

Executive Summary for Allegany County Paper Gaming Office Revenues for Fiscal Year 2008

History

Allegany County Gaming Office was created in the fall of 2003. In order to condense this report we will only show trends based on the last three years of information.

Highlights of the FY 2008

A new Gaming Office Administrator, Gerald Joy, was hired in late October to replace David Nedved who took a position with Economic Development. Electronic Tip Jars, more commonly known as Electronic Gaming Machines, experienced a spike in growth although two fore runners of the machines were originally in service at the Redman Club in Westport since 2003 and the Diamond Company had electronic tab dispensers in the American Legion in Cumberland since December 2007.

In the fall and early winter several trips to Annapolis were required to provide testimony opposing the Amusement Tax on Gross Profits of the Electronic Gaming Machines and then later to testify in favor of allowing electronic gaming machines. The efforts failed and ultimately Senate Bill 959 received favorable votes to prohibit this type of electronic bingo machines on July 01, 2008.

Fiscal Records

- Overall tax revenues for fiscal year 08 were \$24,163 higher or a 3.42 % increase over fiscal year 07.
- Cumberland area revenues exceeded all other areas by \$67,025. This was due to the electronic gaming machines installed at Lucky Sevens, later known as River's Edge.
- Wholesaler license sales were down \$700 or 10.76 % from the previous fiscal year 07. One Wholesaler sold his business in the first half of the fiscal year entitling him to a partial refund.
- Sticker revenues were down \$4,600 or 10.4% due primarily to the size of the games purchased getting larger especially due to the electronic gaming machines. Interestingly 94% of all stickers sold have been attached to games played.
- Club Revenues were down \$29,375 or 12% despite some clubs having electronic gaming machines in play.
- Tavern Revenues were up \$69,024 or 33.4% because of the electronic gaming machines.
- Liquor Store Revenues were down \$19,423 or 19.95% lacking support of the electronic gaming machines.
- Convenience Store Revenues were up \$7,114 or 14.79 % even without the aid of the electronic gaming machines.
- Temporary Operator Revenues were up \$1,124 or 14.1%.

Executive Summary for Allegany County Paper Gaming Office Revenues for Fiscal Year 2008

Gaming Office

- Overall expenses for the operation of the Gaming Office increased \$10,079 over the Fiscal Year 2007 for a total of \$138,895.
- Fringe Benefits decreased by \$7,123 for a total of \$17,840.
- Combined salary and fringe benefits remained virtually the same.
- Inspector mileage increased \$339 for a total of \$6,795. An increase in mileage rate allotted became effective January 01, 2008.
- Other cost (office supplies, gas, telephones, auto repair, ad for employment, and travel to Annapolis to provide testimony) increased \$9,915 for a total of \$22,007.

Allocation of Funds

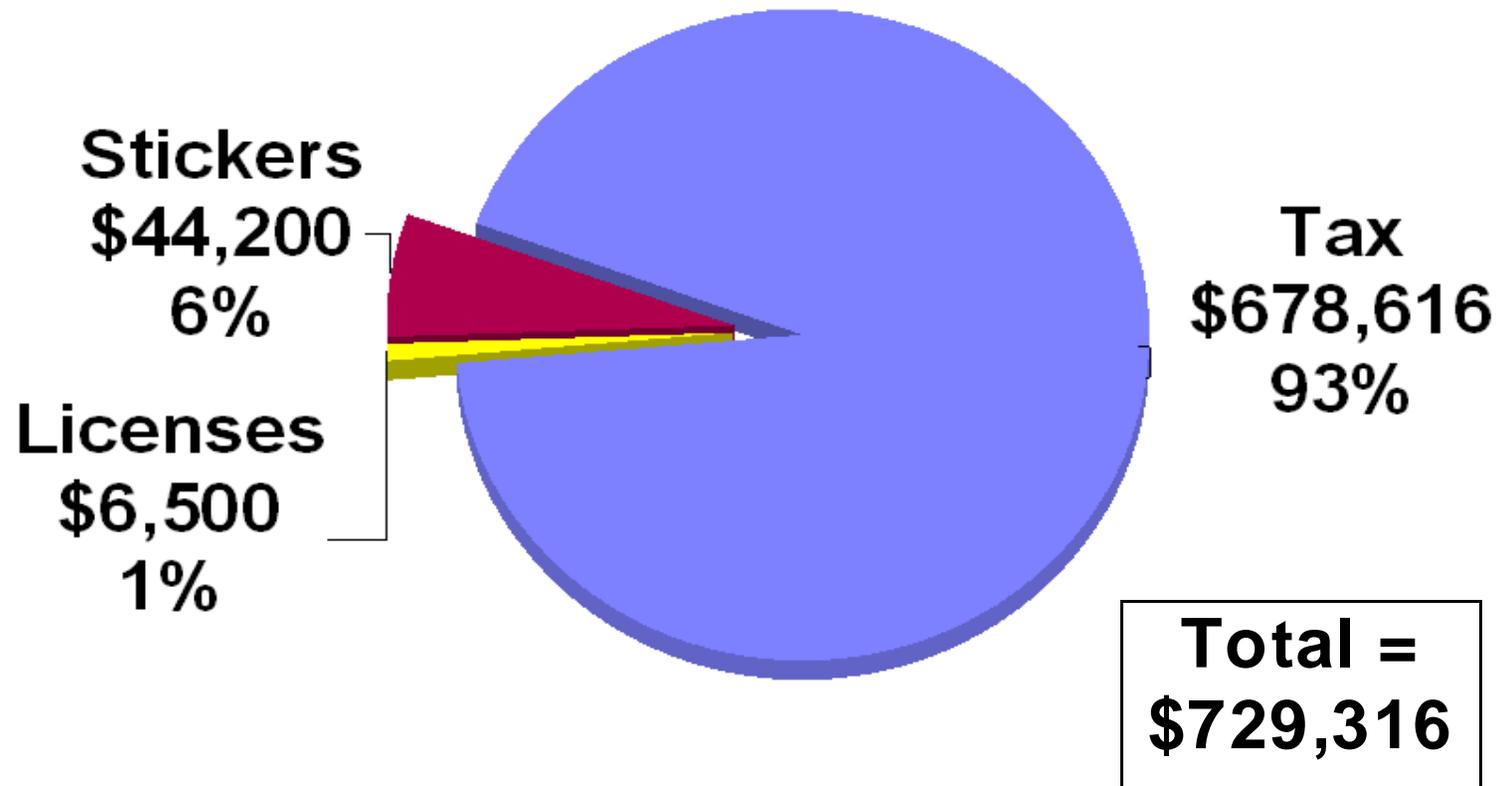
By law Allegany County Government can only allocate gaming funds to two institutions; Fire and Rescue and Education.

- Fire and Rescue
 - After deducting for operating expenses, \$147,653 will be equally divided between 28 fire & rescue units for a total of \$5,272 or an increase of 1.8% over last year.
- Education
 - After deducting for operating expenses, \$442,653 will be allocated to education for an increase of \$8,213 or 1.8% over last year.

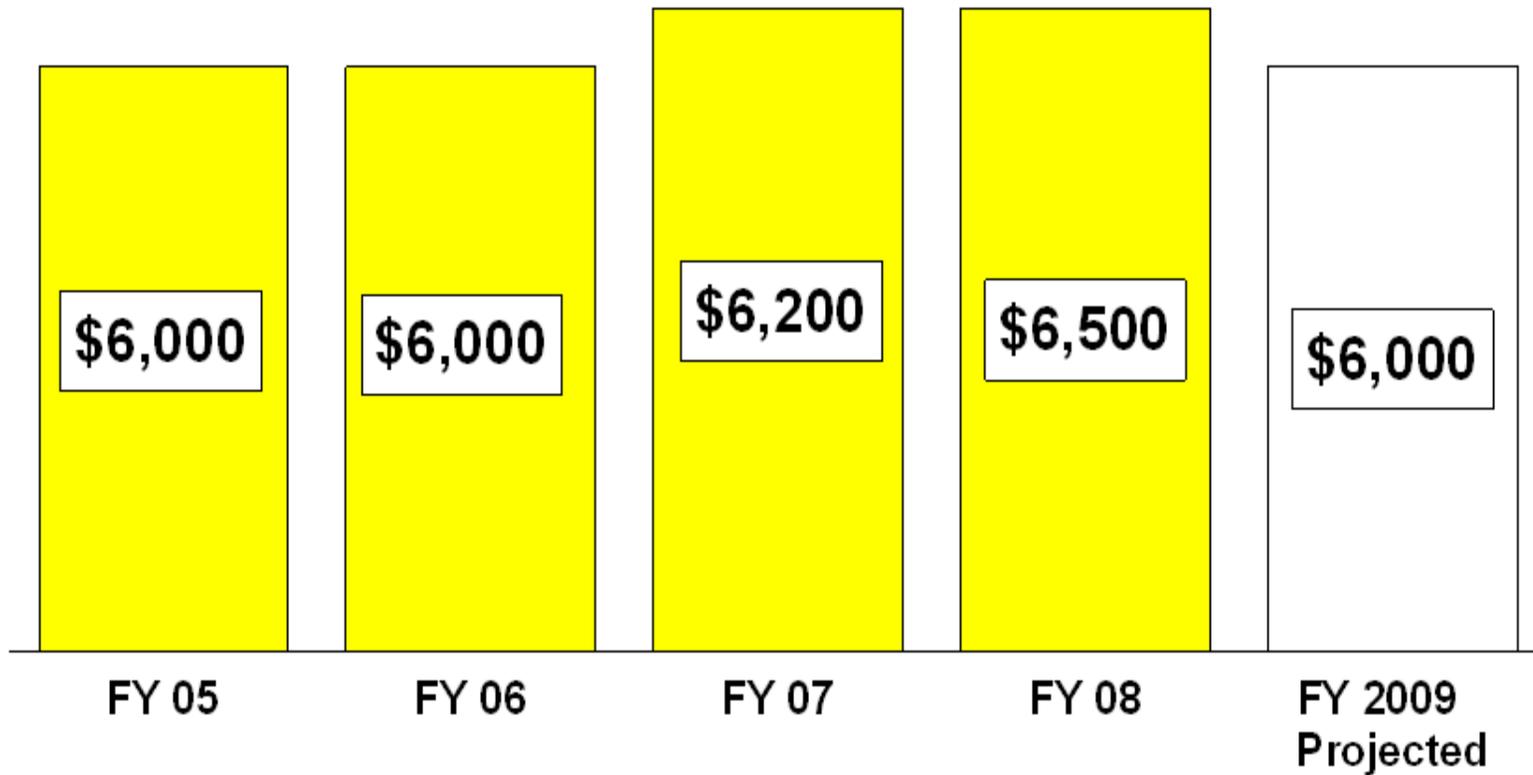
Projected Revenue

- The Allegany County Gaming Office experienced a bonus year compared to prior years primarily as a result of the electronic gaming machines. Future revenues are expected to be far less than projected. A declining trend identified in December has continued into the present Fiscal year. The loss of the electronic gaming machines, a national soft economy, elevated prices for gasoline and utilities, and declining home values, have resulted in less disposable income. Additionally, slot machines remain on the November referendum and studies have indicated that where slot machines have been legalized the paper gaming declined as much as a 20%.

Allegany County Paper Gaming Fund Revenues By Type Fiscal Year 2008

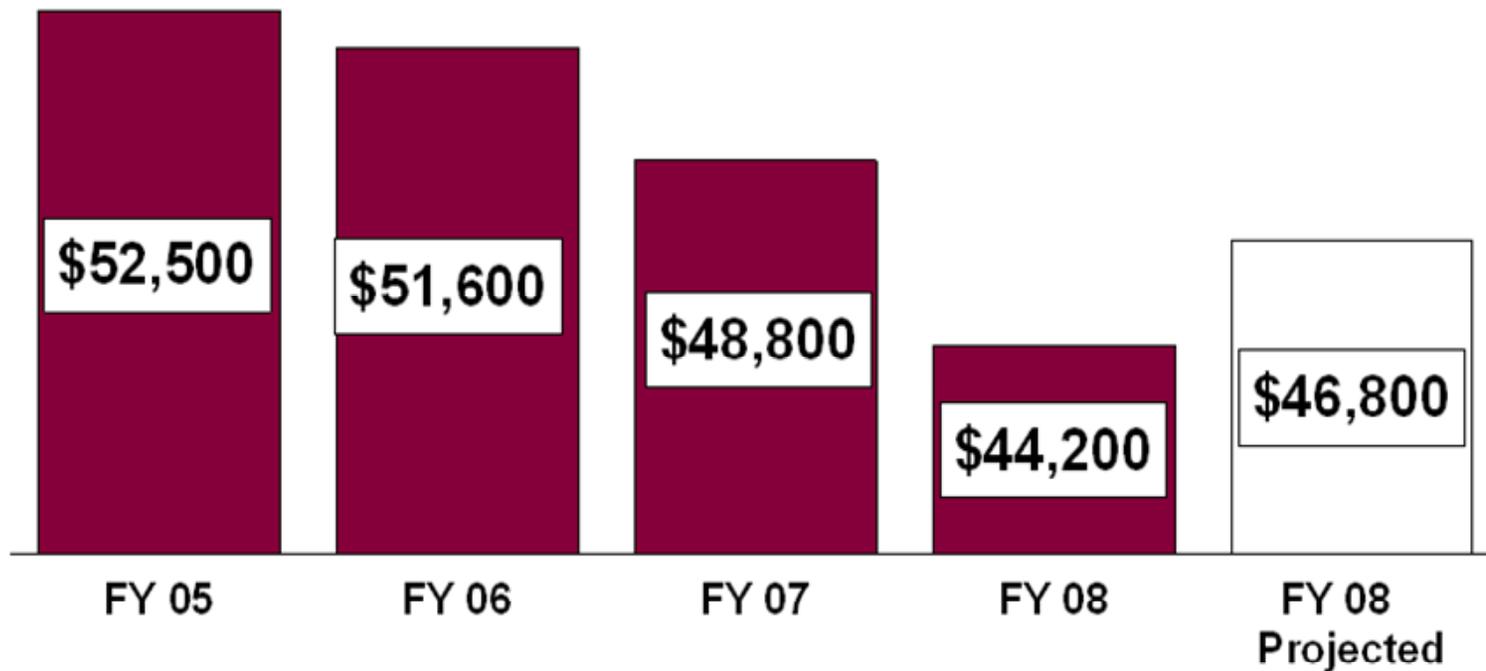


**Allegany County Paper Gaming Fund
Wholesaler License Fee Revenues
Fiscal Years 2005 - 2008**



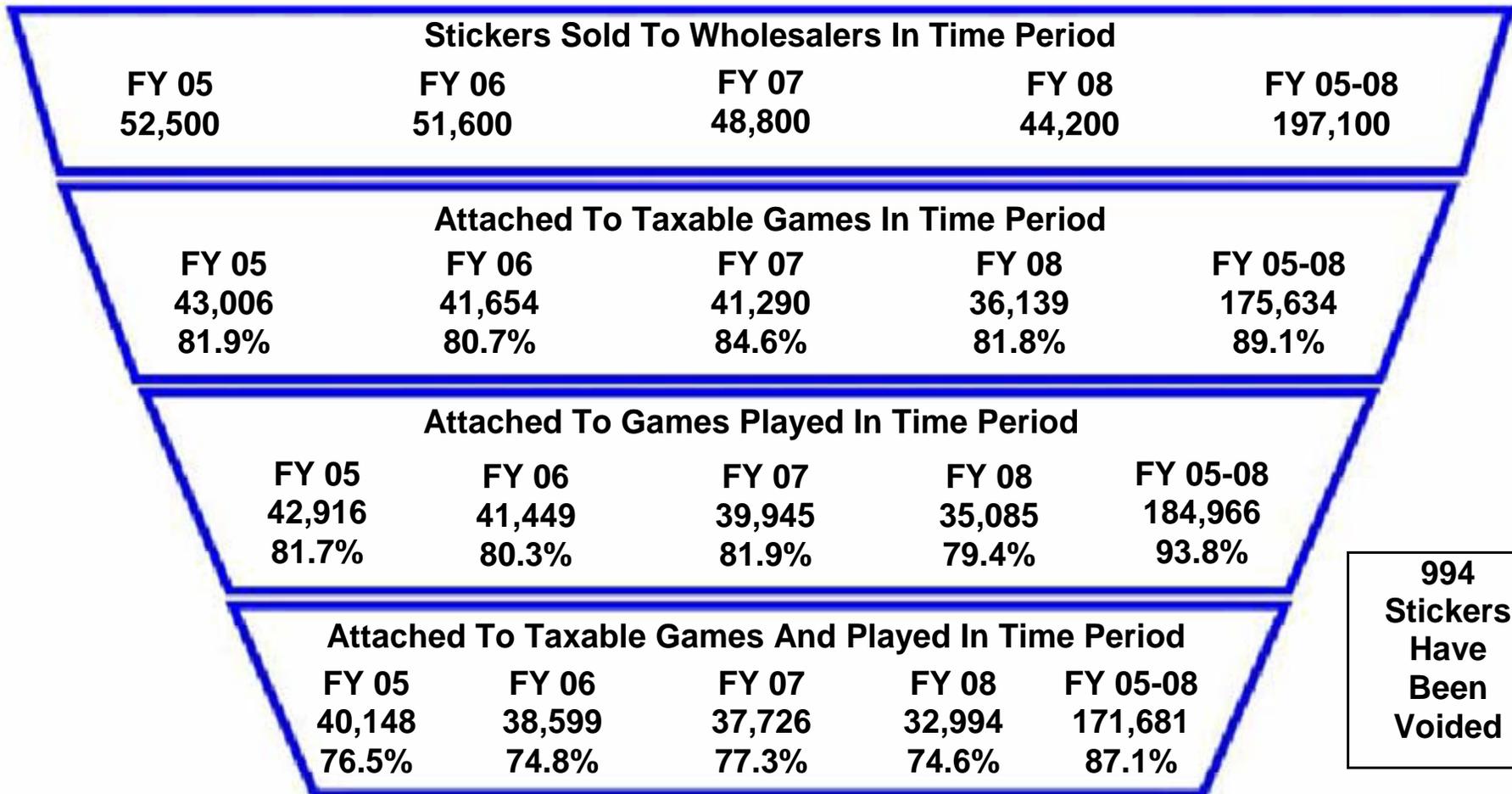
One wholesaler sold his business halfway in the first half of the fiscal year entitling him to a refund

**Allegany County Paper Gaming Fund
Sticker Revenues
Fiscal Years 2005 - 2008**

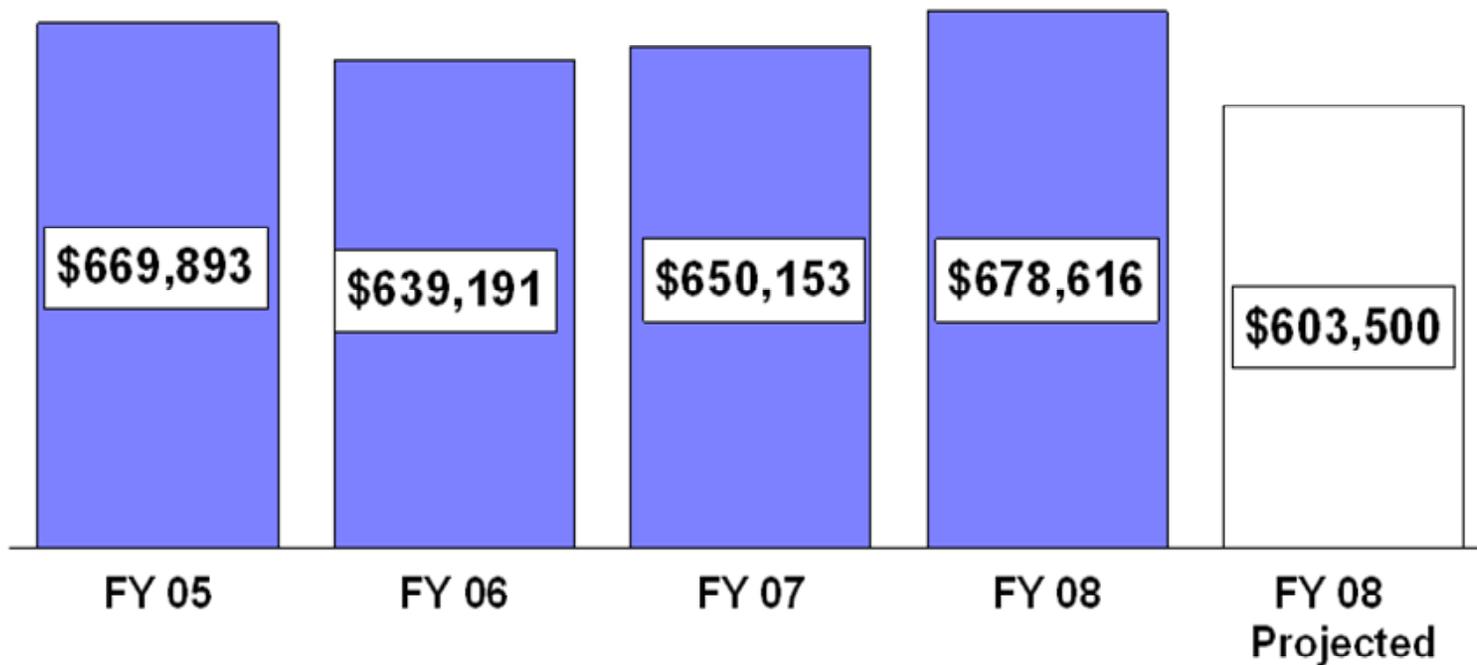


A 9% decline in gaming stickers purchased is due to the increase in the size of the games. The trend was declining, however, the electronic gaming machines made the drop even greater.

