

Allegany County Gaming Office

Fiscal Year 2007

Summary

September 27, 2007

David K. Nedved

Gaming Administrator



Executive Summary For Allegany County Paper Gaming *Office Revenues In Fiscal Year 2007*

Overall revenues were \$9,317, or 1%, higher than last year.

Tax revenues were \$8,317, or 1%, higher than projected, and \$10,962, or 2%, higher than last year.

Sticker revenues were \$800 higher than projected but \$2,800, or 5%, less than last year. Games are getting bigger with less games being played.

Tax revenues were up overall because December did not drop like last FY, \$15,703 higher . Final three months were higher balancing out lower first three months.

For 1st time in 3 years, Cumberland tax revenues have fallen below those from rest of county.

Liquor stores suffered significant decline in tax revenue but loss was balanced by gain for convenience stores, plus taverns also gained making year up overall.

Executive Summary For Allegany County Paper Gaming *Operators Revenues In Fiscal Year 2007*

Operator revenues for FY 07 were \$19,844,756, up \$861,165 or 4.5 % compared to last FY.

Clubs account for 75% of regulated paper gaming revenues, \$14,915,756 compared to \$4,929,000 for all other regulated operators.

Compared to last fiscal year:

Club revenues are up \$754,590.50 or 5.3 %. Net income is down .7%, or \$15,305.

Tavern revenues are up \$185,253 or 7.8 %. Net income for taverns is up \$17,389 or 6.1%

Liquor store revenues are down \$408,164 or 22.4 %.

Convenience store revenues are up \$356,179 or a whopping 149.2 %. One store alone increased \$268,506 for revenues. Also, another store was licensed in FY 07.

Temporary operator revenues are down \$408,164 or 22.4 %.

Executive Summary For Allegany County Paper Gaming *Fund Revenues In Fiscal Year 2007*

Gaming Office had expenses of \$128,816 for fiscal year 07.

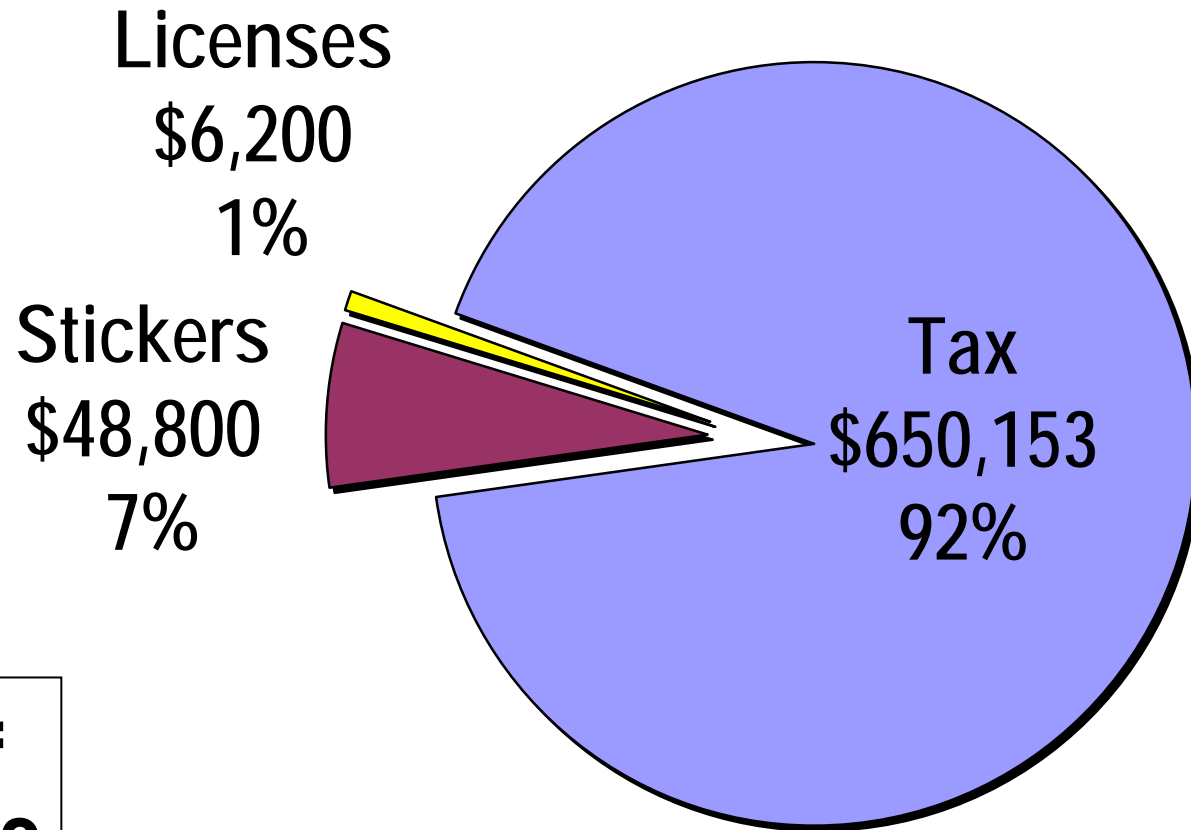
Despite an increase in payroll, Gaming Office expenses decreased \$1,473 or 1%.

Education allocation for fiscal year 07 is \$432,253 and fire and rescue allocation is \$144,084, each allocation is up 1.7% compared to last fiscal year.

Since the start of regulation in 2003 the total allocation for education is \$1,575,360. The following are the projects funded so far and their respective amounts: Mountain Ridge High School, \$1,000,000, Cash Valley Roof, \$96,000, Eckhart School Roof, \$51,00, Frost Elementary Heating (FY 08) \$78,000.

Since the start of regulation in 2003 the total allocation for fire and rescue departments is \$525,120, which has been divided equally between 28 fire and rescue departments, or \$18,754 per department.

