (4.0) 219,786 PS 94,635 AO	DAFS 219,786 est. PS 94,635 est AO
IN Ref: # NEW 4	Transfer Gaming License Fees (existing OSR account) from DPS to DAFS					DPS (828,036) DAFS 828,036	DAFS 828,036 est
IN Ref: # NEW 5	Pay for the Gaming work done by Public Safety Detective - Ongoing Transfer		35,238 Revenue (35,238) Expense	35,238 est Revenue (35,238) est Expense		(35,238)	(35,238) Est.
IN Ref: # NEW 6	Transfer Excess Gaming Fees to General Fund - [arithmetic of lines 3, 4, and 5]		478,377	478,377 est		(478,377)	(478,377) est.

In / Out		General Fund			Gaming License Fees (OSR)		
		FY 10	FY 11	FY 12, etc	FY 10	FY 11	FY 12, etc
<u>IN</u> Ref: # NEW 7	Fund Lieutenant position in DPS Special Investigations division		(118,226)	(118,226) est			
<u>IN</u> Ref: # NEW 8	Fund remainder (from NEW #5) of Detective position in Special Investigations division (pay for Weapons enforcement duties)		(52,857)	(52,857) est			
<u>IN</u> Ref: # NEW 9	Fund non-personnel costs in Weapons Division		(152,339)	(152,339) est			
<u>IN</u> Ref: # NEW 10	Fund Trooper position so that there is no decrease in headcount and public safety as the result of bumping created by elimination of Sgt position (NEW #1) - [Estimate based on Base costs of \$70,000 for a trooper; NEW #1 - \$70,000]		(50,516)				
	TOTAL General Fund Savings	0	\$104,439	\$154,955		(1) Head count	

Revised “Minority “Budget Proposal for Racino “Cascade”
Minority Committee: Rep. Trinward, Rep. Valentino, Rep. Russell, Rep. Cornell du Houx
From LVA to AFA
Dated February 10, 2010

At the January 8, 2010, joint AFA/LVA meeting, Rep. John Martin requested LVA to review the Racino “cascade”; at the January 27 2010, joint AFA/LVAA meeting, Rep. Sawin Millett requested LVA to review the Racino “cascade” and Rep. Peggy Rotundo mentioned that AFA had asked LVA in 2007 to review the “cascade”.

In order for LVA to complete a thorough review of the Racino “cascade” and report back to AFA on whether the cascade percentages and recipients should be changed, LVA would need to review complete annual reports from all entities receiving money under the cascade. LVA would need to review these reports to analyze where and how the money was being spent. LVA does not have the information available to them in order to complete this investigation prior to finalizing the Supplemental Budget.

Therefore, we propose adding the following language provisions to the Supplemental Budget:

1. 8 MRSA Sec. 1036, sub-sec. 5.
 5. **Report to Board.** A non-state entity that receives funds pursuant to subsection 2 shall submit an annual report to the board, the Legal and Veteran’s Affairs Committee and the Appropriations Committee setting forth an itemization of all deposits and expenditures of funds received pursuant to subsection 2. *(This is similar to language proposed in the Governor’s budget, LD 2173 Part HH, last session , but not included by AFA.)*
2. Cap all cascade recipients at the same percent that the Fund for Healthy Maine was capped in Streamline budget, Part H. This would give LVA time to review the cascade, as requested by members of AFA, report back to AFA in the next Session, and add to the general fund the following:
 - The three year cap as outlined on attached spreadsheet would return to the GF:

\$1,864,614	in 09-10
\$2,207,426	in 10-11
\$2,810,971	in 11-12

(These projected savings are over and above the savings already realized when AFA capped FHM)

Although the Minority Report is not making specific recommendations to AFA on where the savings should be used, we would appreciate AFA giving consideration to using the money to fund reductions that have been proposed to higher education operating costs and DHHS.

This proposal ONLY makes changes to the parties listed under the 39% “cascade”.

Capping is necessary in order to give LVA time to review the cascade.

- When the original statutes were drafted and adopted, the State of Maine had never had a racino and it was the informal intent of the legislature to review these percentages three years (3) after the racino was up and running. The three year period was up in 2009.
- In the FY 08-09 budget, the cascade recipients received a 29% revenue increase from the cascade while other budget lines experienced significant decreases.
- This proposal recommends capping all racino cascade recipients at the same percentage reduction as was done to FHM.
- The current racino has 1000 slots and is allowed another 500 slots. Without capping the cascade recipients would increase their revenues significantly before a review could be conducted.
- In 2009, a supplemental budget was adopted by this Legislature and Part “H” of this supplemental budget capped the net slot machine revenue for the Fund for a Healthy Maine (FHM) at \$4,500,000 for fiscal years ending June 30, 2010; June 30, 2011; and June 30, 2012.
- Since the FHM has been capped under the racino “cascade”, all other recipients under the cascade should also be capped.
- The cap would be -9.7% of what recipients actually received in 2008-2009. This is the same -9.7% that FHM was reduced by.
- This proposal does not change the statutory percentages under the cascade. The percentages stay the same, only the revenue to be distributed is capped.
- In the 2012-2013 budget, the cap is eliminated and the cascade recipients receive the statutory percentages.
- The current racino has 1000 slots and is allowed another 500 slots. Without capping the cascade the recipients could increase their revenues significantly before a review could be conducted.