**Allegany County Paper Games
Distribution of Gaming Stickers - Fiscal Years 2005 - 2008**

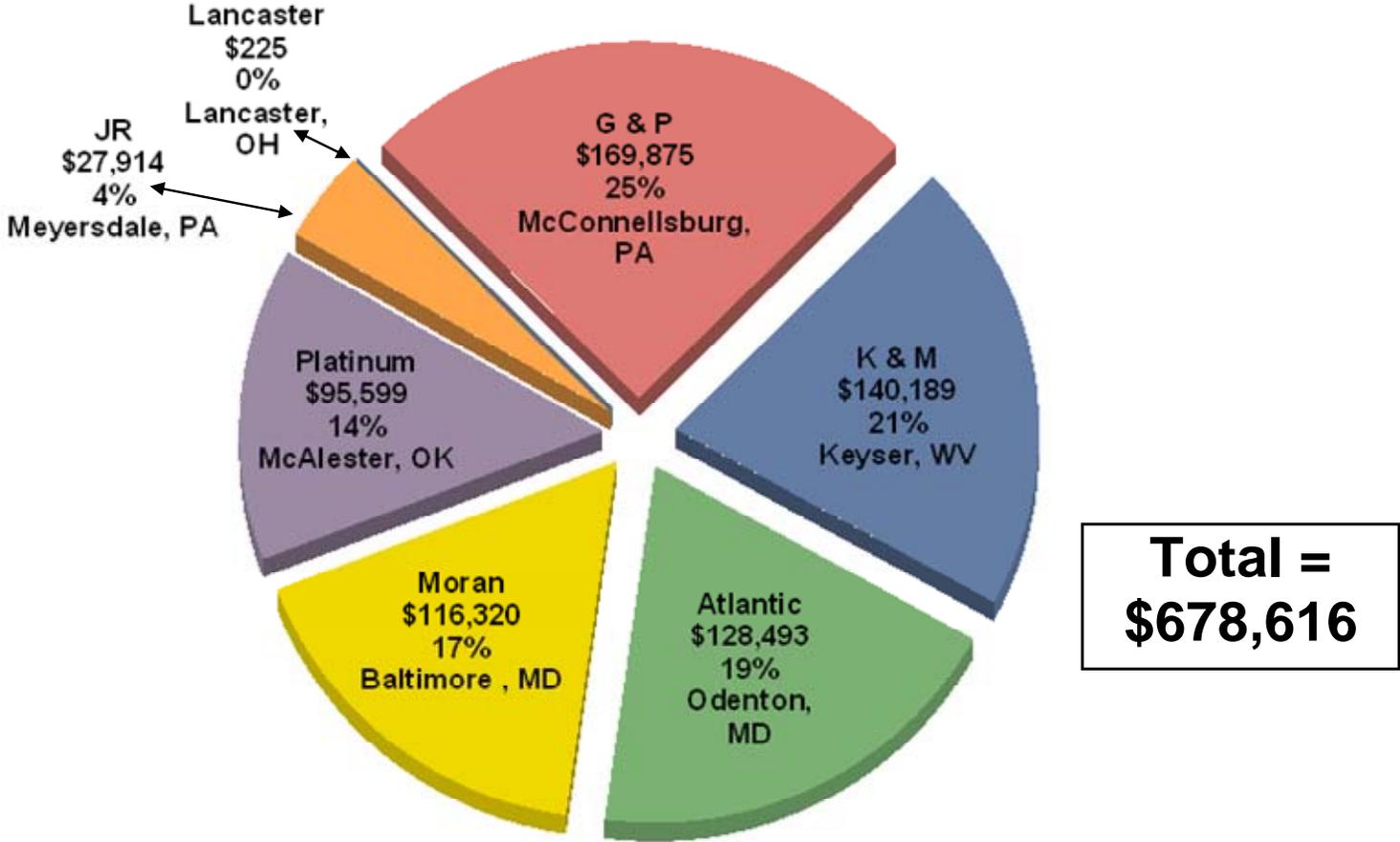


**Allegany County Paper Gaming Fund
Tax Revenues
Fiscal Years 2005 - 2008**



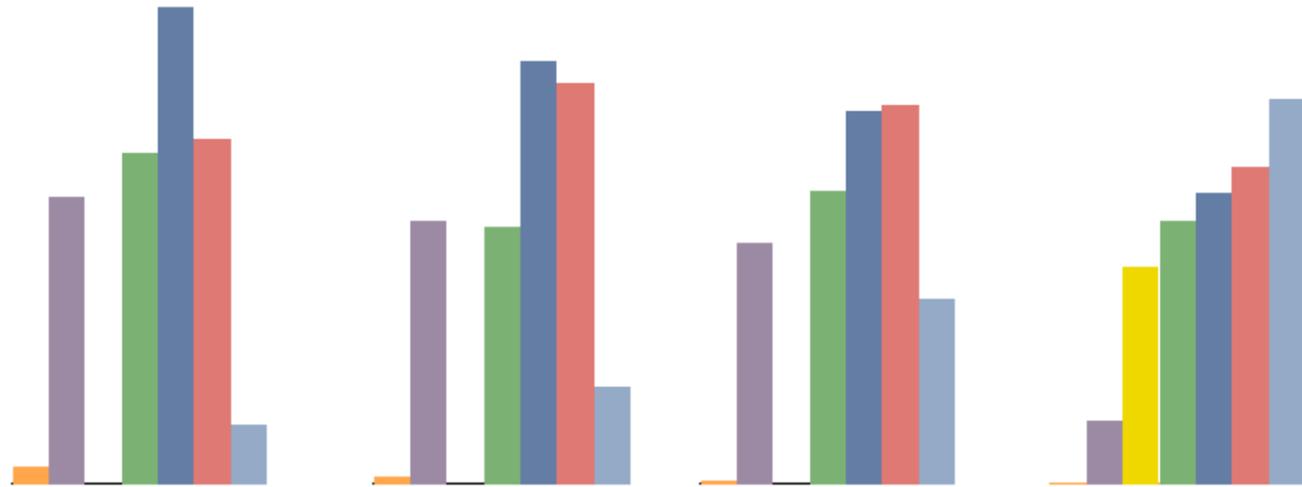
Despite a 9% decline in the number of stickers sold the tax revenues were up 4% due to the electronic gaming machines. Tax revenues were the highest ever since regulation began.

Allegany County Paper Gaming Wholesaler Fiscal Year 2008



JR decided to retire and sold his business to G & P Distributors making it the leading wholesaler, however, still no one wholesaler dominates the area. Platinum was strictly wholesaling electronic tip jars and will not be contributing revenues for the next fiscal year.

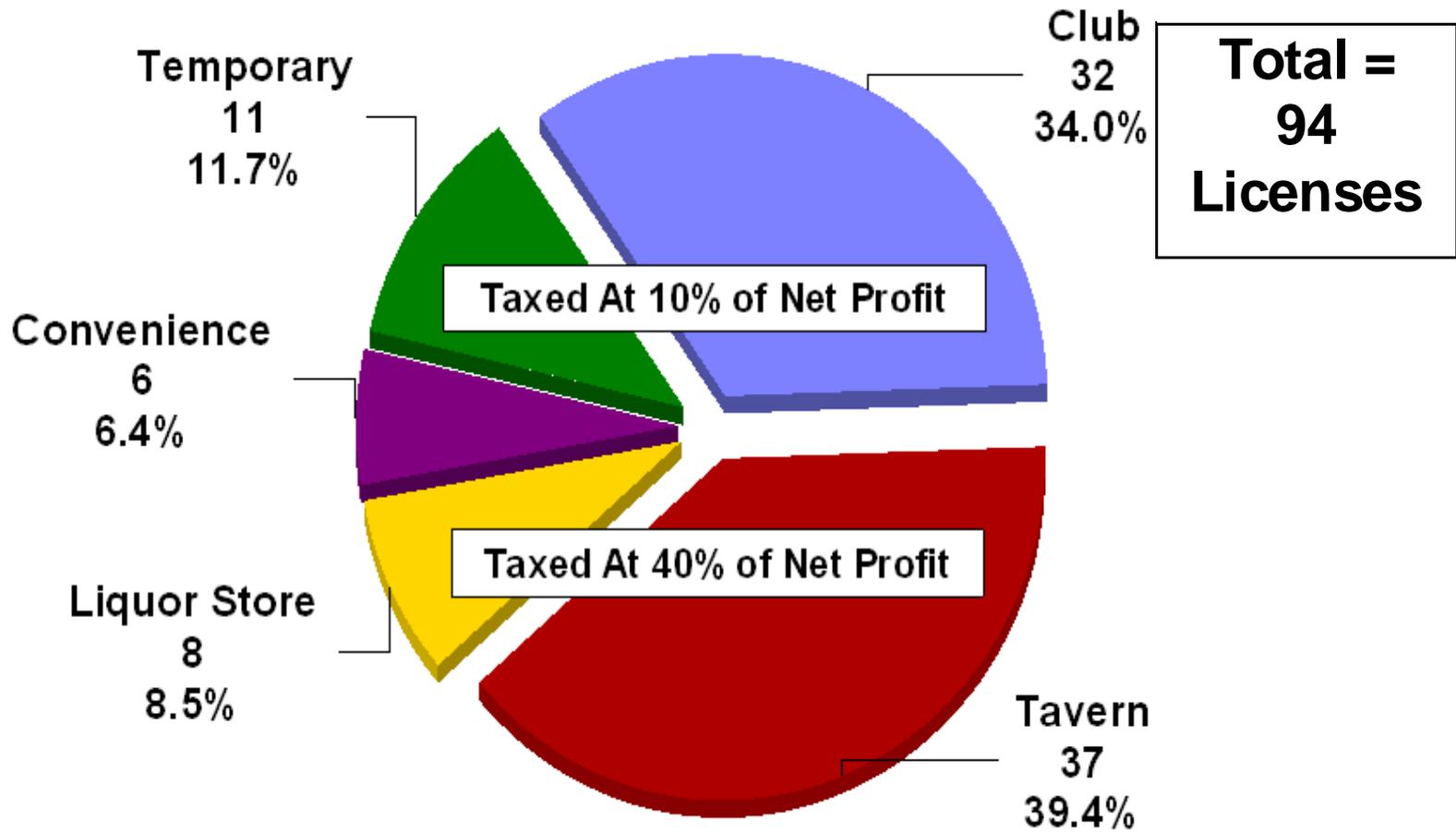
Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Years 2005 - 2008



	FY 05	FY 06	FY 07	FY 08
Lancaster	\$7,418	\$3,099	\$1,335	\$225
JR	\$127,112	\$115,923	\$106,055	\$27,914
Platinum	\$0	\$0	\$0	\$95,599
Moran	\$146,359	\$113,123	\$129,487	\$116,320
Atlantic	\$210,149	\$186,683	\$164,617	\$128,493
K & M	\$152,648	\$177,325	\$167,231	\$140,189
G & P	\$26,207	\$43,039	\$81,428	\$169,875
Total	\$669,893	\$639,191	\$650,153	\$678,616

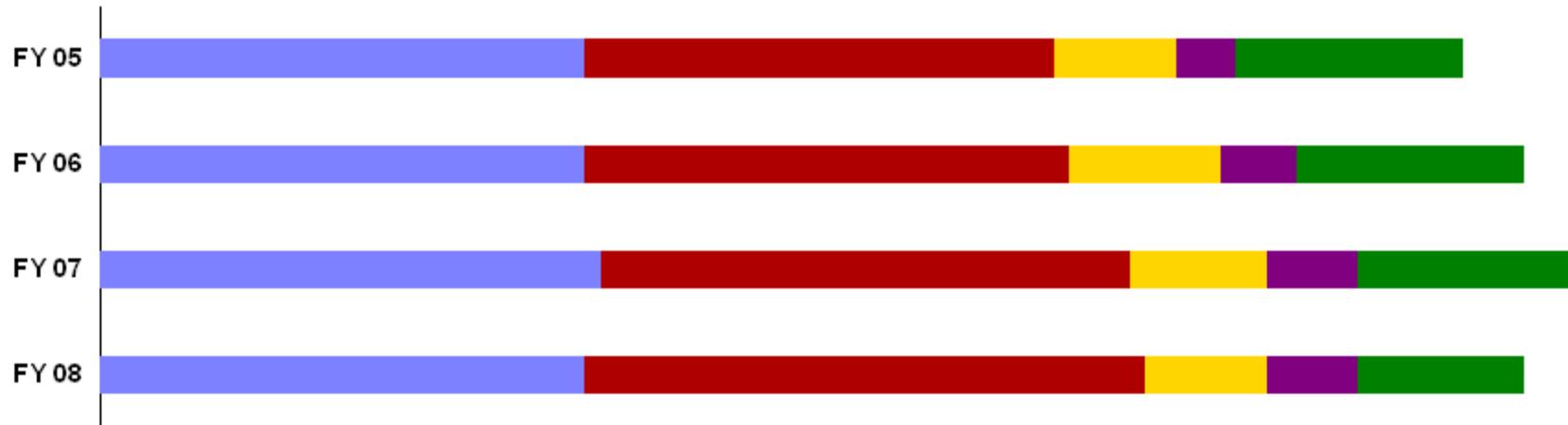
This remains a very competitive market with even the ranking of the wholesaler changing each year.

Allegany County Paper Gaming Operator Licenses By Type Fiscal Year 2008



Three quarters of the licenses are split between the clubs and the taverns favoring the taverns

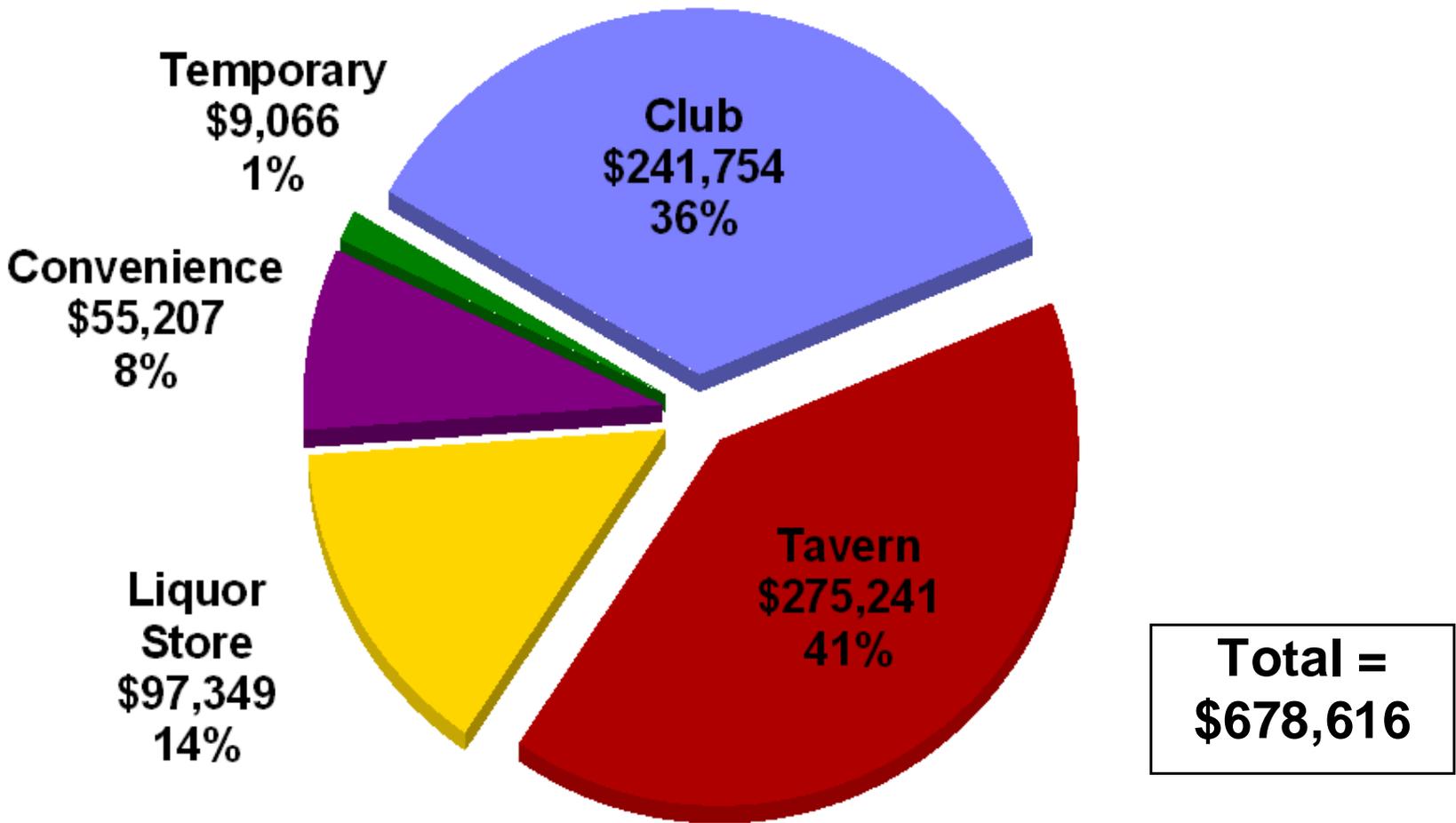
Allegany County Paper Gaming Operator Licenses By Type Fiscal Years 2005 - 2008



	FY 05	FY 06	FY 07	FY 08
■ Club	32	32	33	32
■ Tavern	31	32	35	37
■ Liquor Store	8	10	9	8
■ Convenience	4	5	6	6
■ Temporary	15	15	14	11
Totals	90	94	97	94

The licenses for the Taverns have increased each year for three years now,
however, we expect this year to be their peak year