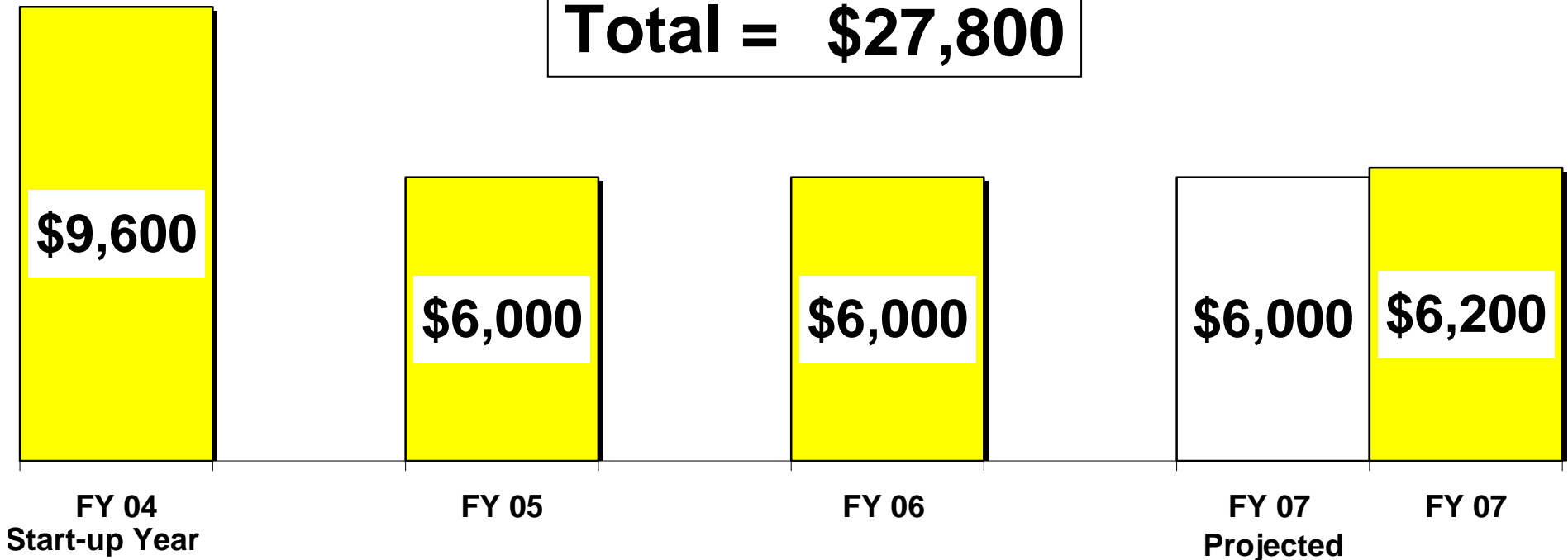
Allegany County Paper Gaming Fund *Revenues By Type*
Fiscal Year 2007



Total =
\$705,153

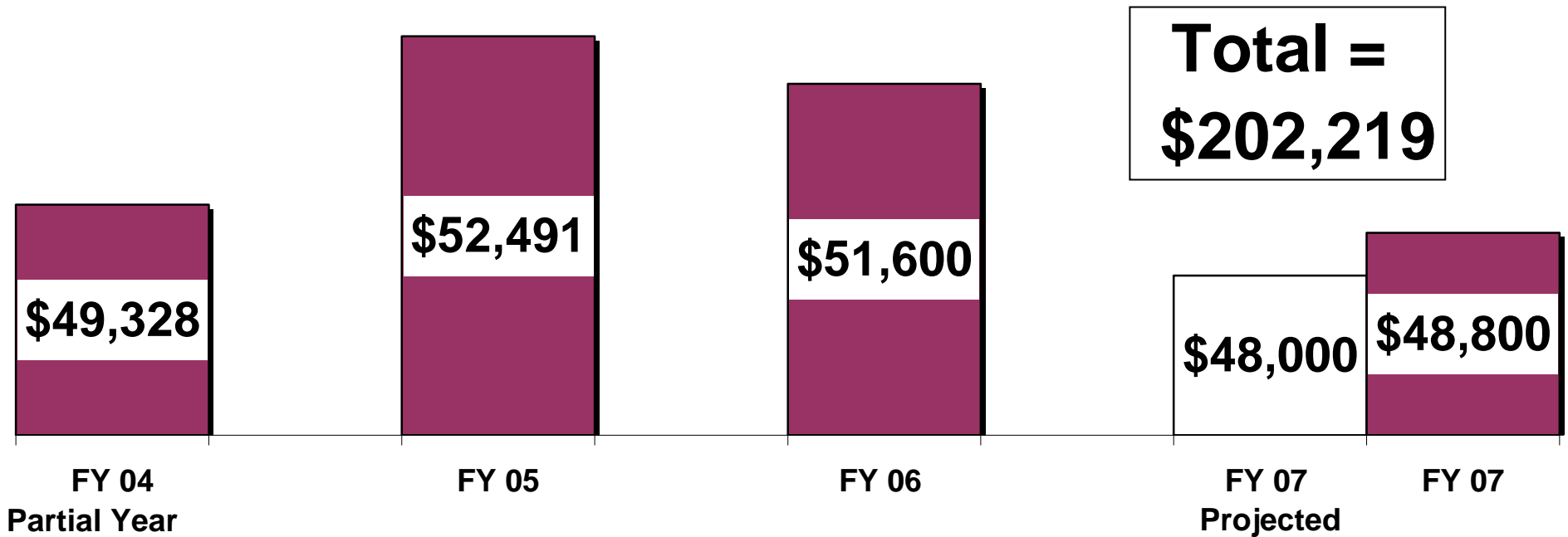
**Allegany County Paper Gaming Fund
Wholesaler License Fee Revenues
Fiscal Years 2004 - 2007**

Total = \$27,800



Regulation started in FY 04, so partial year license fee of \$600 per wholesaler was charged at beginning and then standard license fee of \$1,000 was charged for next year but in same fiscal year. There have been six wholesalers licensed every fiscal year. FY 07 was boosted \$200 by a potential wholesaler which was not licensed and was returned fee except for administrative costs.

Allegany County Paper Gaming Fund Sticker Revenues Fiscal Years 2004 - 2007



Sticker revenues were \$800 higher than projected but \$2,800, or 5%, less than last year.

Sticker revenues are *not* decreasing because of less gambling, but rather, the games are getting bigger with less games being played.

Revenues in FY 04 were boosted \$1,228 by grace period c-stickers. FY 05 were reduced by \$8.70 refund.

Allegany County Paper Games *Distribution of Gaming Stickers - Fiscal Years 2004 - 2007*

Stickers Sold To Wholesalers

FY 04	FY 05	FY 06	FY 07	Total
48,100	52,500	51,600	48,800	201,000

Attached To Taxable Games

FY 04	FY 05	FY 06	FY 07	Total
41,116	47,830	46,746	43,384	179,076
85.5%	91.9%	90.6%	88.9%	89.1%

