

Memorandum Submission of Sanford OTB

Members of Joint Standing Committee on Legal Veterans' Affairs,

Please accept this memorandum and the attached spreadsheet as the Sanford OTB's submission of information the Committee has requested concerning the use to which the Sanford OTB has placed the distributions it received under Maine law from the Bangor racino operation. We note initially the following:

1. Under that law, the OTBs' shared distribution has been reduced by one-half, from two percent to one percent;
2. The Fund to Stabilize OTBs was created because at the time the Bangor Racino was approved by Maine voters and by the Maine Legislature, Maine's OTBs were suffering steady declines in revenue; they were required to share substantial revenues with Maine harness racing, while competing with illegal and out-of-state wagering (including wagering on horse races) that does not share revenues with Maine harness racing.
3. The declines in OTB revenues were also attributable to the proliferation of other forms of gaming, including increased slot gaming in the northeast; several of our OTBs, including the OTB in Waterville, were expected to be particularly hard hit by the Bangor racino;
4. The Maine statutes governing the participants in Maine harness racing have long required revenue sharing, under which all venues contribute monies to various funds which are then distributed through the harness racing industry;

At this week's hearing, we sensed that some on the Committee believe no good public-policy justification supports the compelled revenue sharing created by Maine law, including the funds through which Racino revenues are distributed. We respectfully disagree. We note that many government programs are highly regarded precisely because the class of beneficiaries includes participating is substantial. For example, social security and medicare are highly regarded programs precisely because their benefits are available broadly – and not only to those who are considered most needy.

The particular benefit of forced revenue sharing the Maine Legislature has imposed on Maine Harness Racing includes the following benefits:

1. As expressly contemplated by statute it preserves the diversity of Maine's tracks and off-track betting facilities;
2. That diversity brings the enjoyment of harness racing to all corners of the state;

3. Each OTB contributes far more to Maine harness racing than it receives in its distribution from the racino, as is reflected on the attached spreadsheet;
4. The revenue sharing throughout harness racing has fostered a spirit of cooperation and mutual dependence of which both the Maine Legislature and the entire industry ought to be proud.

Thank you for your attention to this matter.

Respectfully submitted,

Sharon Terry, Member

OTB Facilitators - Sanford
Revenue & Expense Analysis

	<u>2005</u>	<u>2006</u>	
Total Wagers	2,232,237	4,865,109	
Returned to Patrons	<u>(1,752,163)</u>	<u>(3,811,961)</u>	
Commissions on Wagers	480,074	1,053,148	
Food/Beverage/Program Sales	<u>53,177</u>	<u>97,980</u>	
Gross Income	533,251	1,151,128	
Distributions from Harness Racing Family	<u>17,789</u>	<u>159,373</u>	
Total Income	551,040	1,310,501	
<u>Parimutuel Taxes:</u>			
Contributions to the Harness Racing Family Funds	(231,139)	(492,440)	³
<i>Net Contributions to Harness Racing Family Funds</i>	213,350	333,067	⁴
Income After Parimutuel Taxes	319,902	818,061	
Parimutuel Expenses	(152,883)	(350,725)	
Salaries to Owners / Members	-	-	
Payroll Expenses	(80,057)	(160,367)	
<i># of Employees</i>	13	13	
G&A and Other Expenses	<u>(117,727)</u>	<u>(232,286)</u>	
Net Income	(30,765)	74,683	

³ OTB's contribute to the General Fund, Agricultural Fair Fund, Site Stakes Fund, Purse Supplements, Fair/Track Simulcast Fund, and the Promotion Board Fund.

⁴ Contributions to Harness Racing Funds less distributions from racino.

OTB Facilitators - Sanford
Revenue & Expense Analysis

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Wagers	4,272,031	4,369,467	3,802,955
Returned to Patrons	<u>(3,335,121)</u>	<u>(3,386,912)</u>	<u>(2,959,913)</u>
Commissions on Wagers	936,910	982,555	843,042
Food/Beverage/Program Sales	<u>89,387</u>	<u>86,001</u>	<u>92,808</u>
Gross Income	1,026,297	1,068,556	935,850
Distributions from Harness Racing Family	<u>185,773</u>	<u>234,786</u>	<u>240,157</u>
Total Income	1,212,070	1,303,342	1,176,007
<u>Parimutuel Taxes:</u>			
Contributions to the Harness Racing Family Funds	(441,481)	(437,953)	(381,537) ¹
<i>Net Contributions to Harness Racing Family Funds</i>	255,708	203,167	141,380 ²
Income After Parimutuel Taxes	770,588	865,389	794,470
Parimutuel Expenses	(335,129)	(369,459)	(342,390)
Salaries to Owners / Members	-	-	-
Payroll Expenses # of Employees	(151,452) 15	(157,498) 16	(171,873) 15
Debt Service, Utilities, Rent, Insurances, Cost of Food & Bev., Overhead, G&A	<u>(259,721)</u>	<u>(276,889)</u>	<u>(259,142)</u>
Net Income	24,286	61,543	21,065

¹ OTB's contribute to the General Fund, Agricultural Fair Fund, Site Stakes Fund, Purse Supplements, Fair/Track Simulcast Fund, and the Promotion Board Fund.

² Contributions to Harness Racing Funds less distributions from racino.