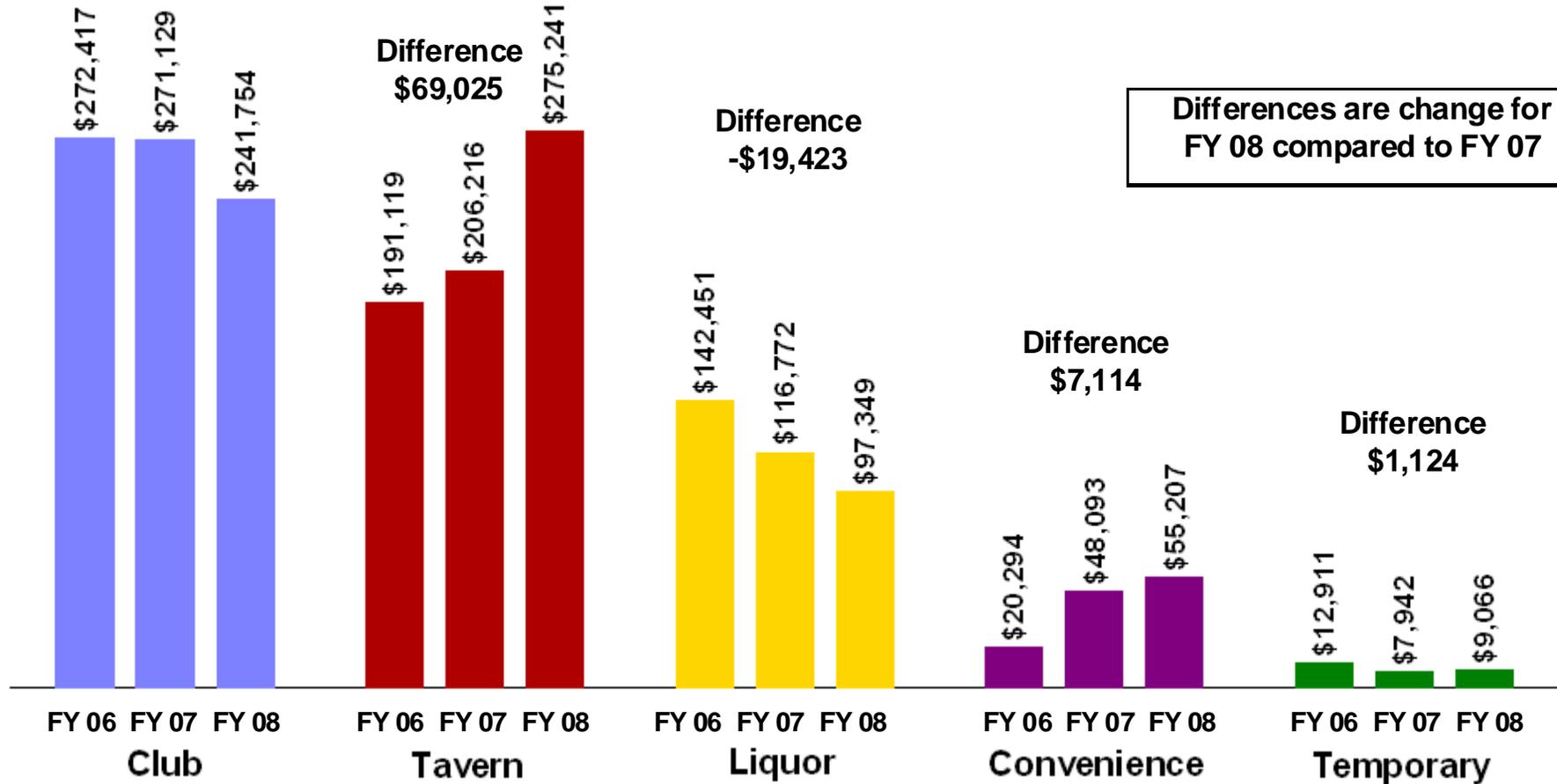
Tax Revenues By Allegany County Paper Gaming Operator Type Fiscal Year 2008



77% of the tax revenues came from either the taverns or the clubs

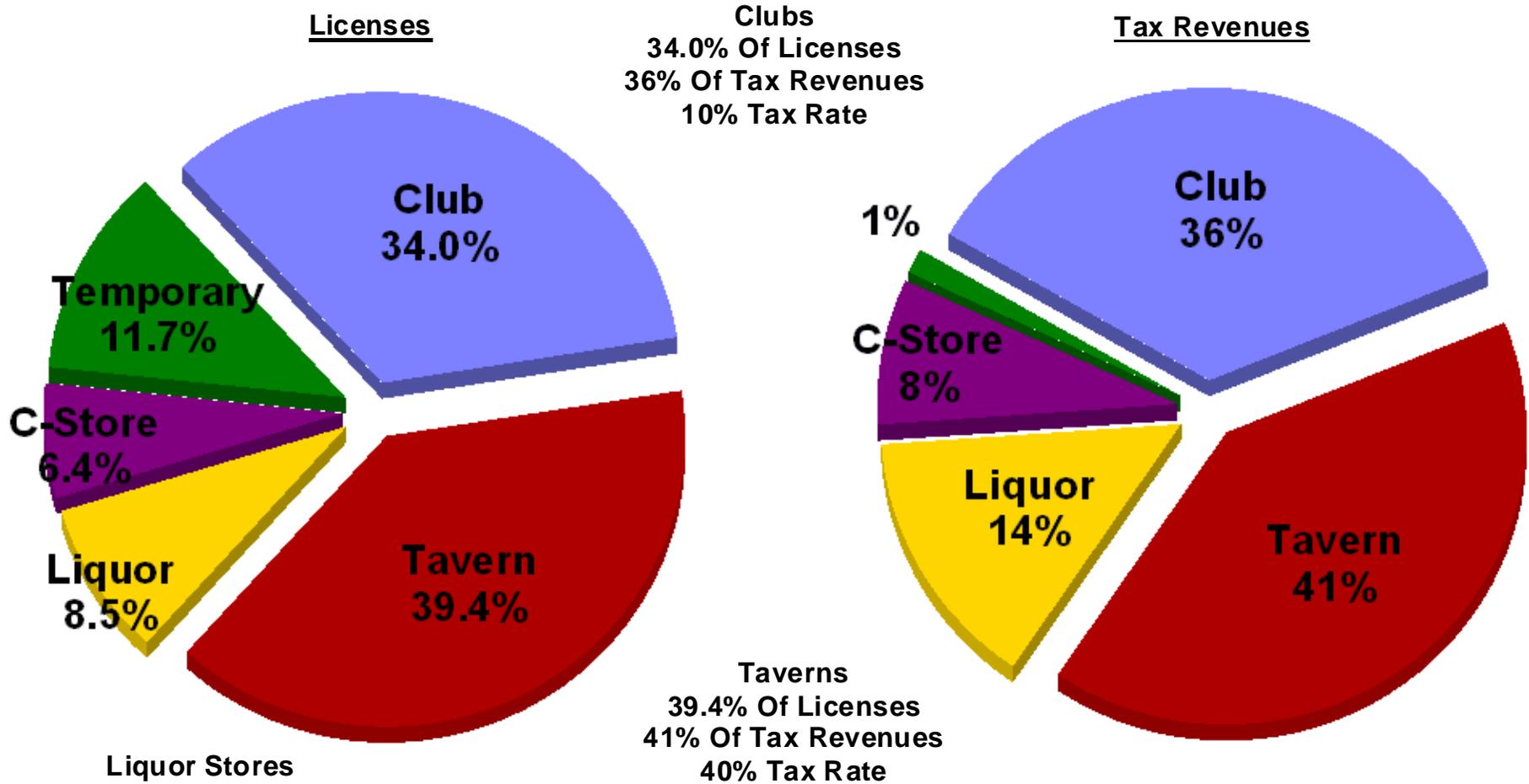
Allegany County Paper Gaming Fund Tax Revenues By Operator Type Fiscal Years 2006 - 2008

Difference
-\$29,375



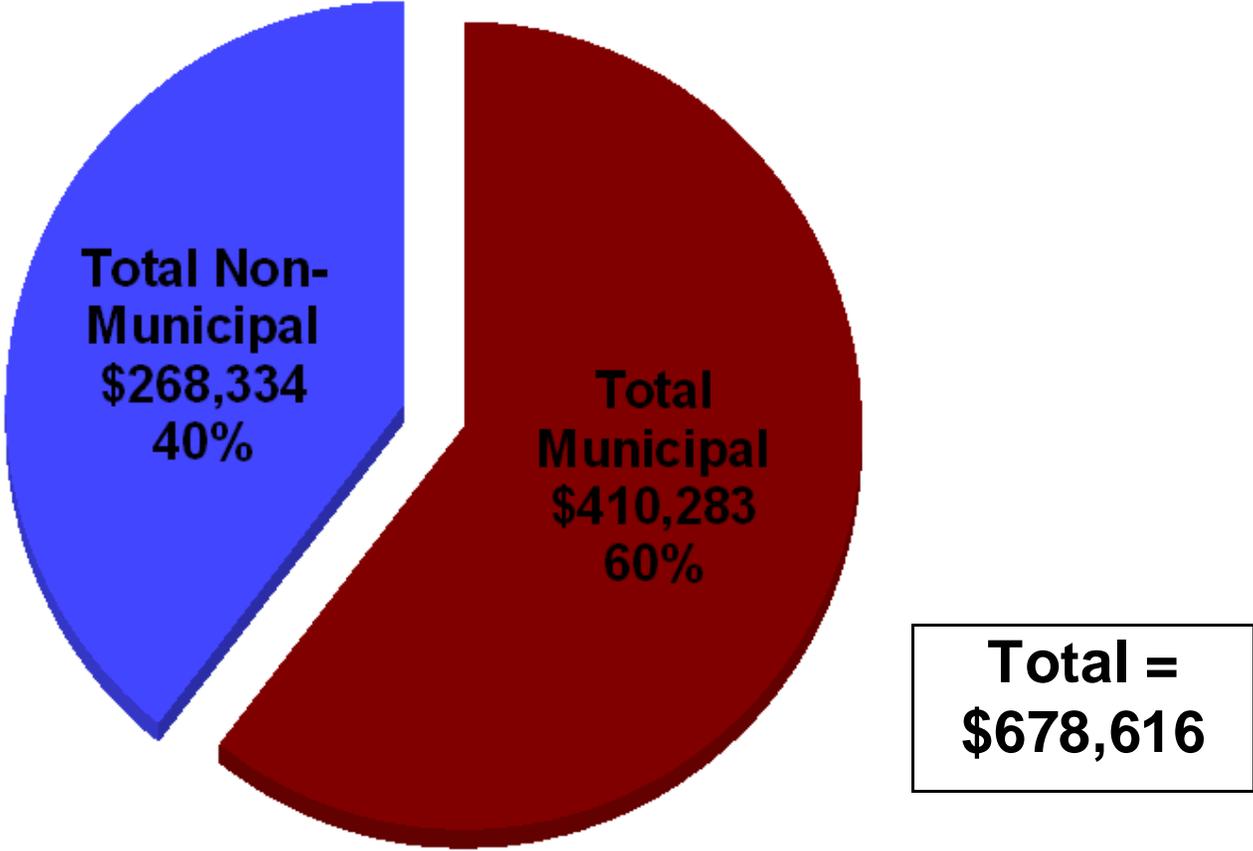
Taverns were up due to the electronic gaming machines. The clubs and liquor stores show that the trend would have been down otherwise. Convenience stores are the only ones showing an upward trend.

Allegany County Paper Gaming Operator Type License % Versus Revenue % Fiscal Year 2008

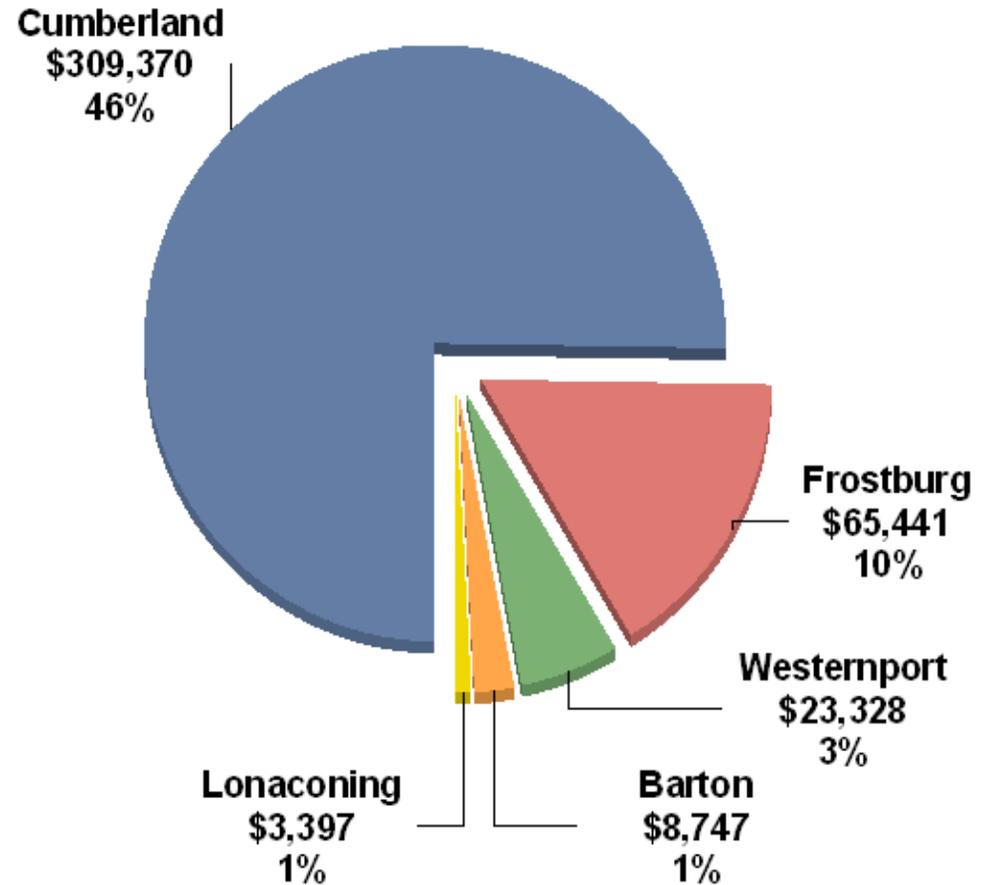
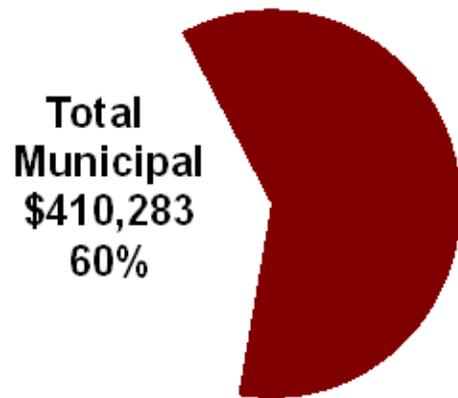


Unlike prior years where the clubs had higher revenue percentages than their license percentages at the expense of taverns, this year it was fairly even. The credit goes to the electronic gaming machines. The liquor stores had a higher tax revenue percentage than license percentage would have predicted.

**Allegany County Paper Gaming Operator Tax
Revenues Municipal Versus Non-Municipal
Fiscal Year 2008**



Allegany County Paper Gaming Operator Tax Revenues By Municipal Areas Fiscal Year 2008

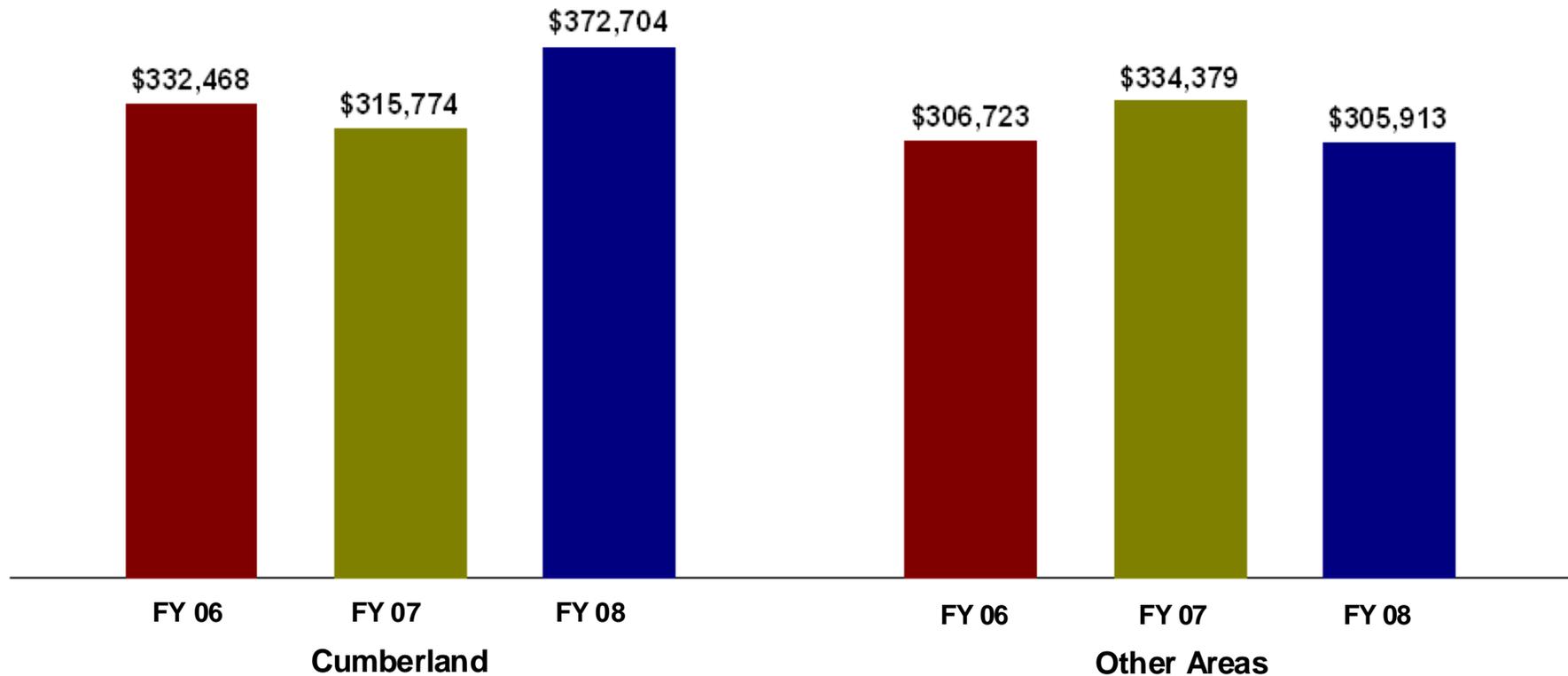


Total Tax Revenues = \$678,616

Allegany County Paper Gaming Operator Tax Revenues Cumberland Area Versus Other Areas Fiscal Years 2006 - 2008