Attached To Games Played In Fiscal Year

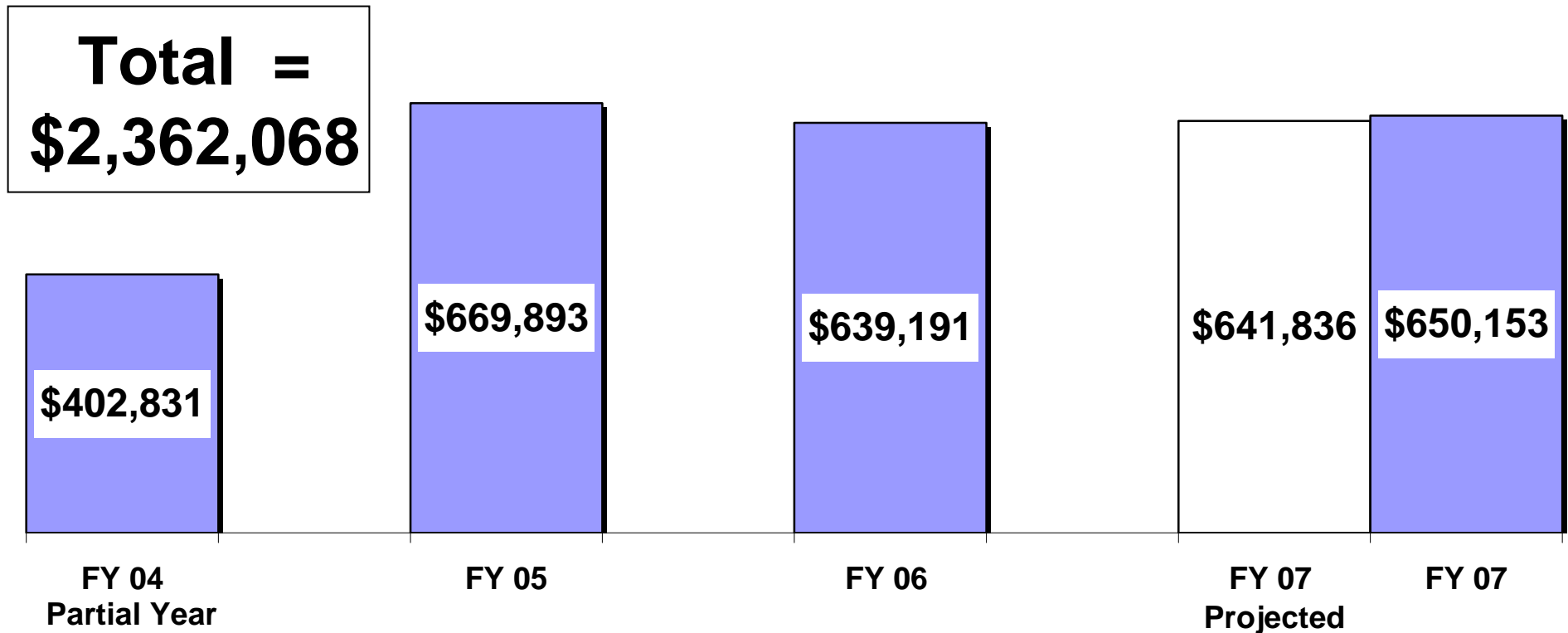
FY 04	FY 05	FY 06	FY 07	Total
34,143	42,919	41,441	39,075	157,578
71.1%	81.8%	80.3%	80.1%	78.4%

Attached To Taxable Games And Played In Fiscal Year

FY 04	FY 05	FY 06	FY 07	Total
30,855	40,149	38,600	37,556	147,160
64.1%	76.5%	74.8%	77.0%	73.2%

619
Stickers
Have
Been
Voided.

Allegany County Paper Gaming Fund Tax Revenues Fiscal Years 2004 - 2007



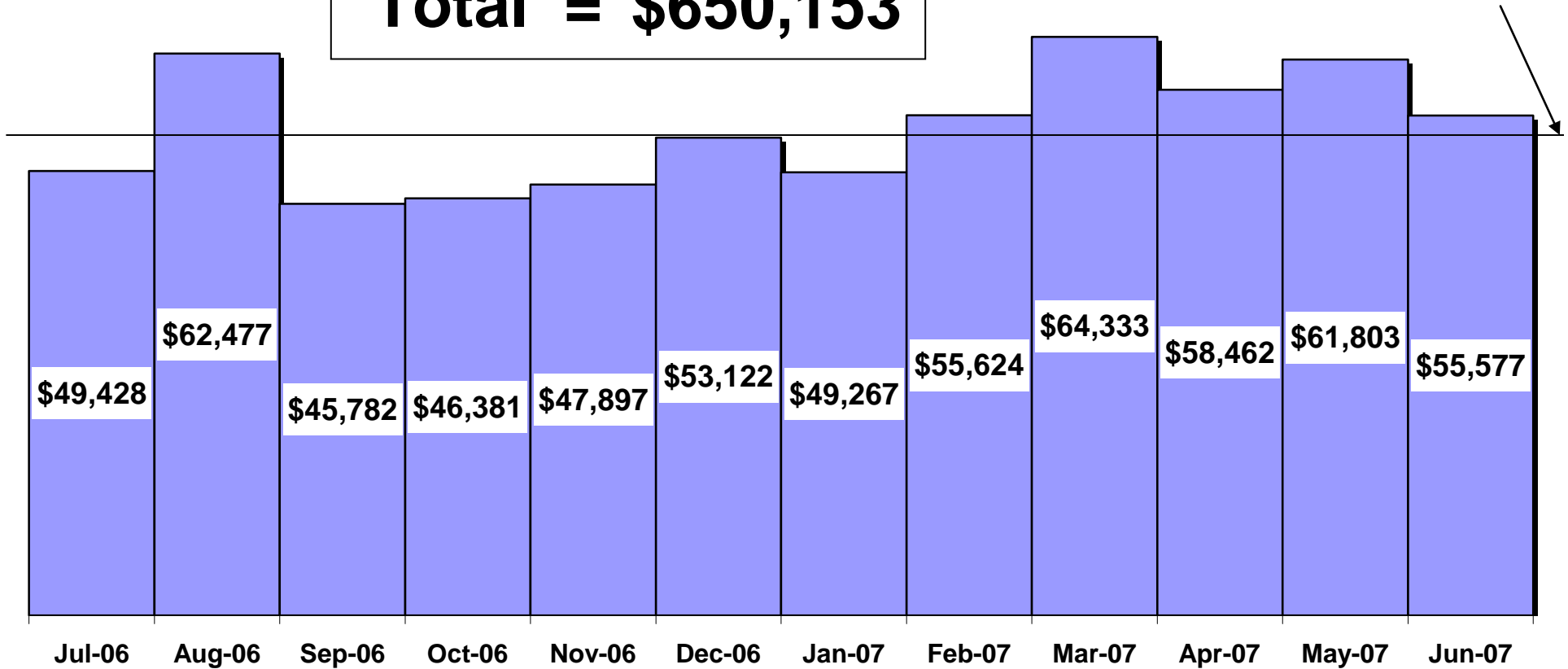
Regulation started in FY 04, so it only represents seven months.

Tax revenues were \$8,317, or 1%, higher than projected and \$10,962, or 2%, higher than last year.