- This proposal keeps with the intent of the voters when they voted on November 4, 2003:

Question 2: Citizen Initiative

Do you want to allow slot machines at certain commercial horse racing tracks if part of the proceeds are used to lower prescription drug costs for the elderly and disabled, and for scholarships to the state universities and technical colleges?

Yes: 272,394

No: 242,490

Racino Revenue - Adjustments based on 3-year Limit on Distributions to Other State Funds

Distribution of State Share of "Net Slot Machine Income"	39.0%	2008-09 Actual	2009-10	2010-11	2011-12	2012-13	Calculated Cap	Reduction from FY 09
Total State Share - At 39%	39.0%	\$19,426,536	\$20,579,998	\$20,993,585	\$21,935,115	\$23,031,871		
General Fund (other)	3.0%	\$1,494,349	\$1,583,077	\$1,614,891	\$1,687,317	\$1,771,682		
General Fund (After 48 months - November 2009)	1.0%		\$325,280	\$538,297	\$562,439	\$590,561		
Fund for Healthy Maine	10.0%	\$4,981,163	\$4,500,000	\$4,500,000	\$4,500,000	\$5,905,608	\$4,500,000	-9.7%
University of Maine Scholarship Fund	2.0%	\$996,233	\$900,000	\$900,000	\$900,000	\$1,181,122	\$900,000	-9.7%
Maine Community College System - Scholarship Funds	1.0%	\$498,116	\$450,000	\$450,000	\$450,000	\$590,561	\$450,000	-9.7%
Resident Municipalities	1.0%	\$498,116	\$450,000	\$450,000	\$450,000	\$590,561	\$450,000	-9.7%
Purse Supplements	10.0%	\$4,981,163	\$4,500,000	\$4,500,000	\$4,500,000	\$5,905,608	\$4,500,000	-9.7%
Sire Stakes Fund	3.0%	\$1,494,349	\$1,350,000	\$1,350,000	\$1,350,000	\$1,771,682	\$1,350,000	-9.7%
Fund to Encourage Racing at Commercial Tracks	4.0%	\$1,992,465	\$1,800,000	\$1,800,000	\$1,800,000	\$2,362,243	\$1,800,000	-9.7%
Fund to Stabilize Off-Track Betting (48 months - until Oct 2009)	2.0%	\$996,233	\$404,824	\$0	\$0	\$0		
Fund to Stabilize Off-Track Betting (after 48 months - Nov 2009)	1.0%		\$325,280	\$450,000	\$450,000	\$590,561	\$450,000	
Agricultural Fair Support Fund	3.0%	\$1,494,349	\$1,350,000	\$1,350,000	\$1,350,000	\$1,771,682	\$1,350,000	-9.7%
Residual Above 3-year caps to General Fund			\$2,641,537	\$3,090,397	\$3,935,359	\$0		
Less Amounts Attributable to PL 2009, c. 462 Part H			(\$776,923)	(\$882,971)	(\$1,124,388)	\$0		
Net General Fund Residual from 3-year Cap			\$1,864,614	\$2,207,426	\$2,810,971	\$0		

Revenue Summary	2008-09 Actual	2009-10	2010-11	2011-12	2012-13
General Fund					
General Fund Administration	\$6,734,684	\$6,917,649	\$7,082,856	\$7,400,511	\$7,770,537
General Fund (Other)	\$1,494,349	\$1,908,357	\$2,153,188	\$2,249,756	\$2,362,243
General Fund Residual from 3-year Cap		\$1,864,614	\$2,207,426	\$2,810,971	
Licensing revenue	\$485,993	\$461,950	\$461,950	\$461,950	\$461,950
Reimbursement - Background Checks	\$15,320	\$12,000	\$12,000	\$12,000	\$12,000
Subtotal - General Fund	\$8,730,346	\$11,164,570	\$11,917,420	\$12,935,188	\$10,606,730
Fund for Healthy Maine	\$4,981,163	\$4,500,000	\$4,500,000	\$4,500,000	\$5,905,608
Other Special Revenue Funds					
Harness Racing Commission	\$10,958,559	\$9,730,104	\$9,450,000	\$9,450,000	\$12,401,776
PUS- host municipalities	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
University of Maine Scholarship Fund	\$996,233	\$900,000	\$900,000	\$900,000	\$1,181,122
Maine Community College System Scholarships	\$498,116	\$450,000	\$450,000	\$450,000	\$590,561
Resident Municipalities	\$498,116	\$450,000	\$450,000	\$450,000	\$590,561
Subtotal - Other Special Revenue Funds	\$2,017,465	\$1,825,000	\$1,825,000	\$1,825,000	\$2,387,244
Incremental Effects from Current Forecast:					
General Fund		\$1,864,614	\$2,207,426	\$2,810,971	\$0
Other Special Revenue Funds					
Harness Racing Commission		(\$1,553,846)	(\$1,854,238)	(\$2,361,216)	\$0
University of Maine Scholarship Fund		(\$155,385)	(\$176,594)	(\$224,878)	\$0
Maine Community College System Scholarships		(\$77,692)	(\$88,297)	(\$112,439)	\$0
Resident Municipalities		(\$77,692)	(\$88,297)	(\$112,439)	\$0
Subtotal - Other Special Revenue Funds		(\$1,864,615)	(\$2,207,426)	(\$2,810,972)	\$0