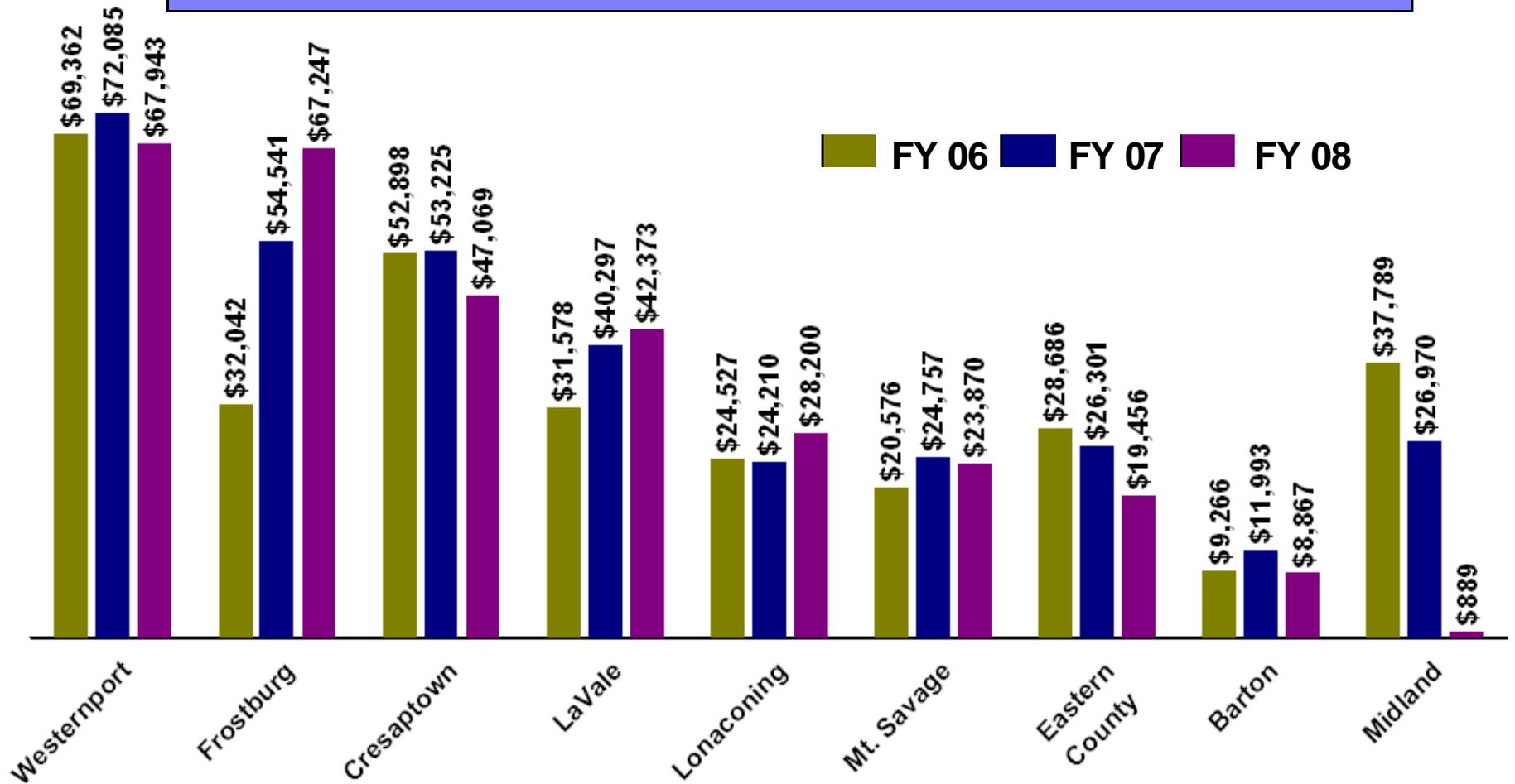
Difference Between
FY 08 and FY 07
\$56,930

Difference Between
FY 08 and FY 07
-\$28,466



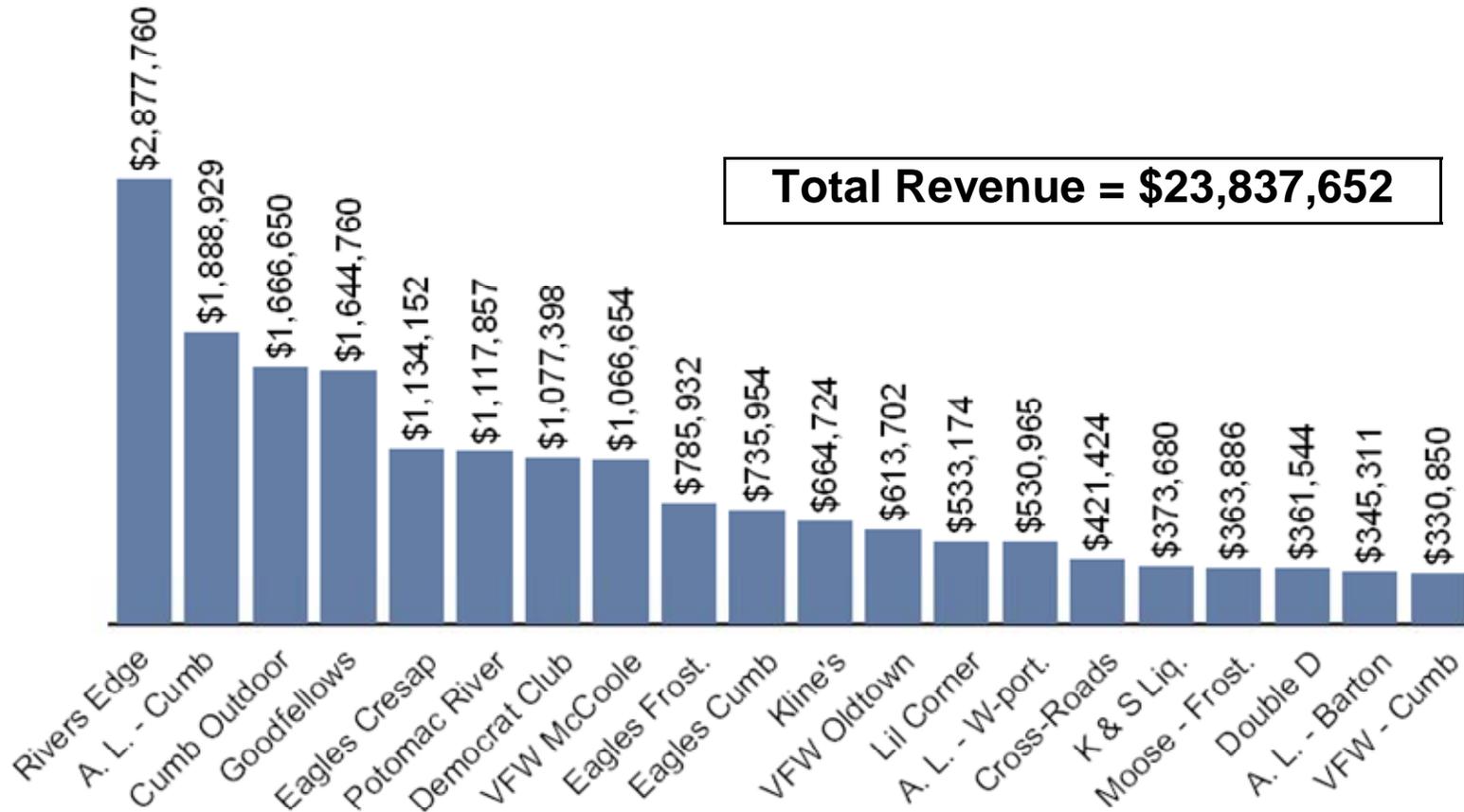
Electric gaming machines in the city helped keep tax revenues from falling like they did elsewhere, where they fell 9 %.

**Allegany County Paper Gaming Operator Tax Revenues
Other Areas (Excludes Cumberland)
Fiscal Years 2006 - 2008**



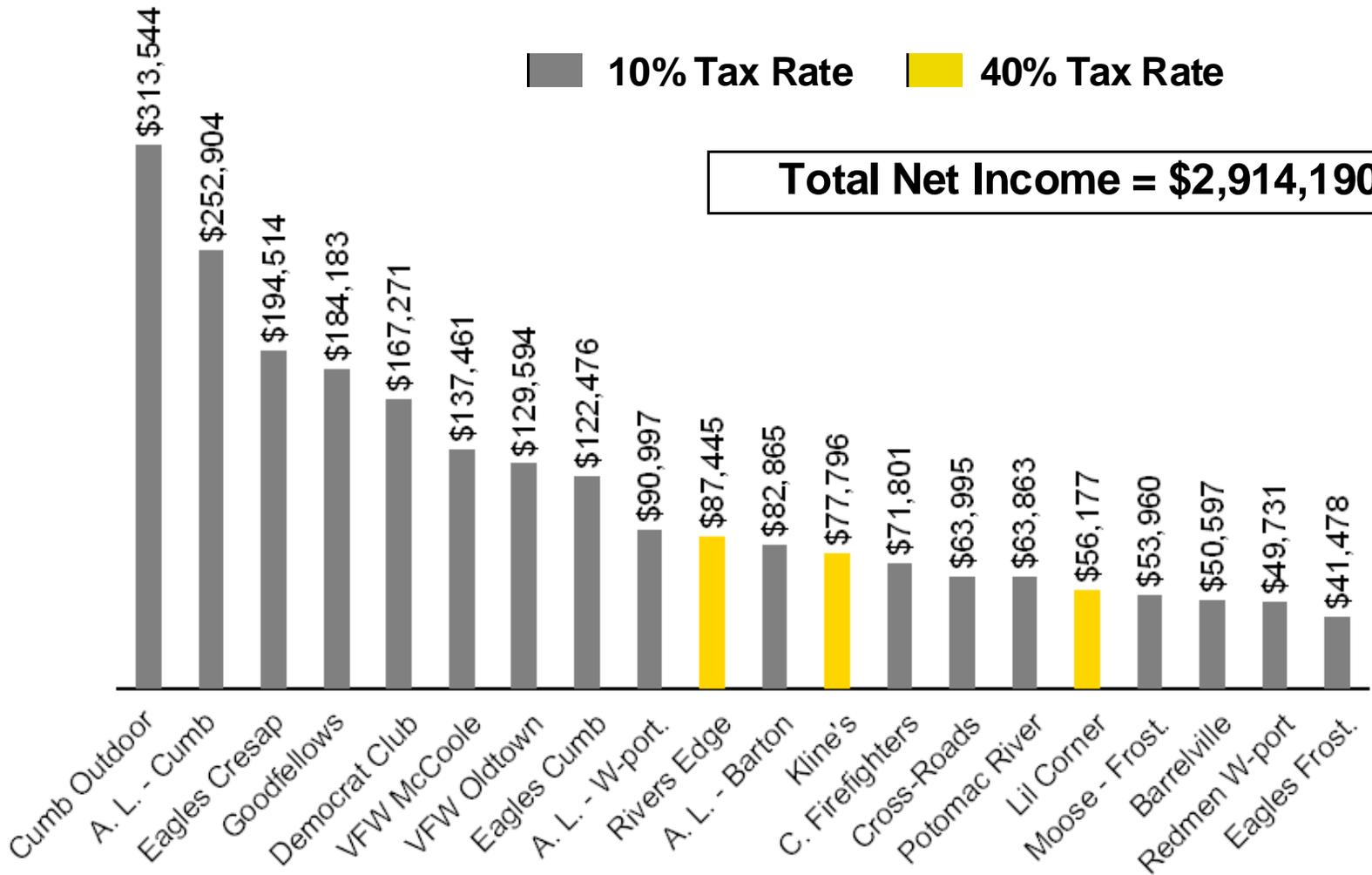
Frostburg was helped by Lil Corner Convenience Store, LaVale by Jolly Rogers and Lonaconing by Double D Salon. A point of interest is the first two did not have electronic gaming machines but the third did. Midland lost Truly's Bar during the year.

Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2008



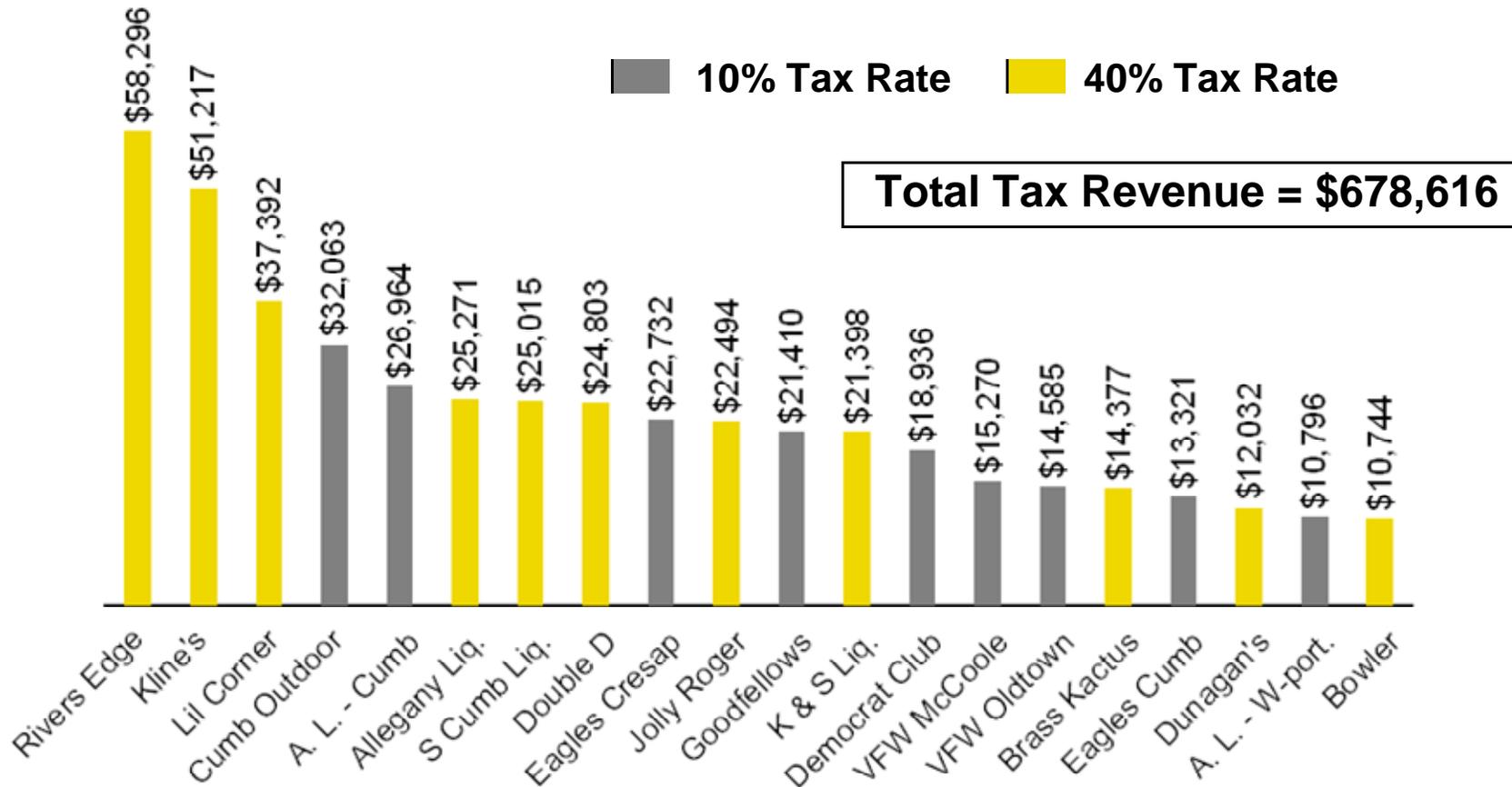
The top operator was Rivers Edge (Lucky Sevens) which was all electronic gaming machines. This operator is now closed. A note of importance is that this Operator was 52% higher than the number one ranked club.

Net Income By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2008



Despite having the largest revenues, Rivers Edge (Lucky Sevens) only ranked 10th for income due to the higher tax rate applied.

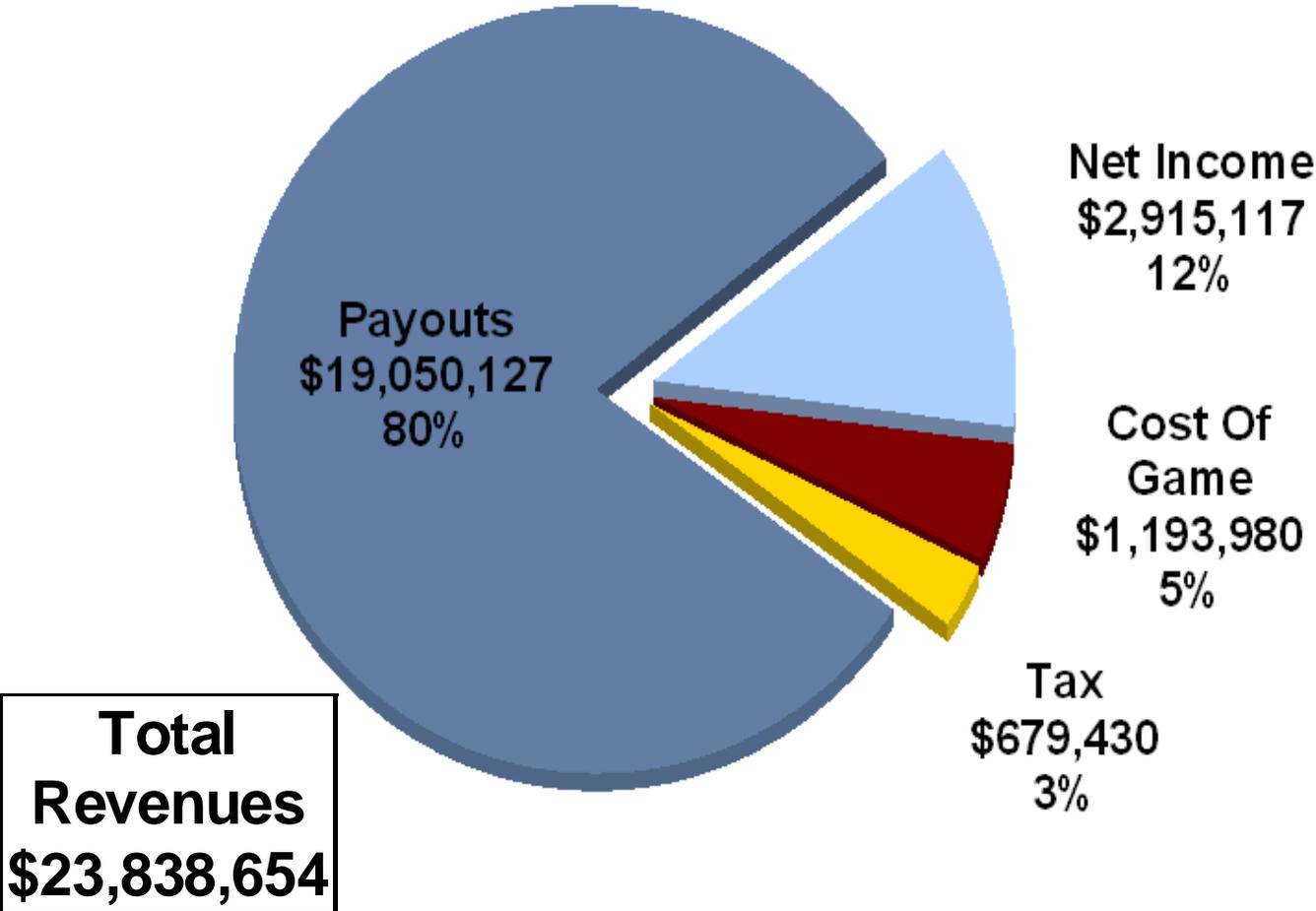
Tax Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2008



Kline's has not renewed its FY 09 license and accounted for 8% of total revenue tax. Rivers Edge (Lucky Sevens) accounted for 9% of the total tax revenues. These two now inactive operators accounted for 16% of tax revenues for last year.