Paper Gaming Fund Tax Revenues By Month Fiscal Year 2007

\$54,179
Monthly
Average

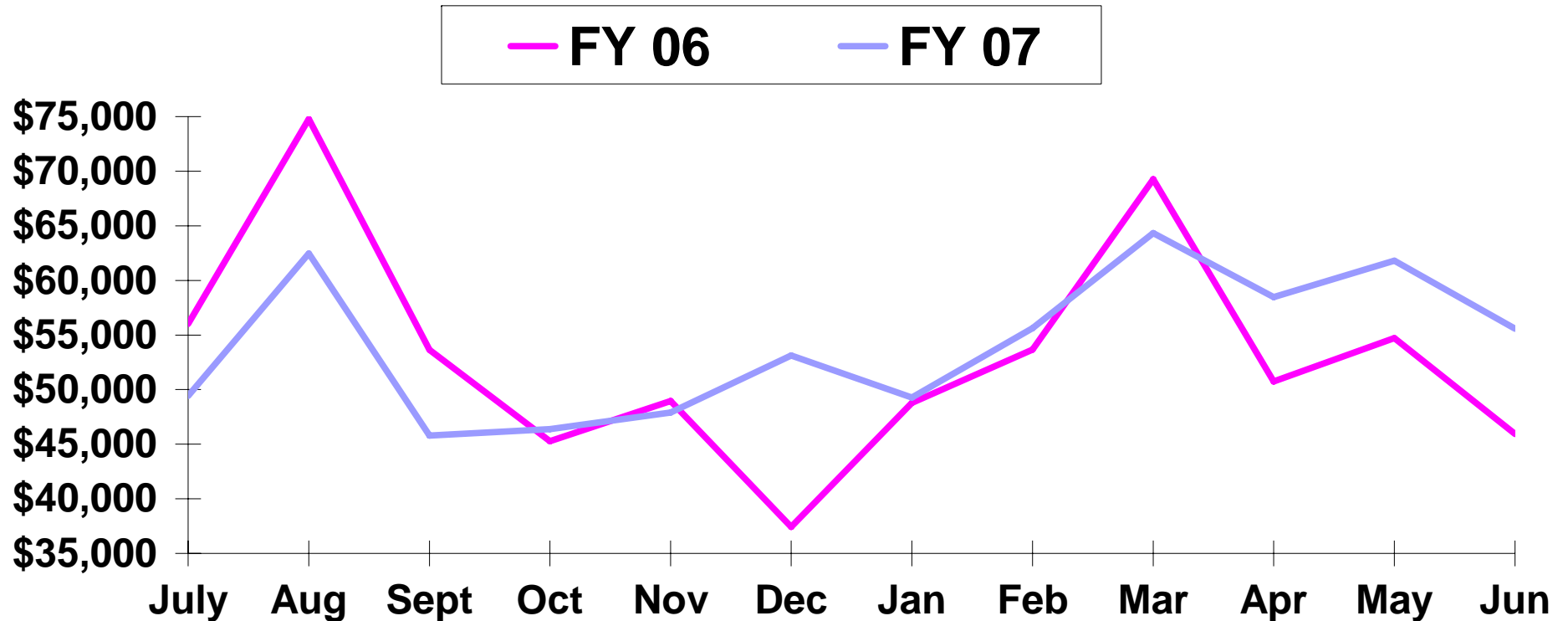
Total = \$650,153



Average monthly gaming tax collection for the fiscal year is \$54,179.

With exception of August, boosted by Firefighter's Bash, 2nd half of FY since February beat 1st half.

Allegany County Paper Gaming Fund Tax Revenues By Month - FY 07 Versus FY 06



Tax revenues varied less from month to month for FY 07 than for FY 06.

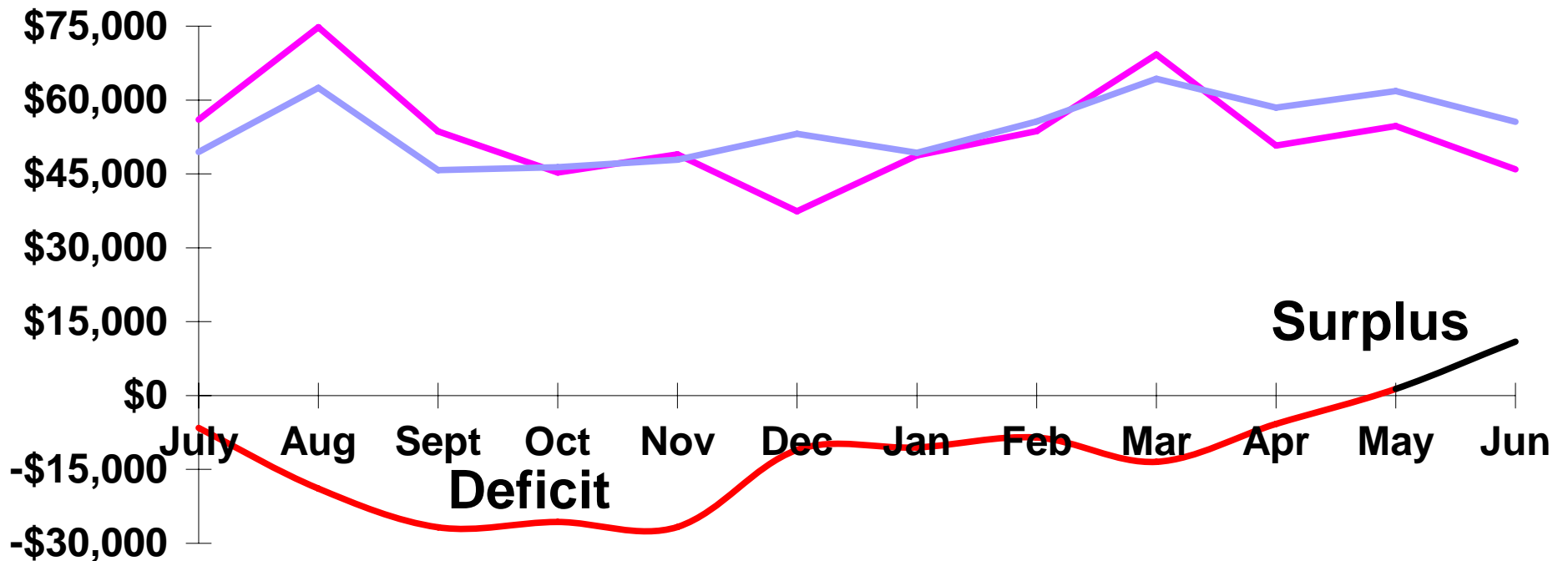
Tax revenues were up overall because December did not drop like last FY, \$15,703 higher .

Tax revenues overall were \$10,961 higher than year before.

Final three months were higher balancing out lower first three months.