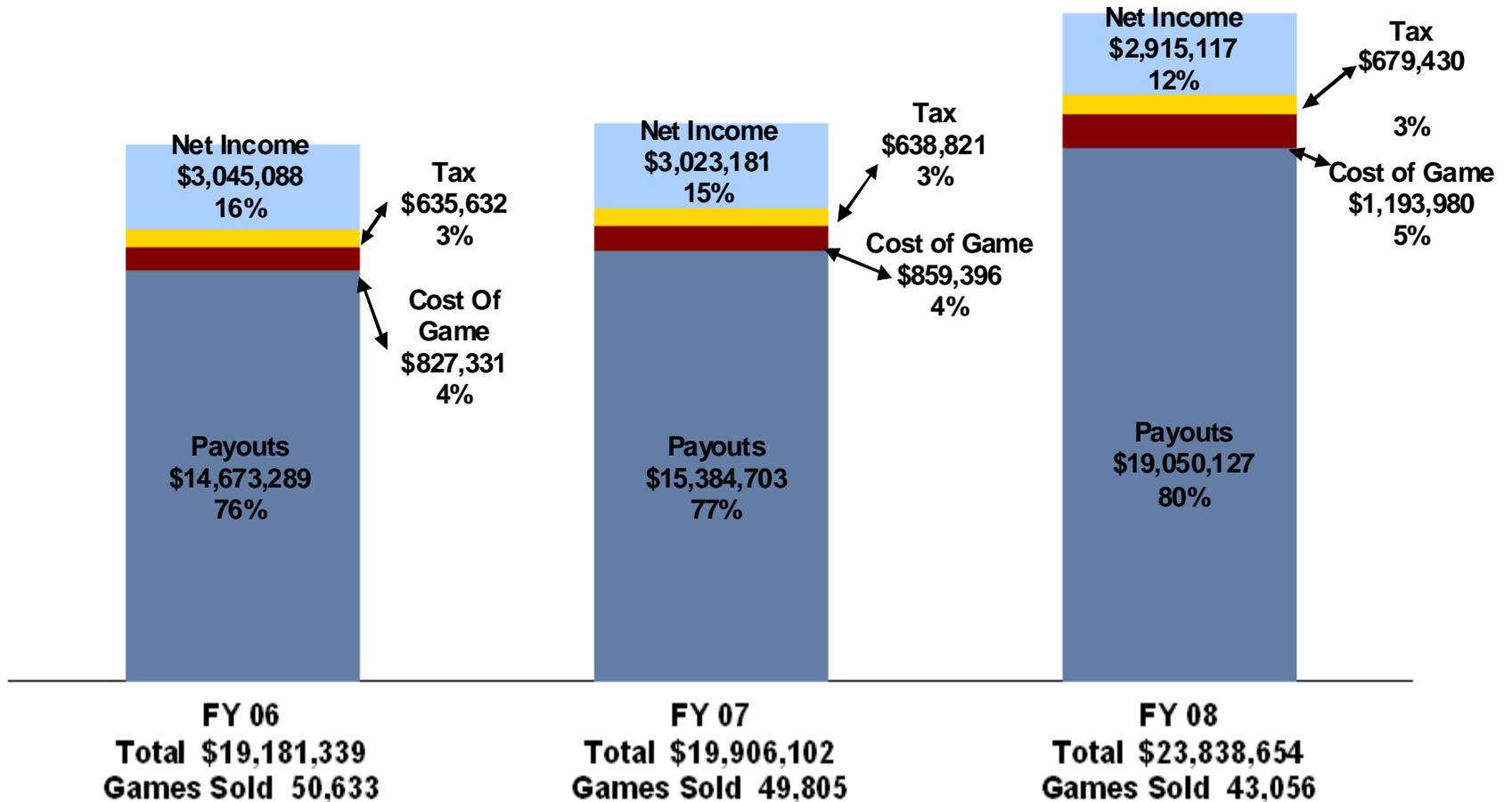
Distribution of Operator Gaming Revenues* Fiscal Year 2008

*Based on games started during fiscal year.



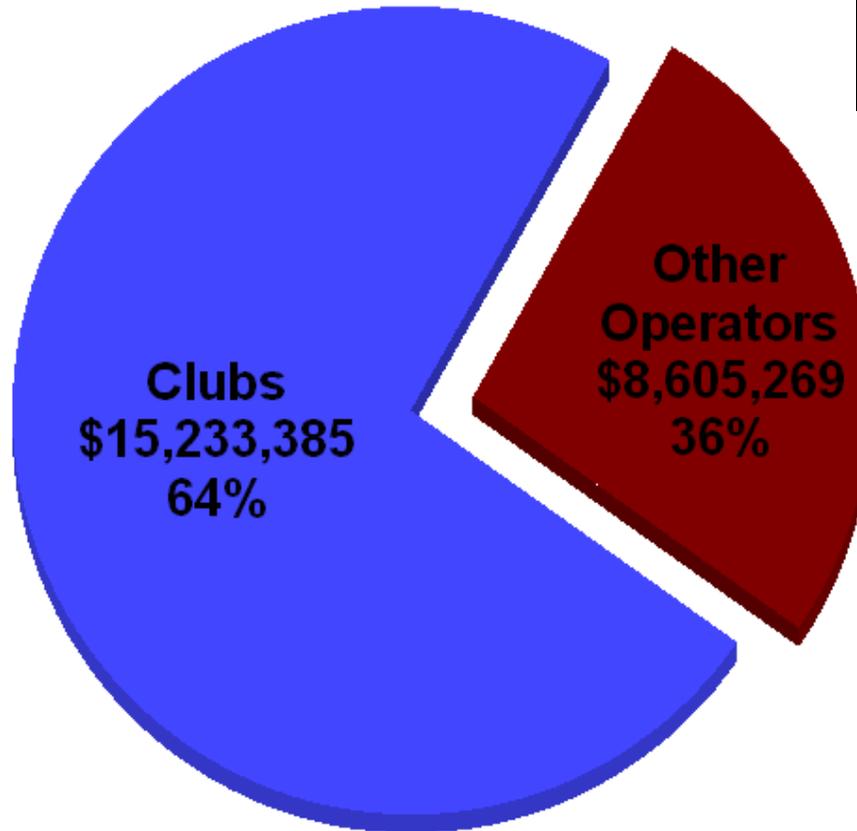
Distribution of Operator Gaming Revenues* Fiscal Years 2006 - 2008

*Based on games started during fiscal year.



The electronic gaming machines elevated the payouts from 77% to 80%. The electronic gaming machines usually had a payout of 90% and they also elevated revenues.

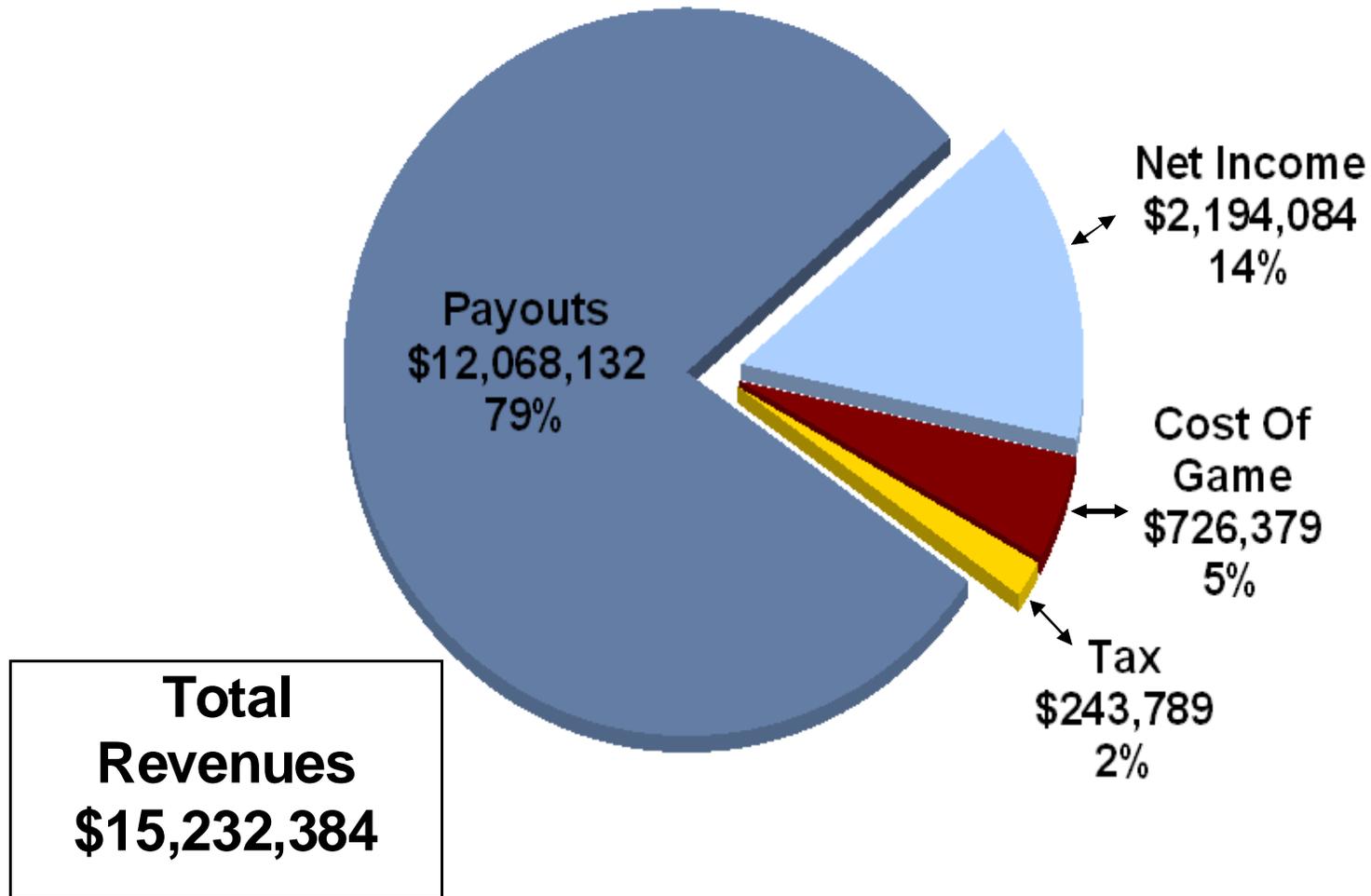
**Allegheny County Paper Gaming Operator Revenues
Clubs Versus Other Operators
Fiscal Year 2008**



**Total =
\$23,838,654**

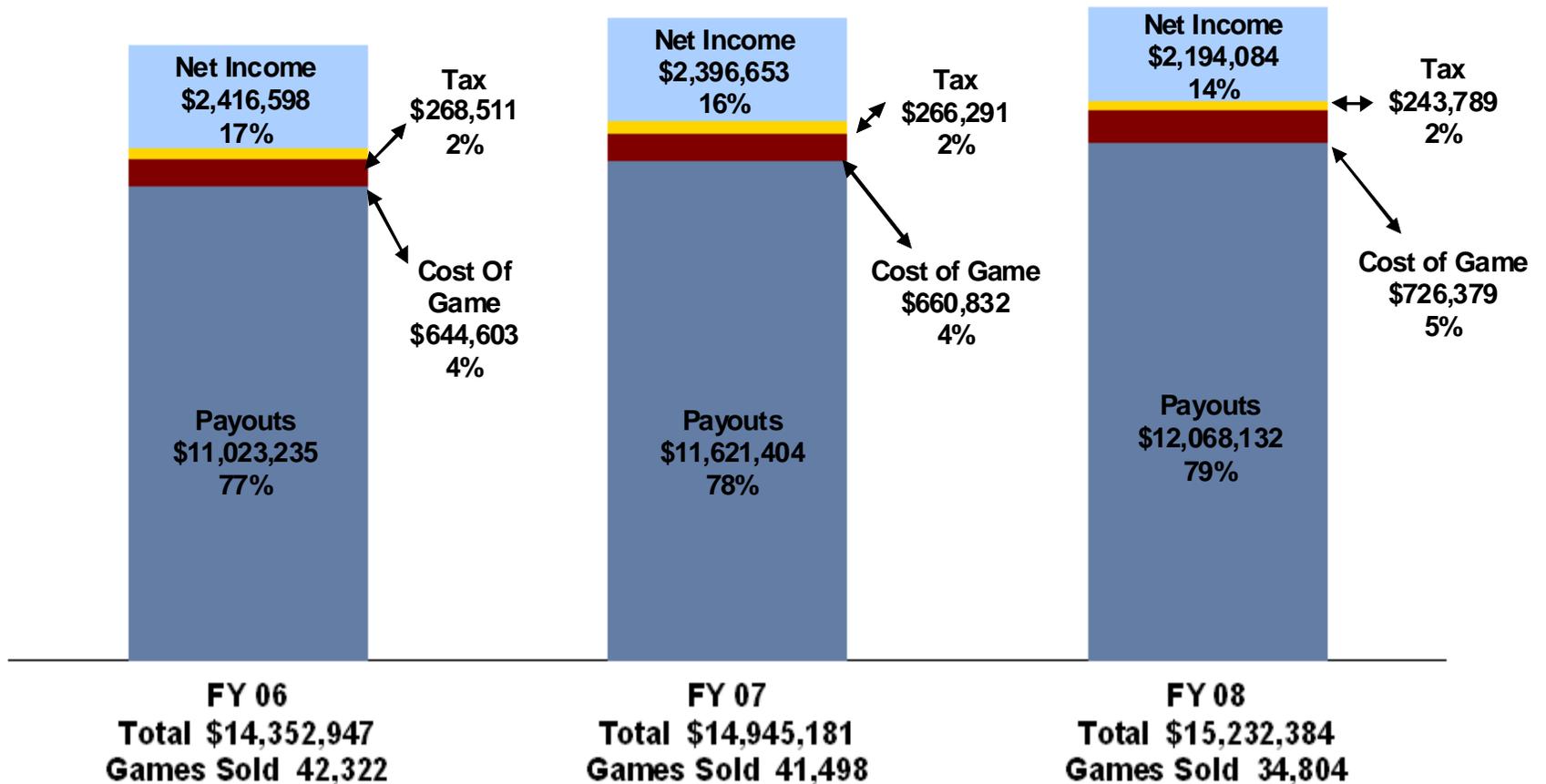
Distribution of Club Revenues* Fiscal Year 2008

*Based on games started during fiscal year.



Distribution of Club Gaming Revenues* Fiscal Years 2006 - 2008

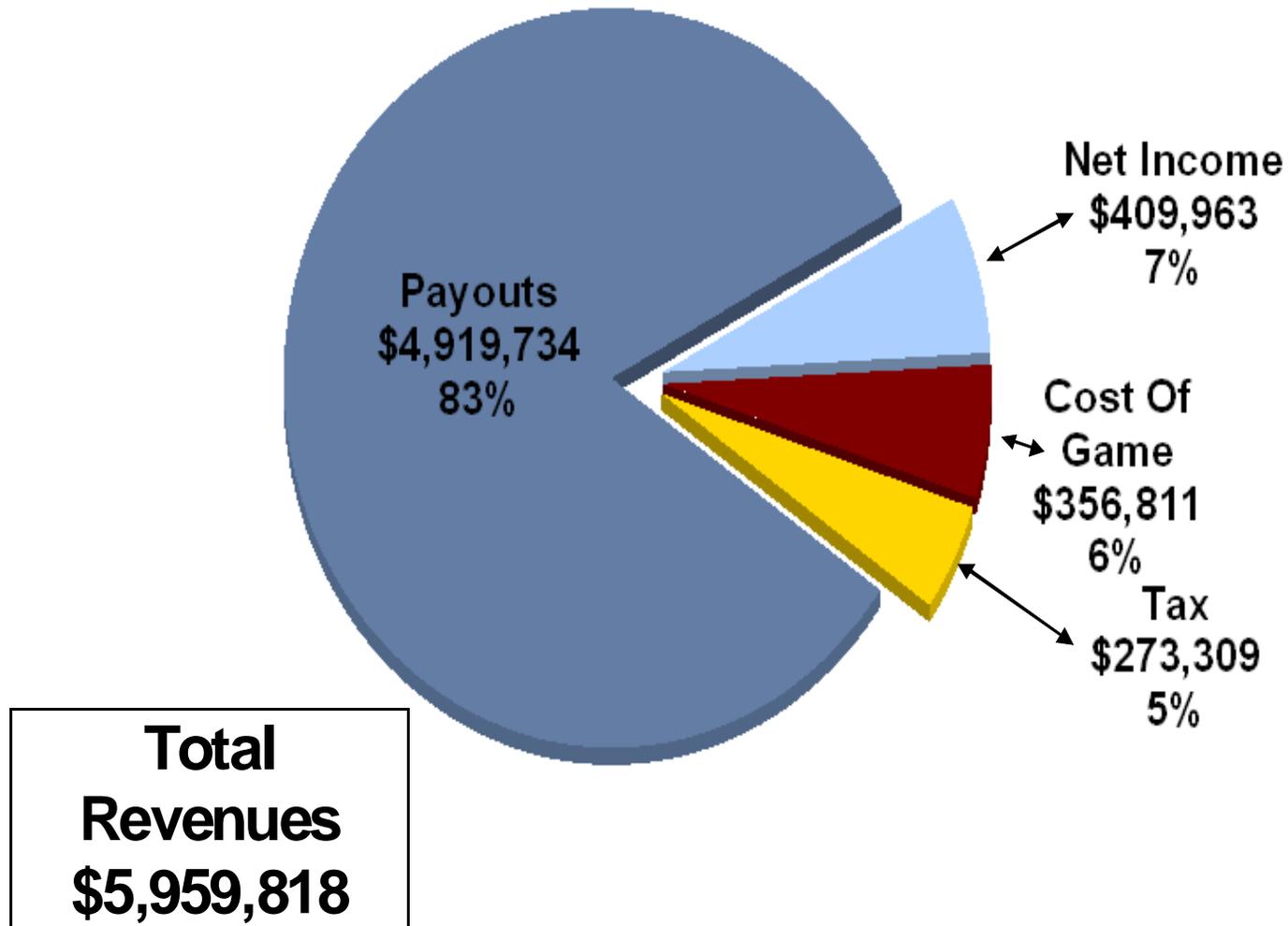
*Based on games started during fiscal year.



Clubs weren't as active with the electronic gaming machines as taverns so payouts didn't elevate quite as much and income percentage didn't drop as much.

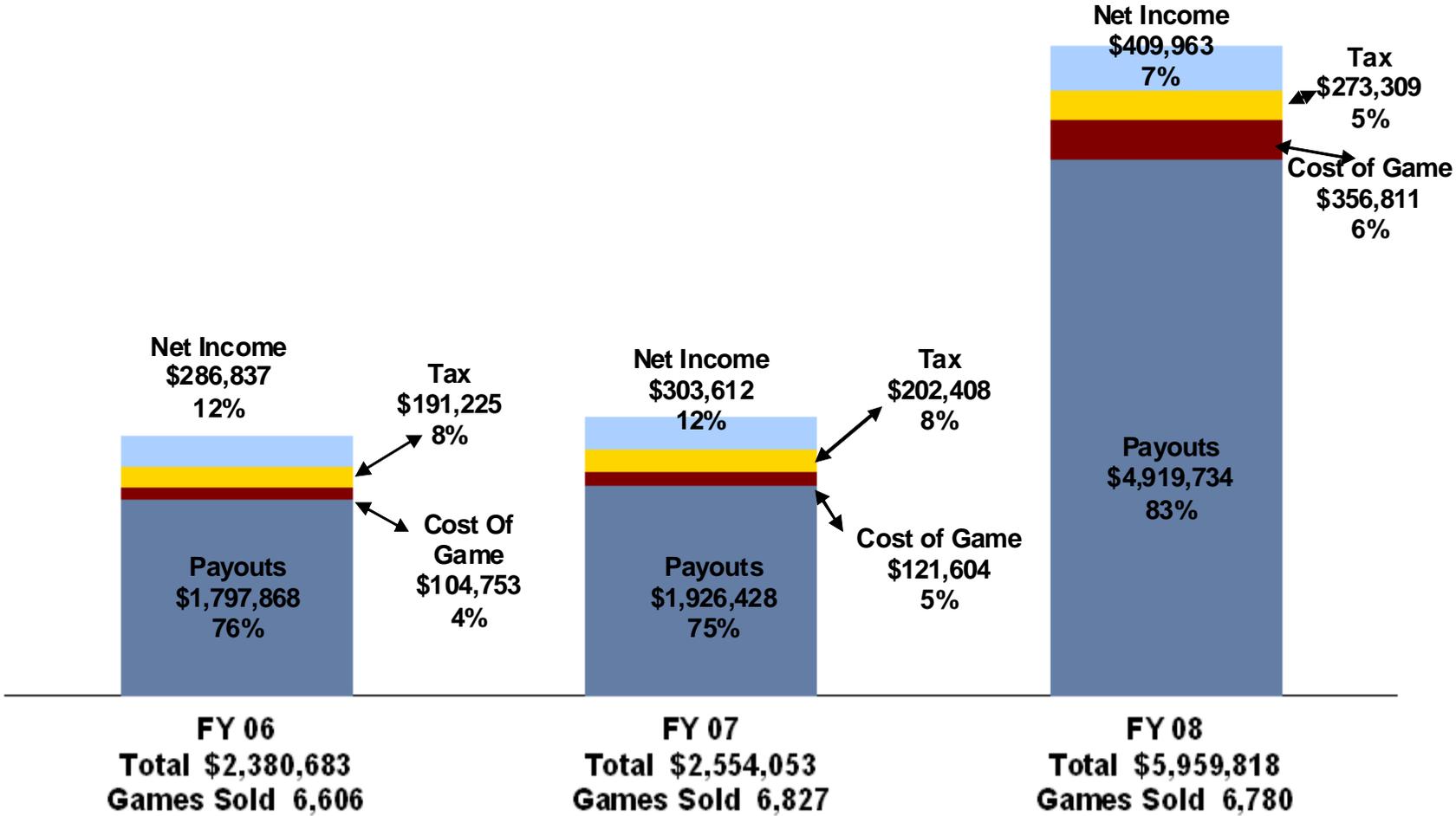
Distribution of Tavern Revenues* Fiscal Year 2008

*Based on games started during fiscal year.



Distribution of Tavern Gaming Revenues* Fiscal Years 2006 - 2008

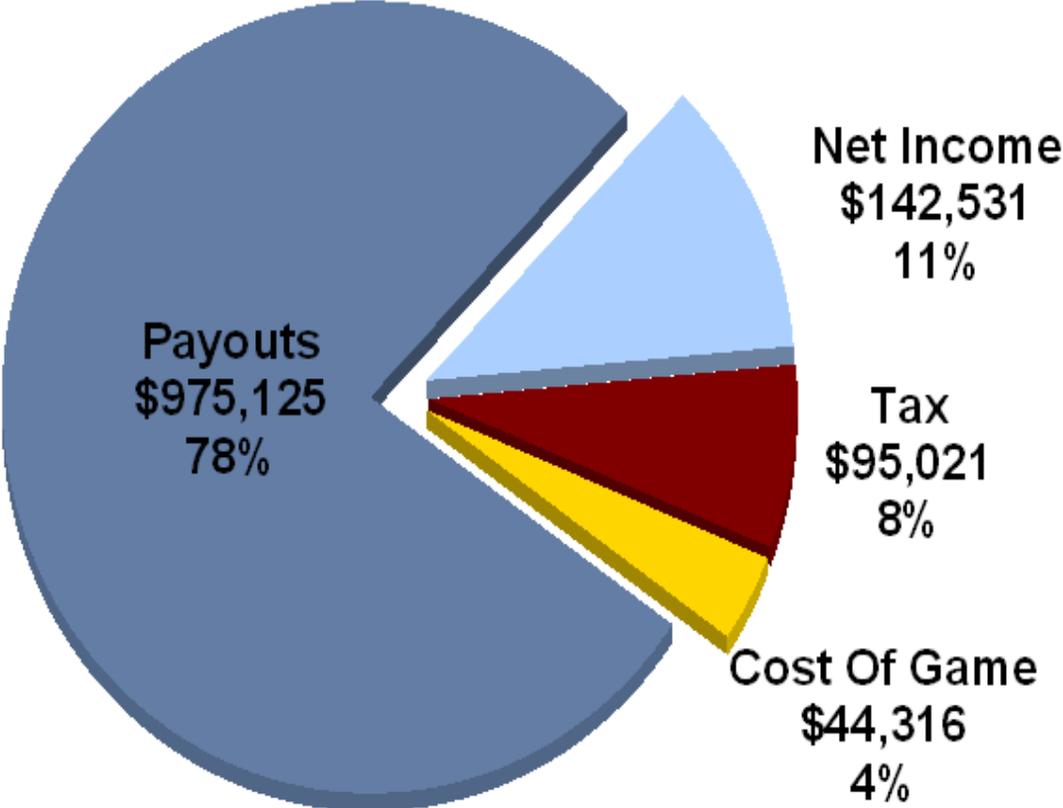
*Based on games started during fiscal year.



This is where the electronic gaming machines had the greatest impact. Payouts went up 8% percentage points but lowered income 5% percentage points and tax another 3%percentage points.

Distribution of Liquor Store Revenues* Fiscal Year 2008

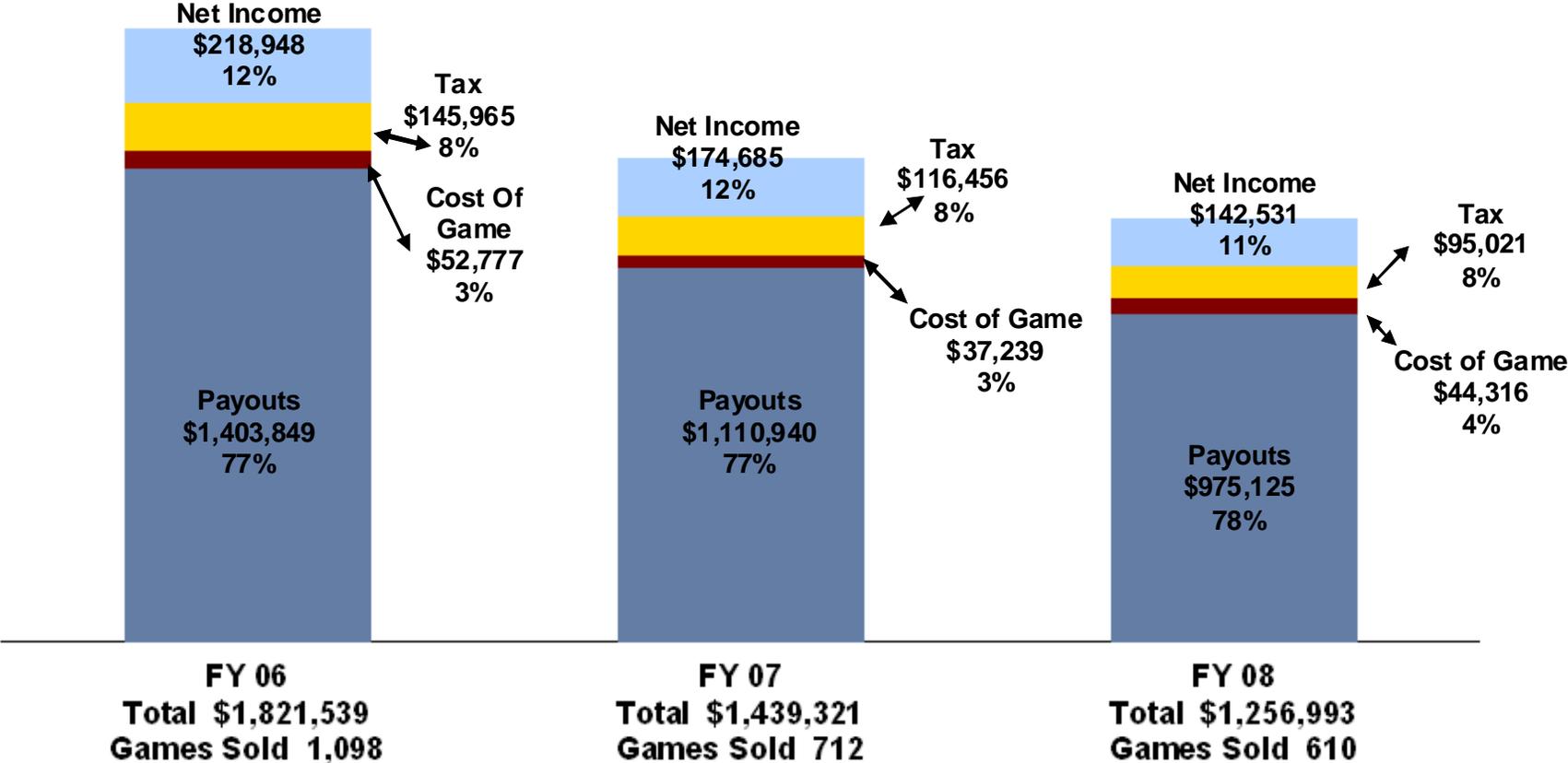
*Based on games started during fiscal year.



**Total
Revenues
\$1,256,993**

Distribution of Liquor Store Revenues* Fiscal Years 2006 - 2008

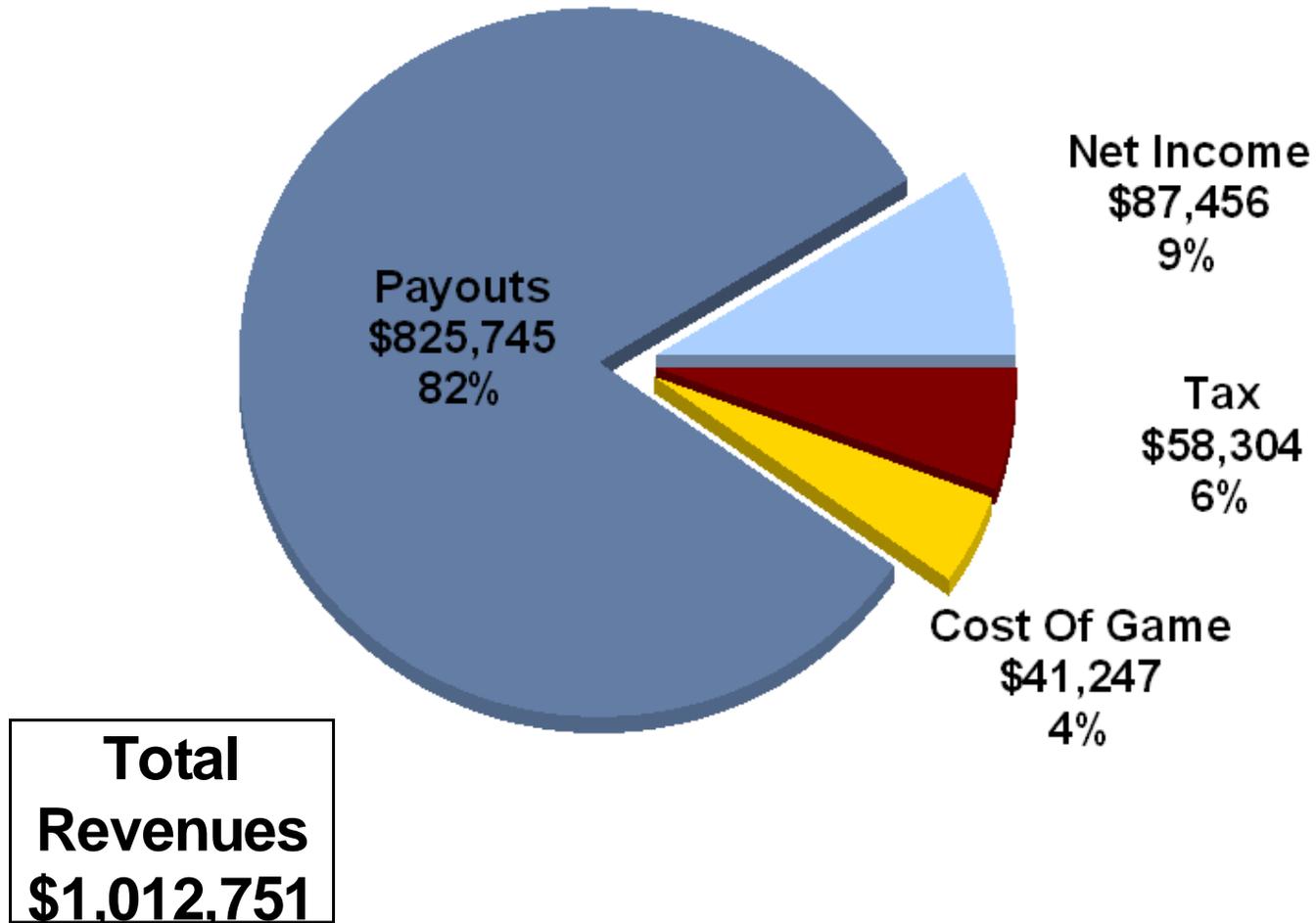
*Based on games started during fiscal year.



Revenues keep falling for Liquor Stores, down \$564,546 or 31% since fiscal year 06

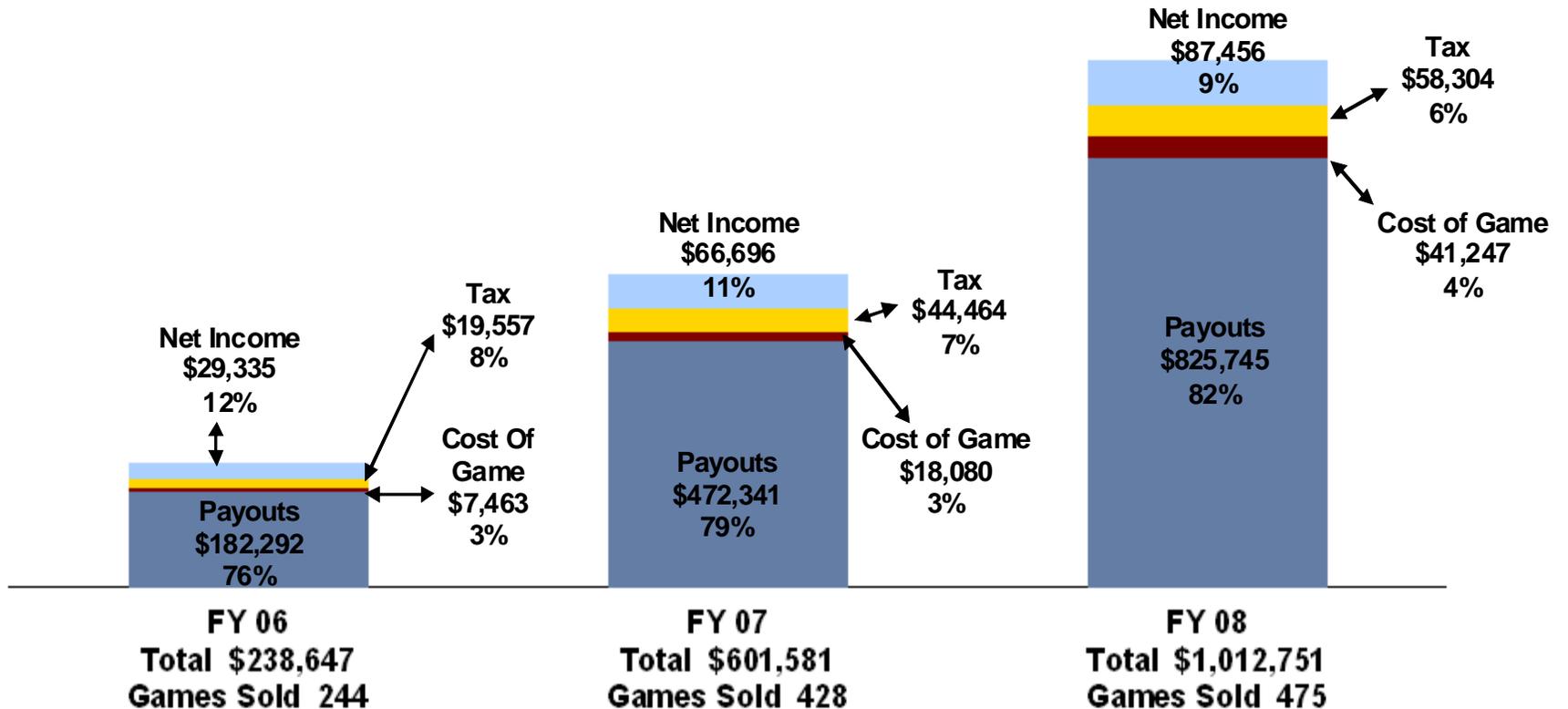
Distribution of Convenience Store Revenues* Fiscal Year 2008

*Based on games started during fiscal year.



Distribution of Convenience Store Revenues* Fiscal Years 2006 - 2008

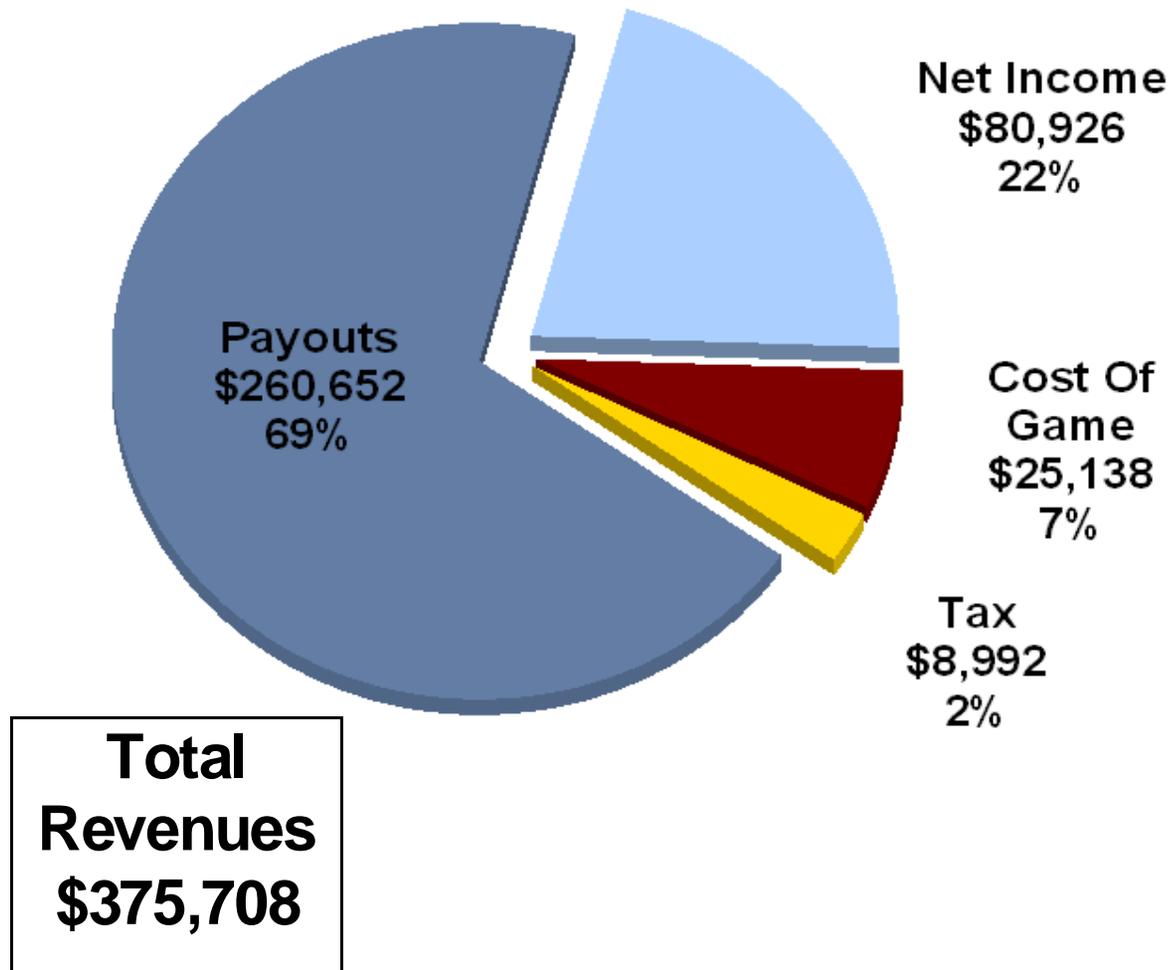
*Based on games started during fiscal year.