Allegany County Paper Gaming Fund Tax Revenues By Month - FY 07 Versus FY 06

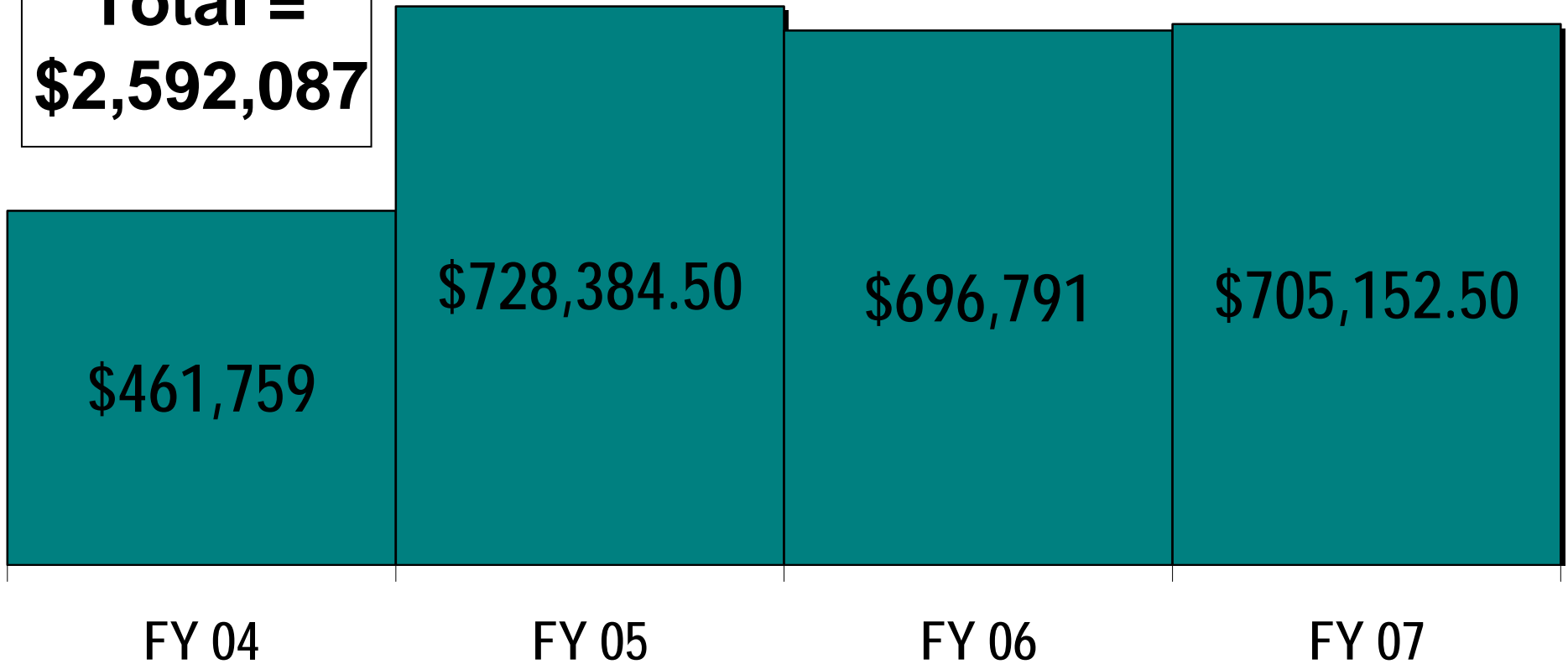
— **FY 06** — **FY 07** — **Cumulative Difference**



Just like last fiscal year, it was last three months that changed outcome for year.
This time outcome was opposite, surplus after months of deficit.

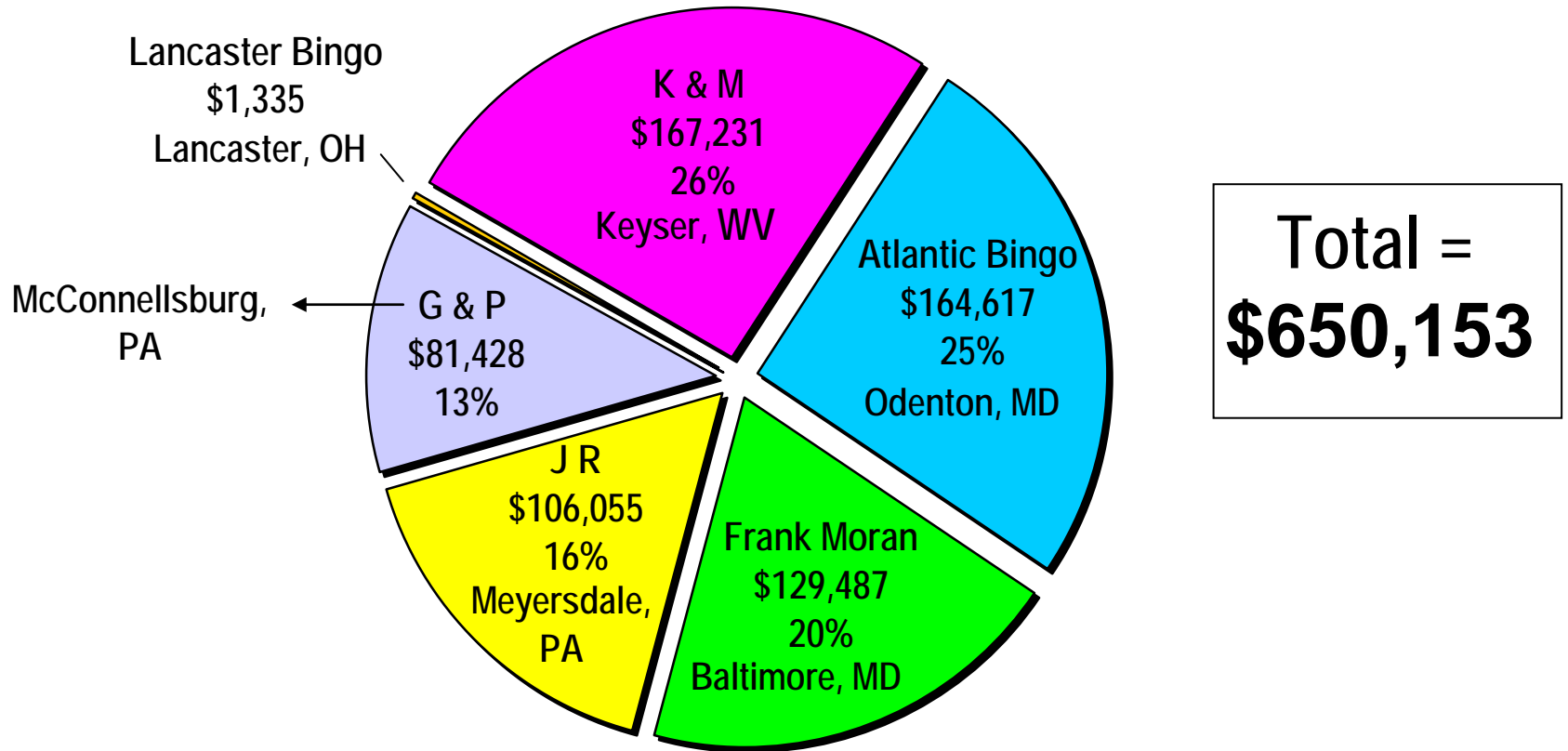
Allegany County Paper Gaming Fund *Revenues*
Fiscal Years 2004 - 2007

Total =
\$2,592,087



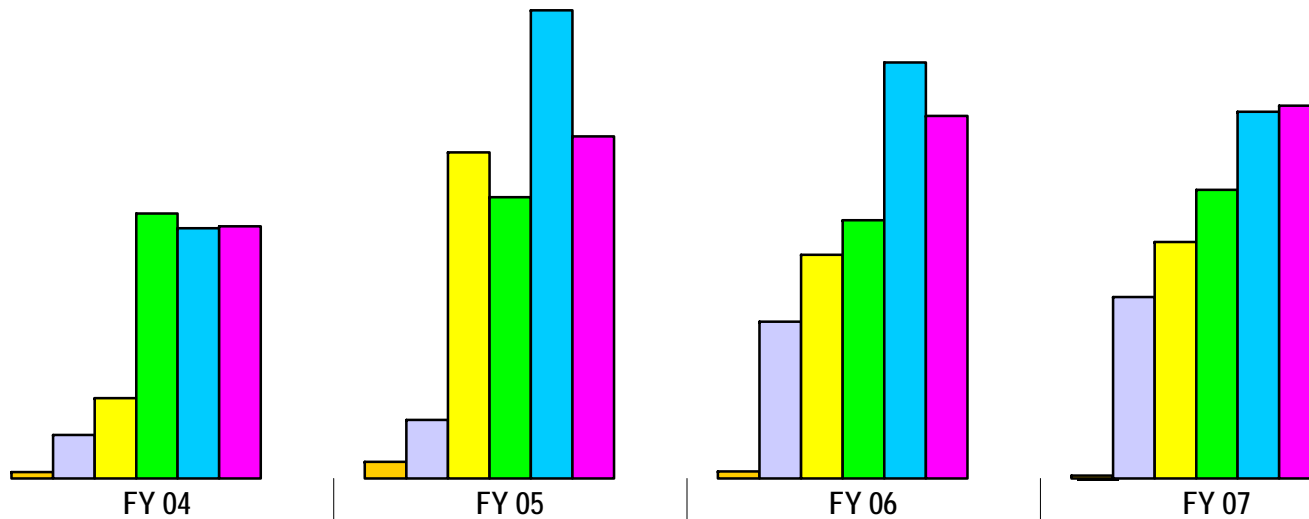
Regulation started in FY04, so it only represents seven months.
Overall revenues were \$9,317, or 1%, higher than last year.

Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Year 2007



No wholesaler dominates, and all except one, have significant shares.
This is good news for operators because it means market is competitive for wholesalers.

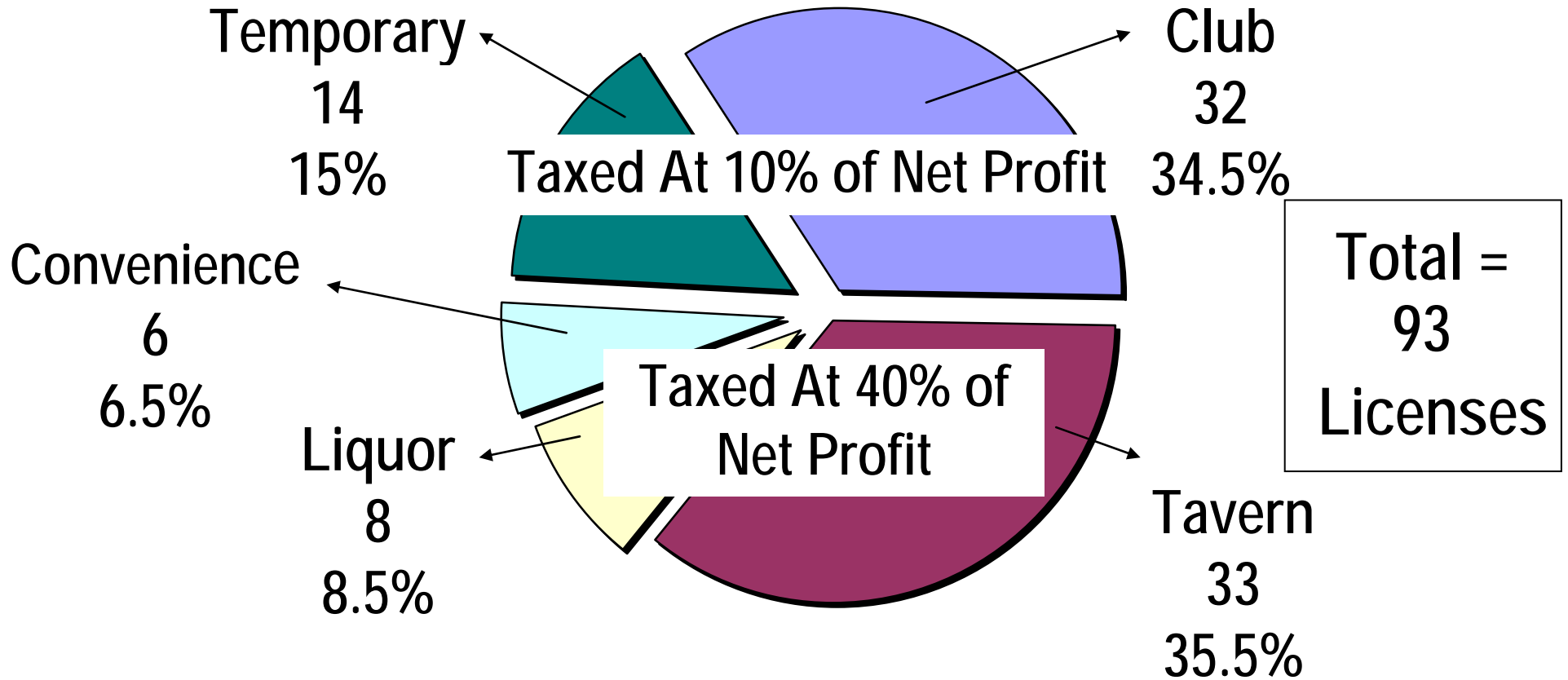
Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Years 2004 - 2007



	FY 04	FY 05	FY 06	FY 07	Total
■ Lancaster	\$2,905	\$7,418	\$3,099	\$1,335	\$14,757
■ G & P	\$19,495	\$26,207	\$70,399	\$81,428	\$197,529
■ J R	\$35,990	\$146,359	\$100,363	\$106,055	\$388,767
■ Moran	\$118,945	\$126,238	\$115,923	\$129,487	\$490,593
■ Atlantic	\$112,333	\$210,149	\$186,683	\$164,617	\$673,782
■ K & M	\$113,163	\$153,522	\$162,724	\$167,231	\$596,640
Total	\$402,831	\$669,893	\$639,191	\$650,153	\$2,362,068