Revenues for convenience stores continue to increase more than three times what they were just two years ago in fiscal year 06 or an increase of \$774,104

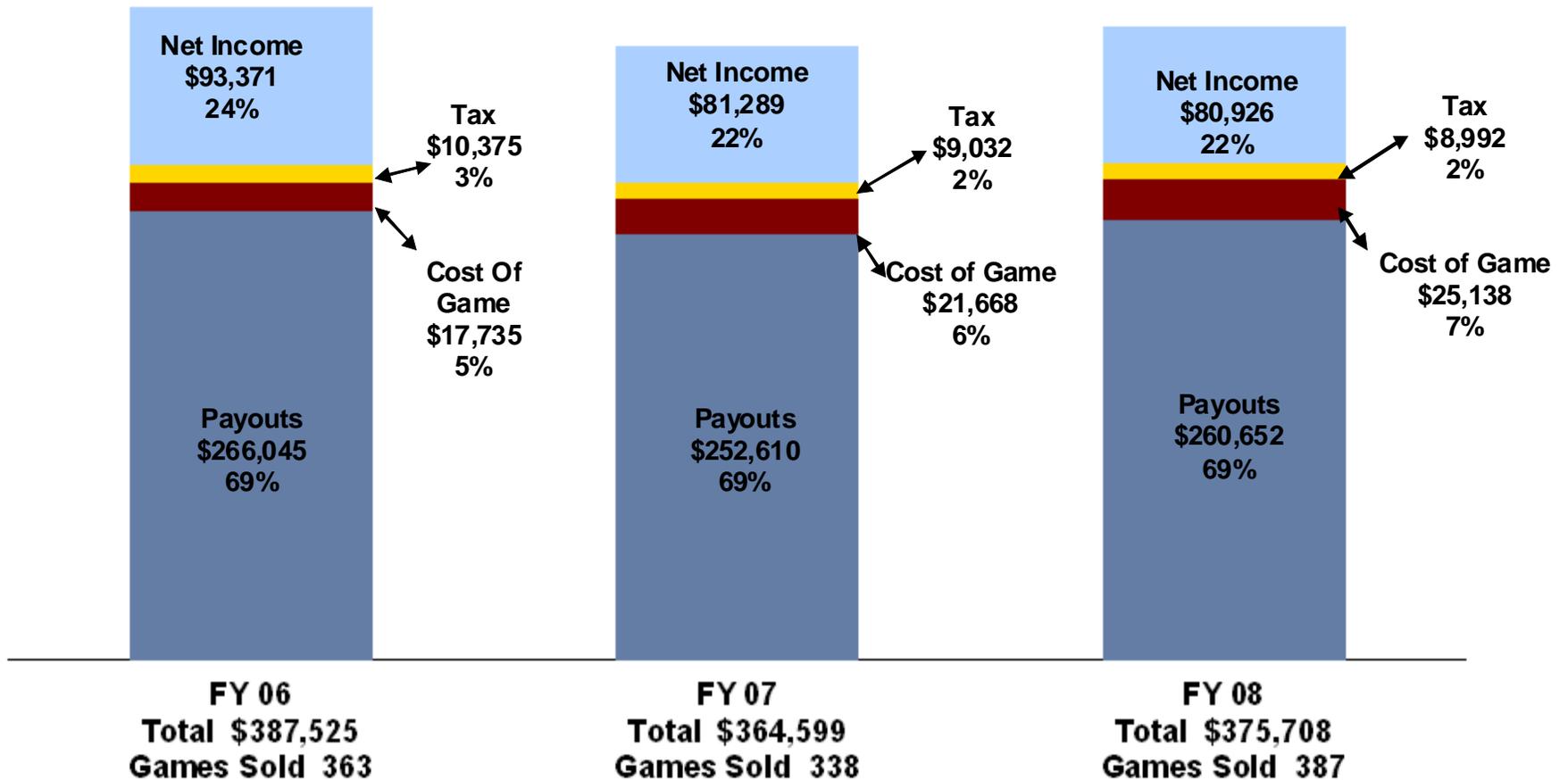
Distribution of Temporary Operator Revenues* Fiscal Year 2008

*Based on games started during fiscal year.



Distribution of Temporary Operator Revenues* Fiscal Years 2006 - 2008

*Based on games started during fiscal year.



This seems remains fairly consistent except the cost of games percentage has been increasing.

Allegany County Inspections of Paper Game Operators Fiscal Years 2005 - 2008

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Inspections	1,038	966	972
Number of Operators	79	83	83
Each Operator Inspected	13.1	11.6	11.7
Each Operator Inspected Monthly	1.1	1.0	1.0

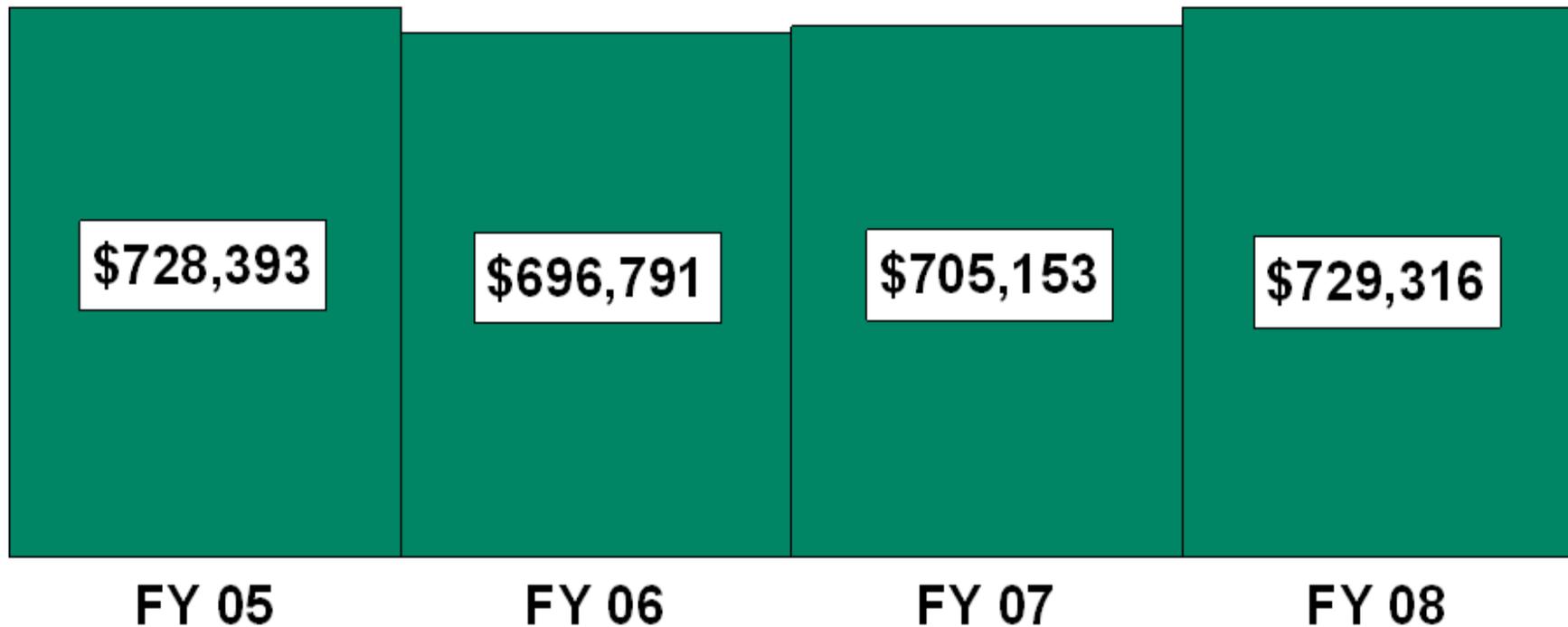
Inspections are random and unannounced

**No More Than 2 Inspections conducted in the Same Area in One Day except occasionally for Cumberland.
This has 42 percent of the operators.**

**Inspections are conducted randomly everyday of the week. No more than 20 percent of the
Inspections occurred on a particular day of the week.**

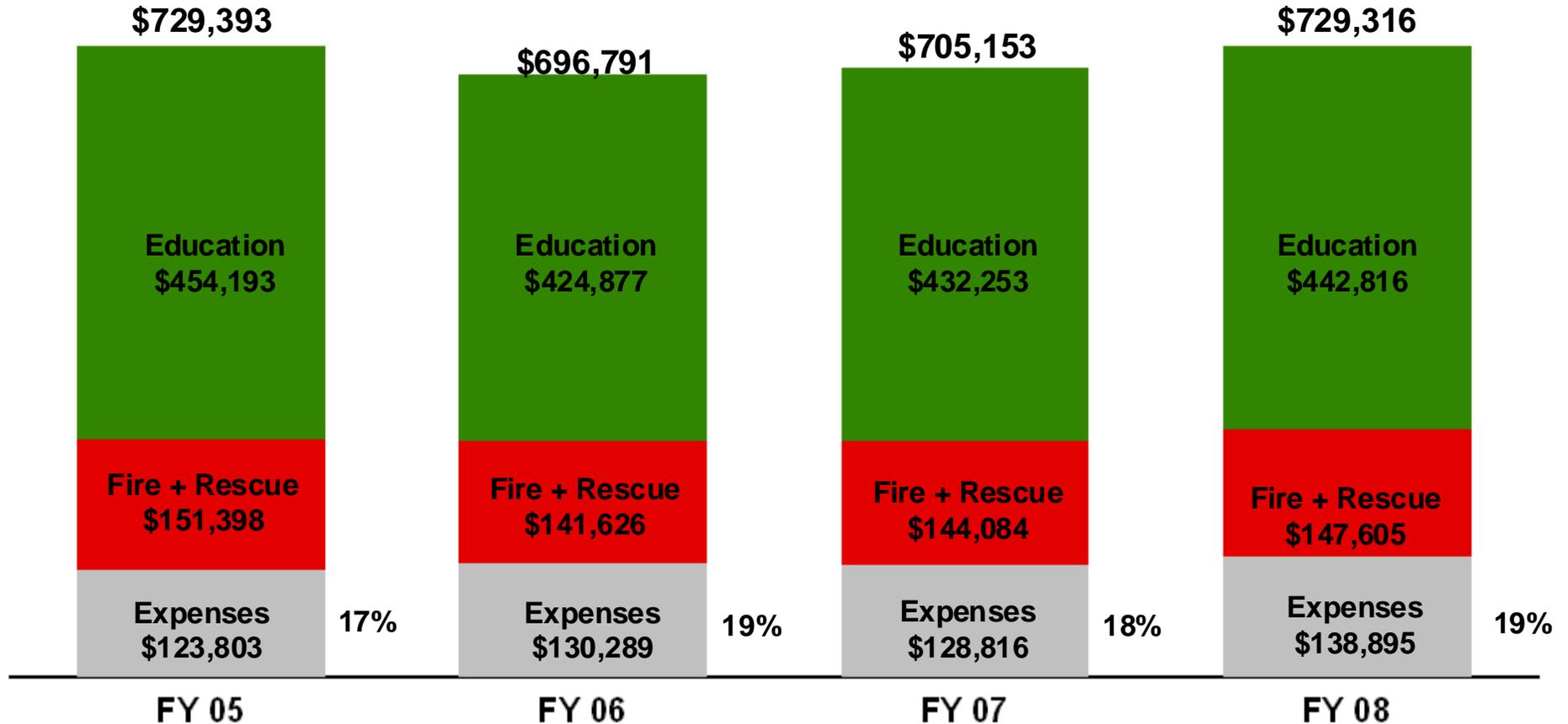
**No Patterns are allowed to Develop for any specific Operator while conducting inspections.
Days of the week are randomly checked to ensure no pattern exists.**

Allegany County Paper Gaming Fund Revenues Fiscal Years 2005 - 2008



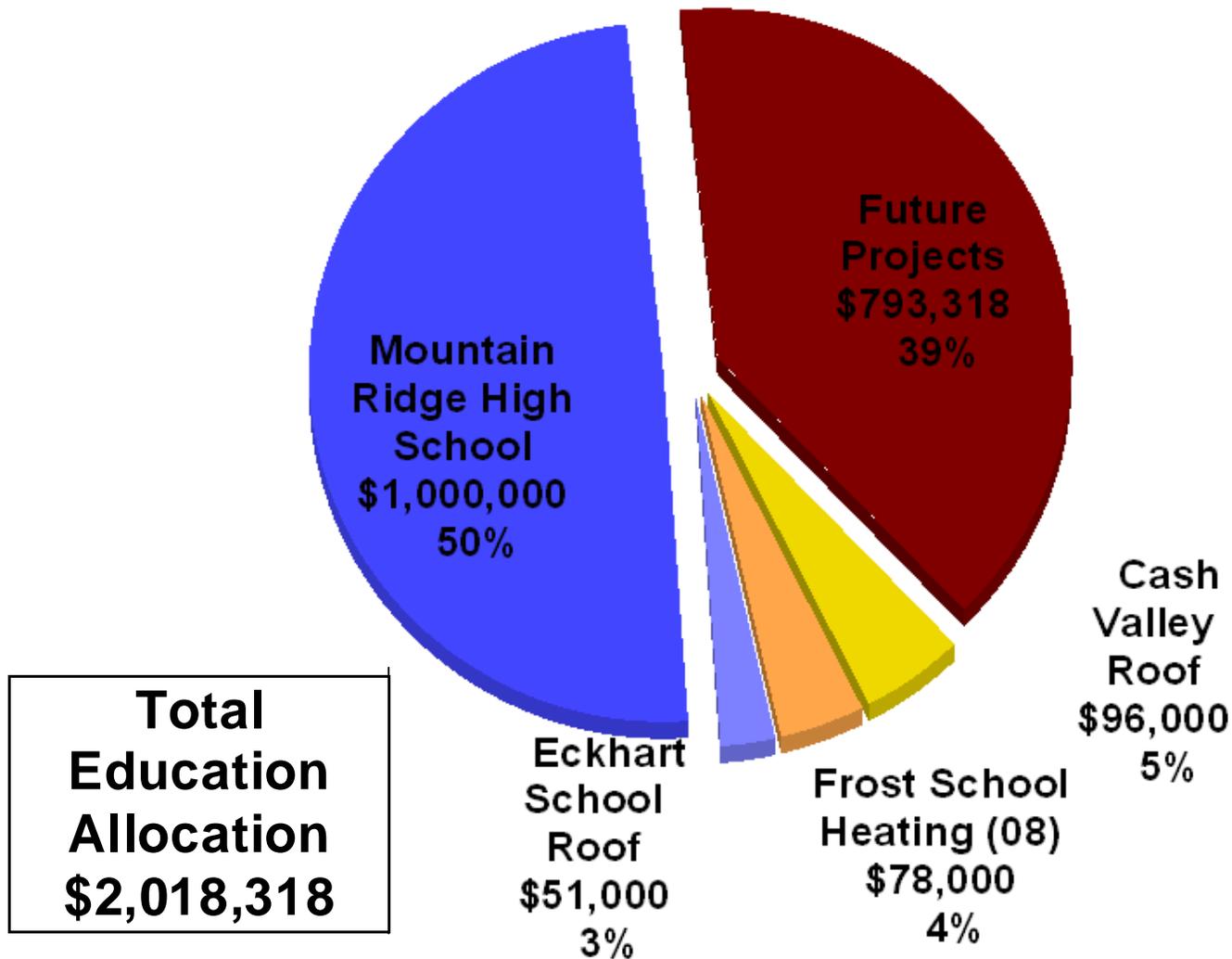
Overall revenues are up \$24,163 or 3.4%. Overall average revenues for the four years is \$714,913 or 2% less than this year.

Allegany County Paper Gaming Fund Distribution Fiscal Years 2005 - 2008



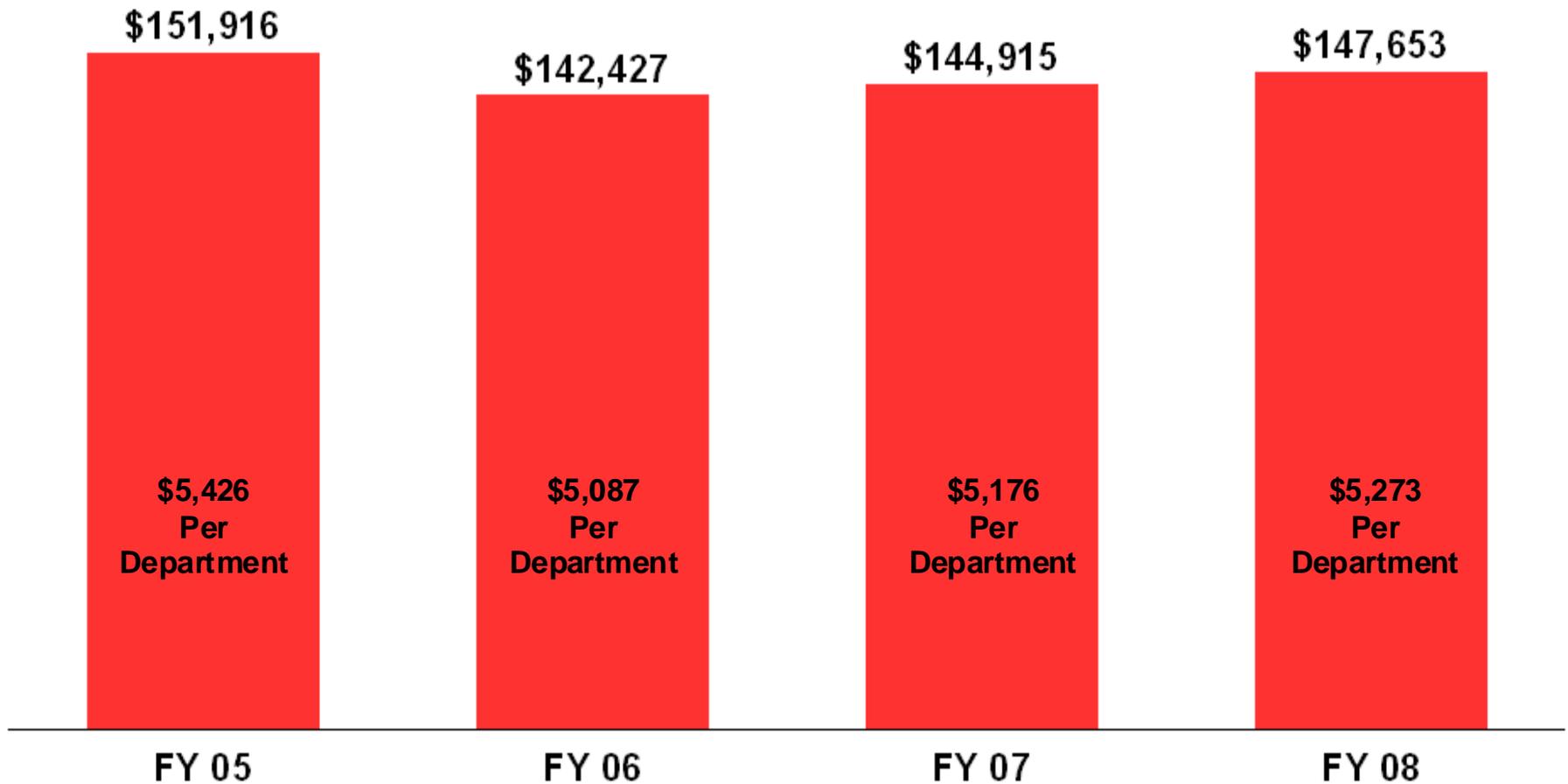
By law, after deduction of expenses for the Gaming Office, 75% of the Gaming Fund revenues are allocated to education and 25% are allocated to fire & rescue departments.

Education Allocations From The Paper Gaming Fund Fiscal Years 2004 - 2008



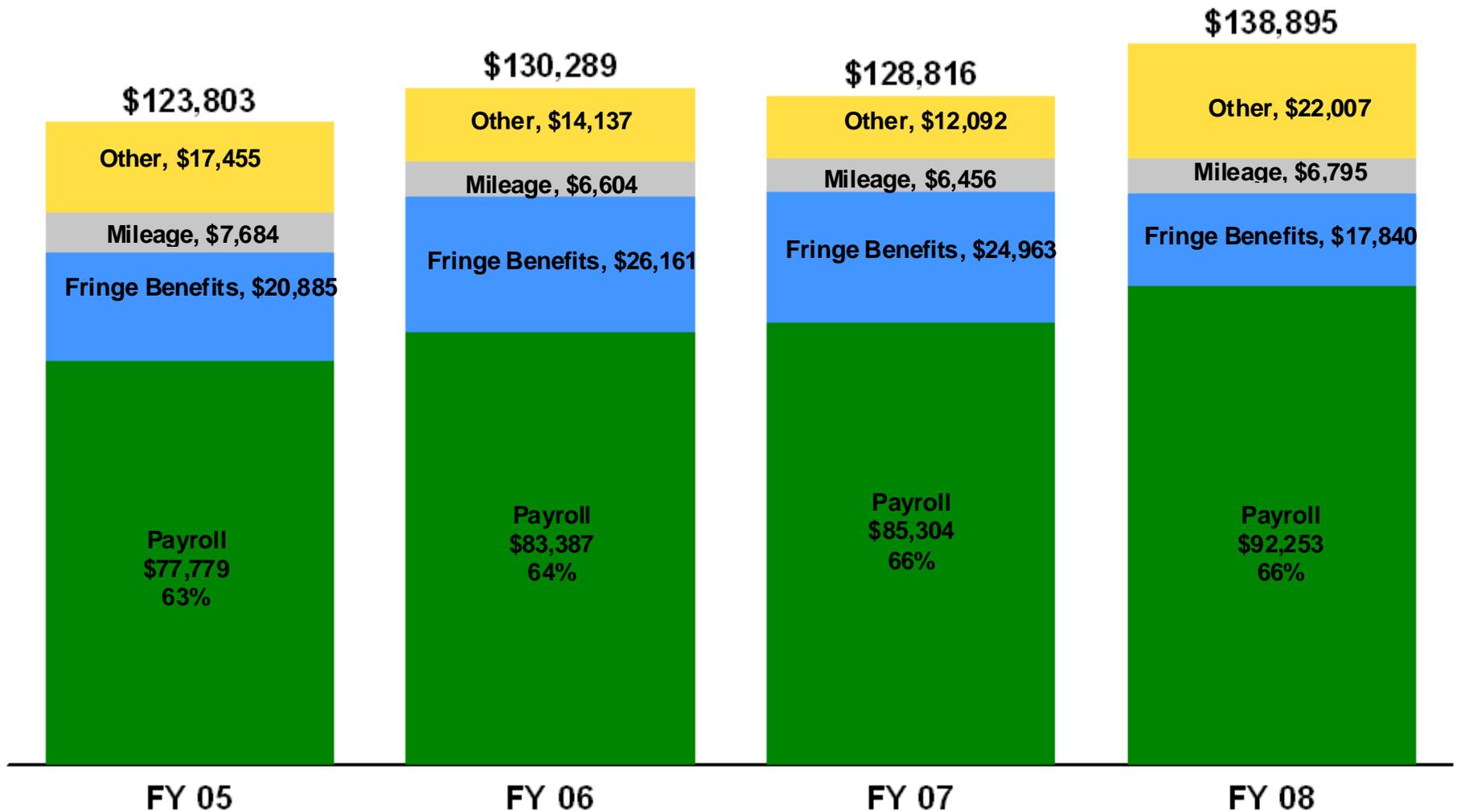
\$1,000,000 has gone to the new Mountain Ridge High School and \$225,000 has gone for roofs and heating in existing schools.

Fire Allocations From The Paper Gaming Fund Fiscal Years 2005 - 2008



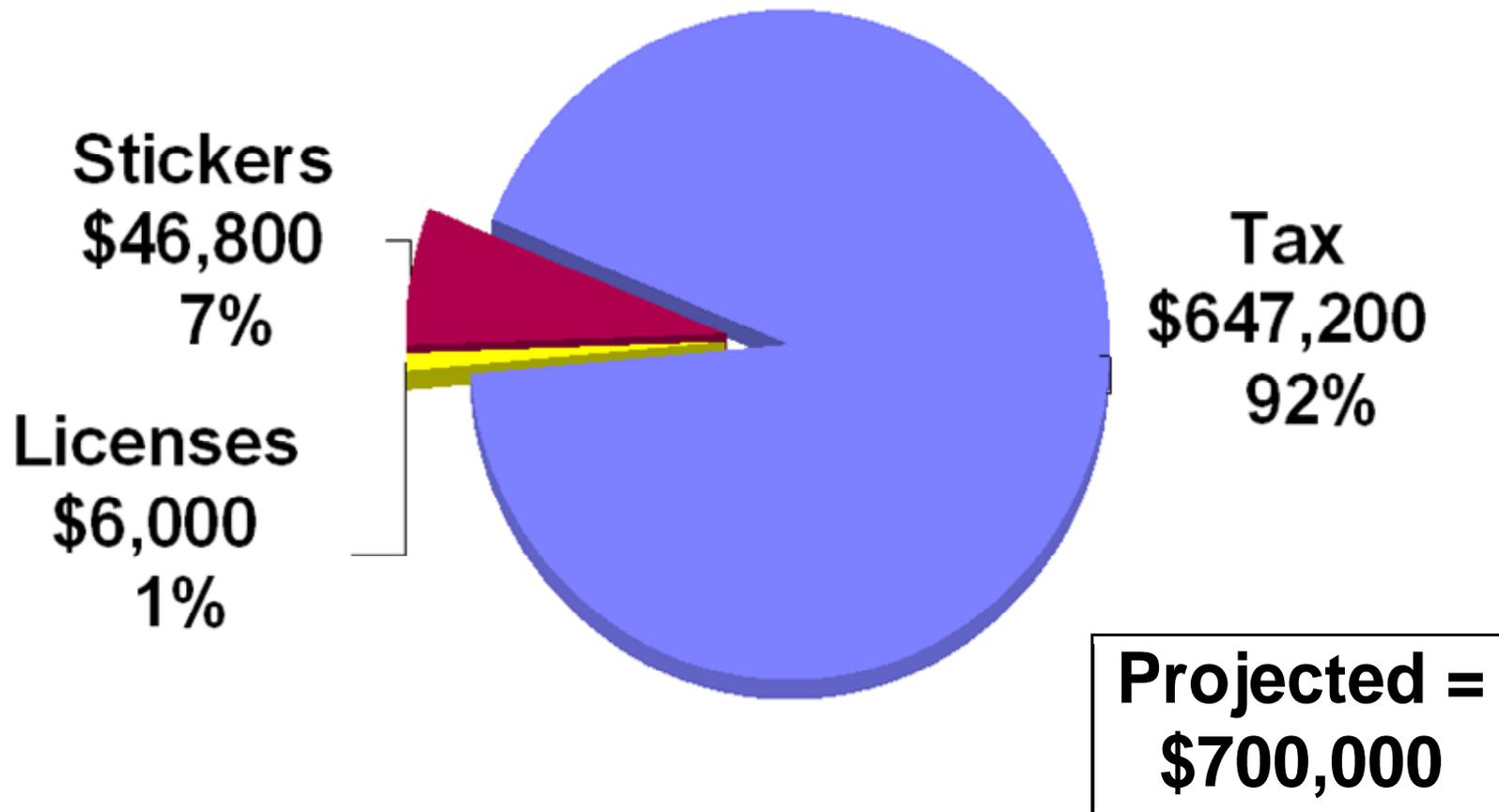
Each year the allocation to fire & rescue units was split evenly between 28 fire & rescue units

Expenses For Allegany County Gaming Office Fiscal Years 2005 - 2008



Combined fringe benefits and payroll remains basically unchanged. The “Other” category was increased due to travel expense to Annapolis, changes to data base for the electronic gaming machines, an increase in administrative fuel cost, and unexpected vehicle repairs.

Projected Allegany County Gaming Fund Revenues Fiscal Year 2009



Note these projections were created prior to legislation impacting the electronic gaming machines. Since then the Legislature has passed legislation prohibiting the machines. This combined with the loss of gaming operators, elevated fuel cost and utilities, the lowering of home value and an overall soft economy have resulted in a large decline of gaming revenues. So far this FY 09 (two months) the tax revenues are down 30%.

Projected Expenses For Allegany County Gaming Office Fiscal Year 2009

\$141,200



Projected Allegany County Gaming Fund Distribution Fiscal Year 2009

\$700,000

Education
\$419,100

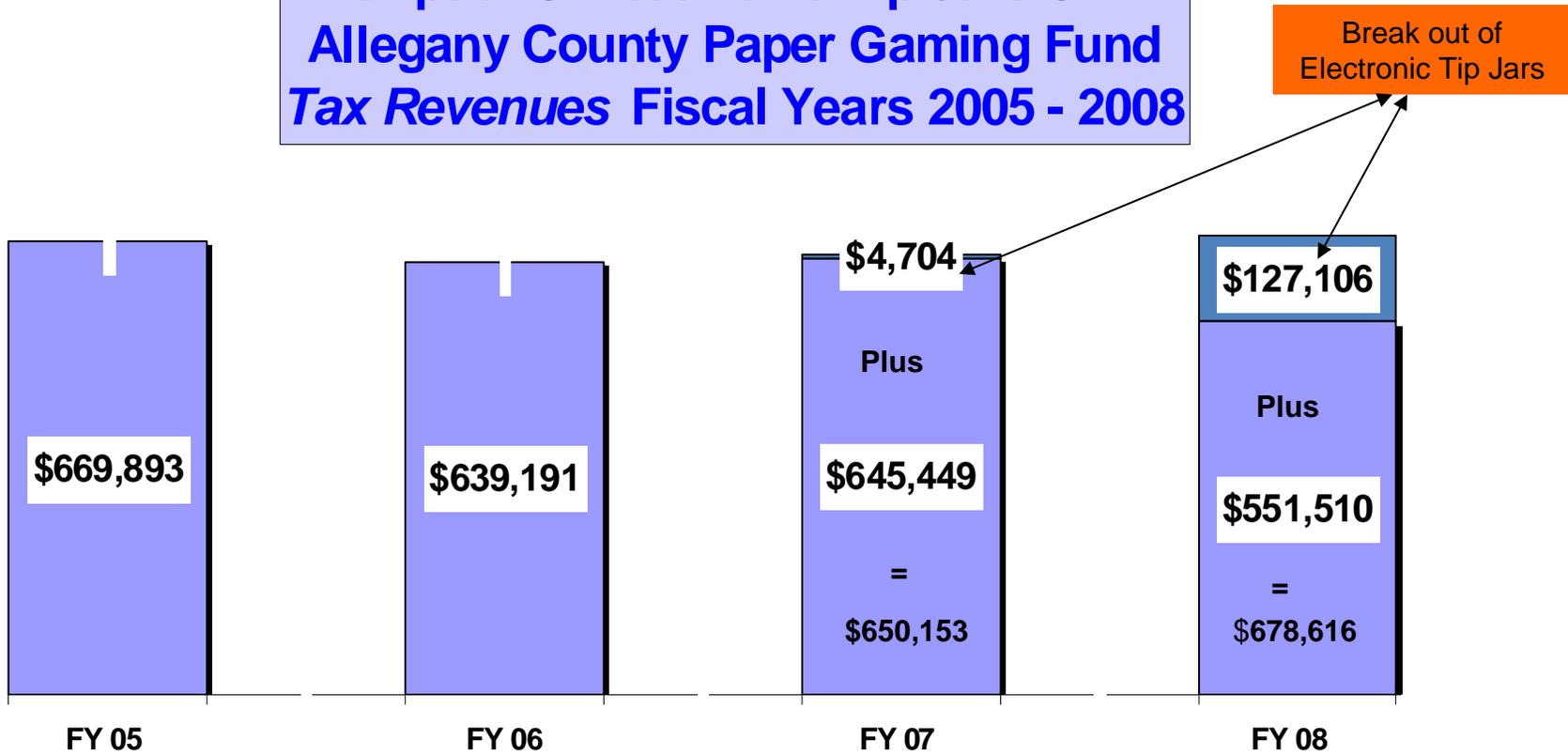
Fire + Rescue
\$139,700

Expenses
\$141,200

20%

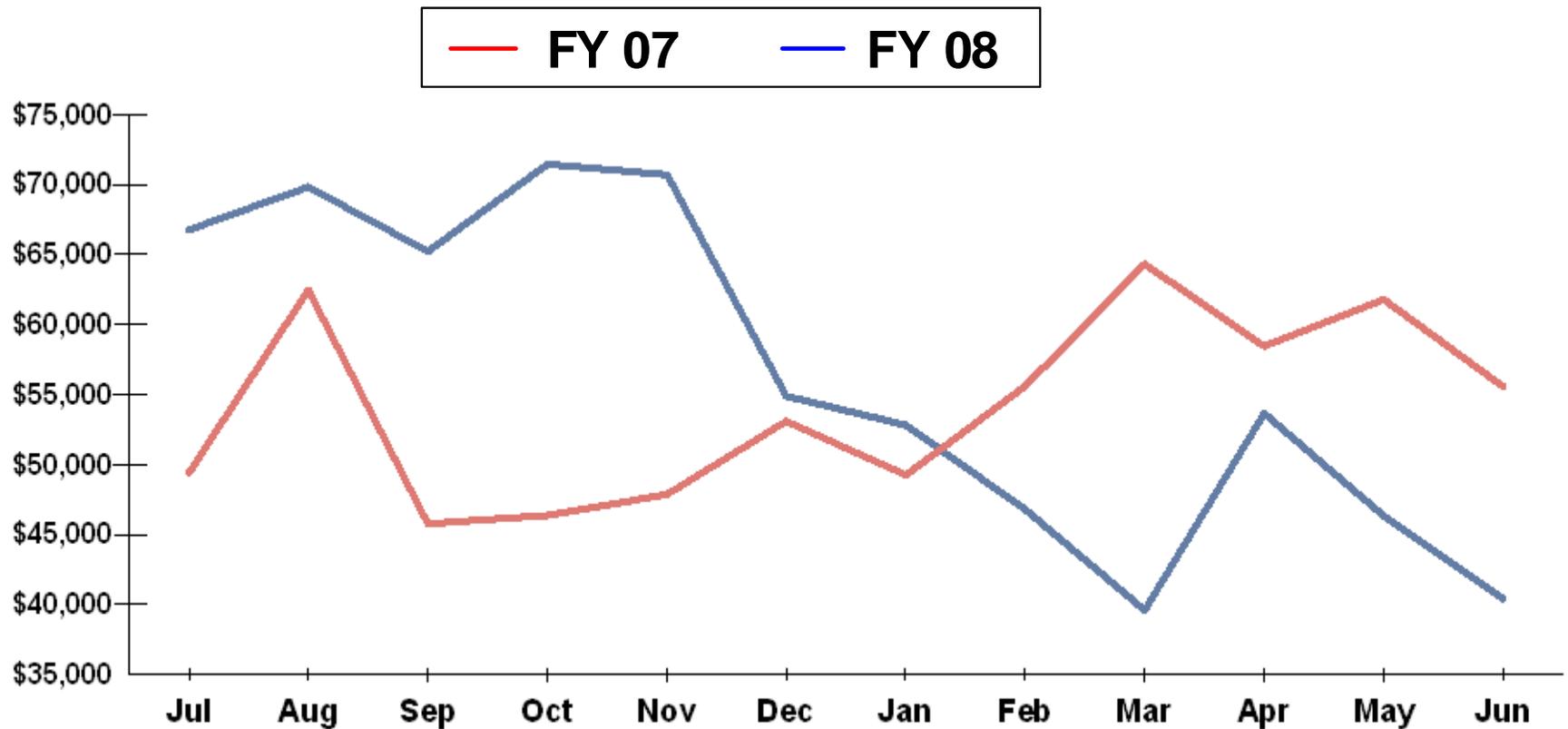
This projections was created for budget purposes. Since then a decline in gaming revenues has been observed. If that trend continues these figures will be negatively adjusted.

Impact Of Electronic Tip Jars On Allegany County Paper Gaming Fund Tax Revenues Fiscal Years 2005 - 2008



Tax revenues from electronic tip jars accounted for 19% of those overall in fiscal year 08 but less than 1% in fiscal year 07. Despite the boost, overall tax revenues for FY 08 are only 4% higher than those for the year before. Considering the novelty and the different kind of gambler attracted, it seems very unlikely that all the tax revenues for the electronic tip jars will transfer entirely to traditional paper gaming next year.

Allegany County Paper Gaming Fund Tax Revenues By Month - FY 08 Versus FY 07

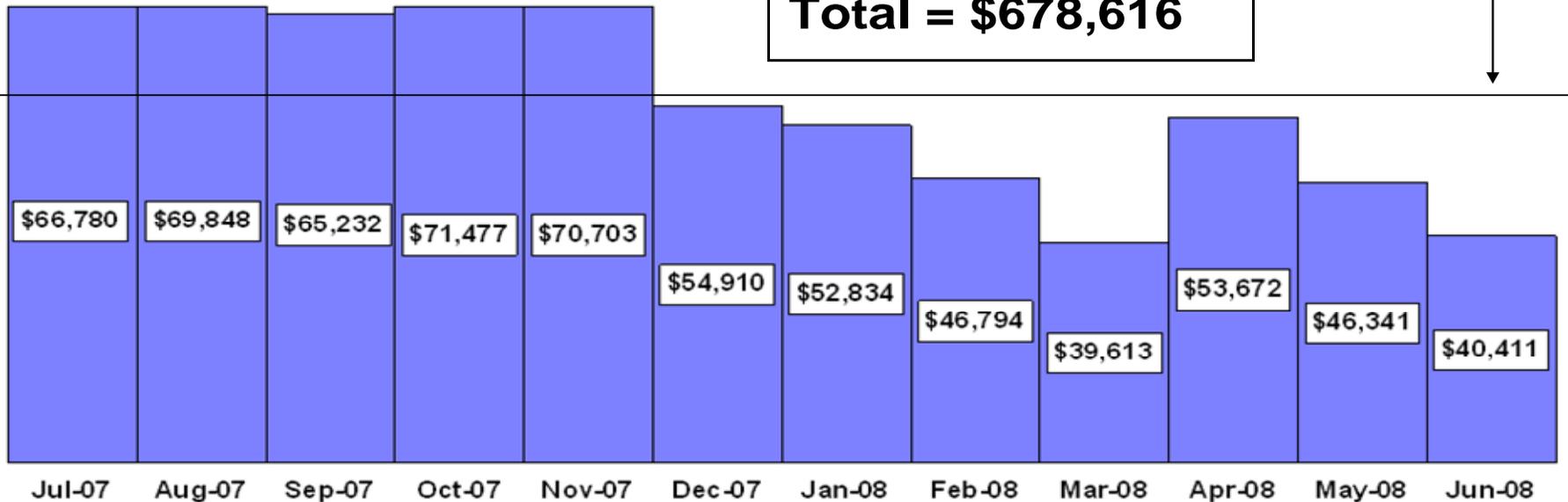


The first half of the fiscal year 08 enjoyed greater tax revenues due to the electronic gaming machines and the second half showed a decline anticipating their prohibition. Other economic factors previously mentioned also impacted the second half of the year trend.

Paper Gaming Fund Tax Revenues By Month Fiscal Year 2008

\$56,551
Monthly
Average

Total = \$678,616



Since November, no single month has had tax revenues even meeting the monthly average boosted in the first five months of the fiscal year 08.

Conclusion

This presentation and also prior years are available on-line at www.gov.allconet.org/gaming/presentations.

The public is invited to email the Gaming Office at gaming@allconet.org