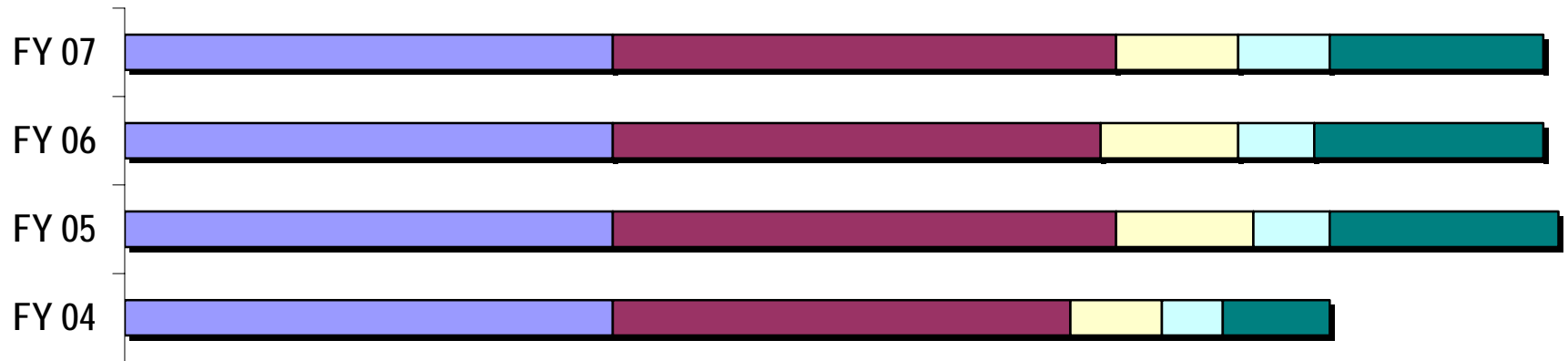
It has been good news for operators from the start of regulation with wholesalers being competitive. No one wholesaler dominates, and the rankings have not been consistent among the top four.

**Allegany County Paper Gaming *Operator Licenses By Type*
Fiscal Year 2007**



Of the 15 temporaries, 2 were issued to organizations already previously licensed in the fiscal year, and 7 resulted in no tax revenue.

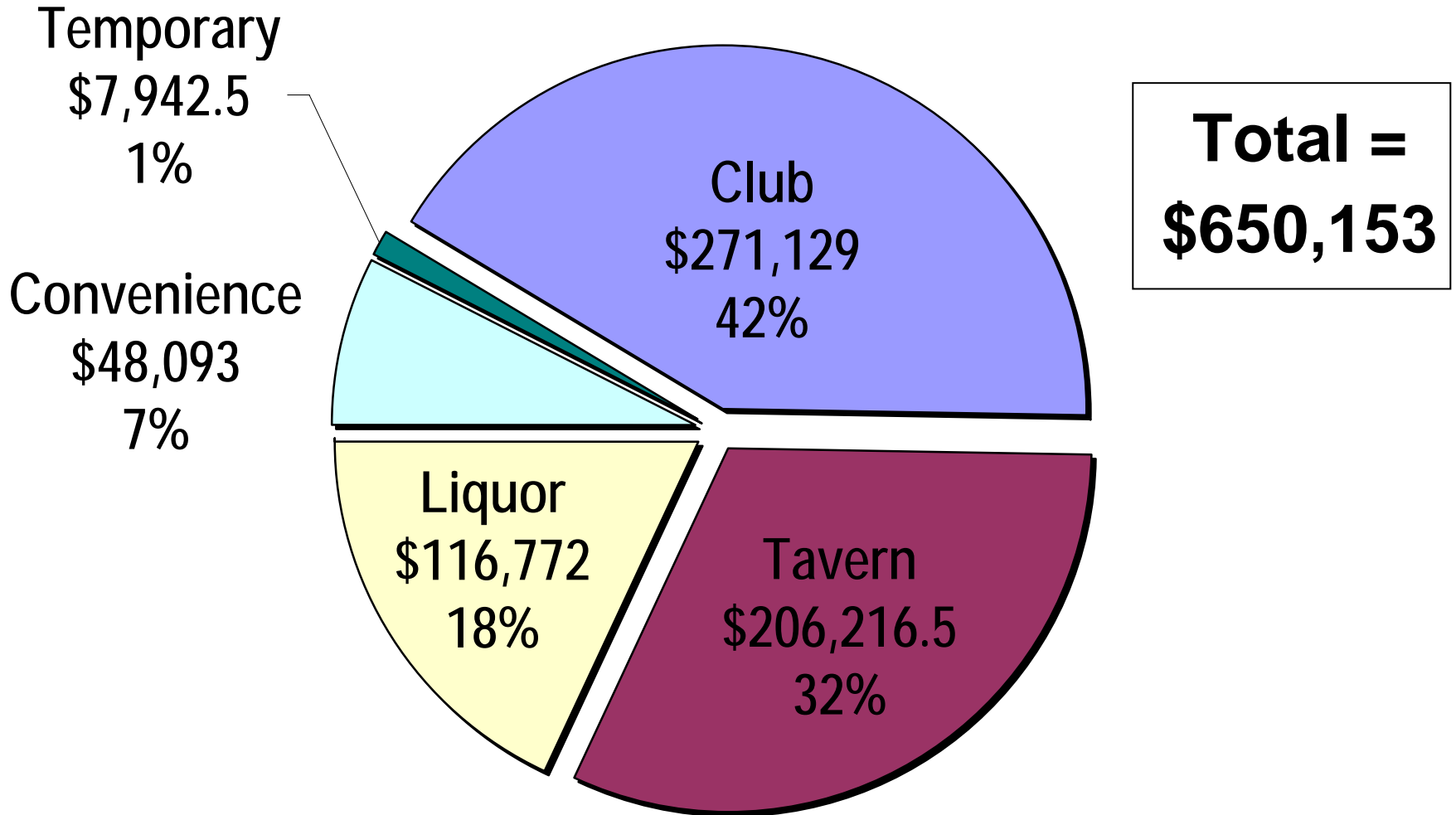
Allegany County Paper Gaming *Operator Licenses By Type Fiscal Years 2004 - 2007*



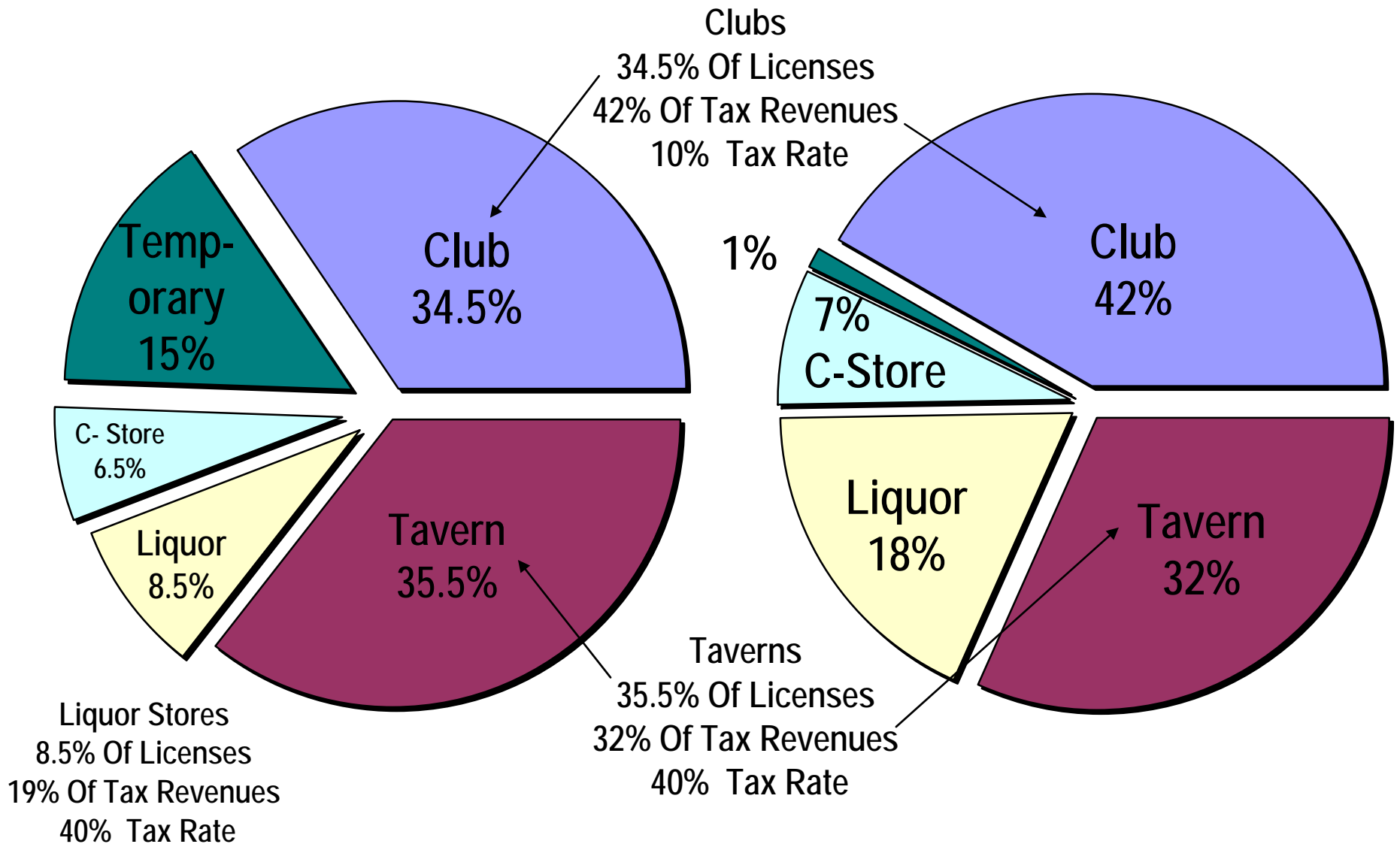
	FY 04	FY 05	FY 06	FY 07
Temporary	7	15	15	14
Convenience	4	5	5	6
Liquor	6	9	9	8
Tavern	30	33	32	33
Club	32	32	32	32

Type of operators licensed has been fairly consistent since FY 05, up or down only one for any type. Cumberland Moose closing was replaced by Maplehurst Country Club in FY 07.

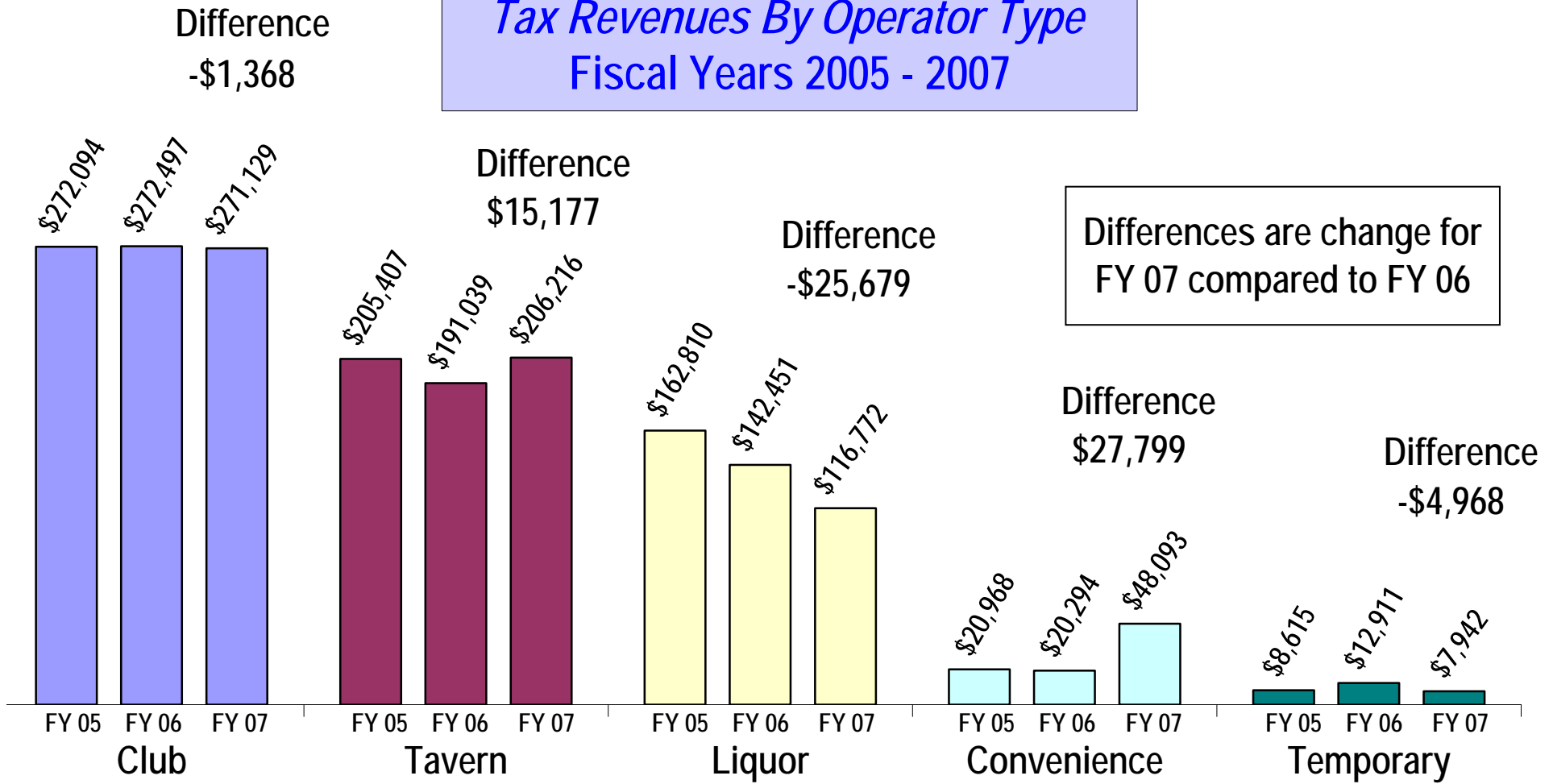
*Tax Revenues By Allegany County Paper Gaming Operator
Type Fiscal Year 2007*



Allegany County Paper Gaming *Operator Type* License % Versus Revenue % Fiscal Year 2007

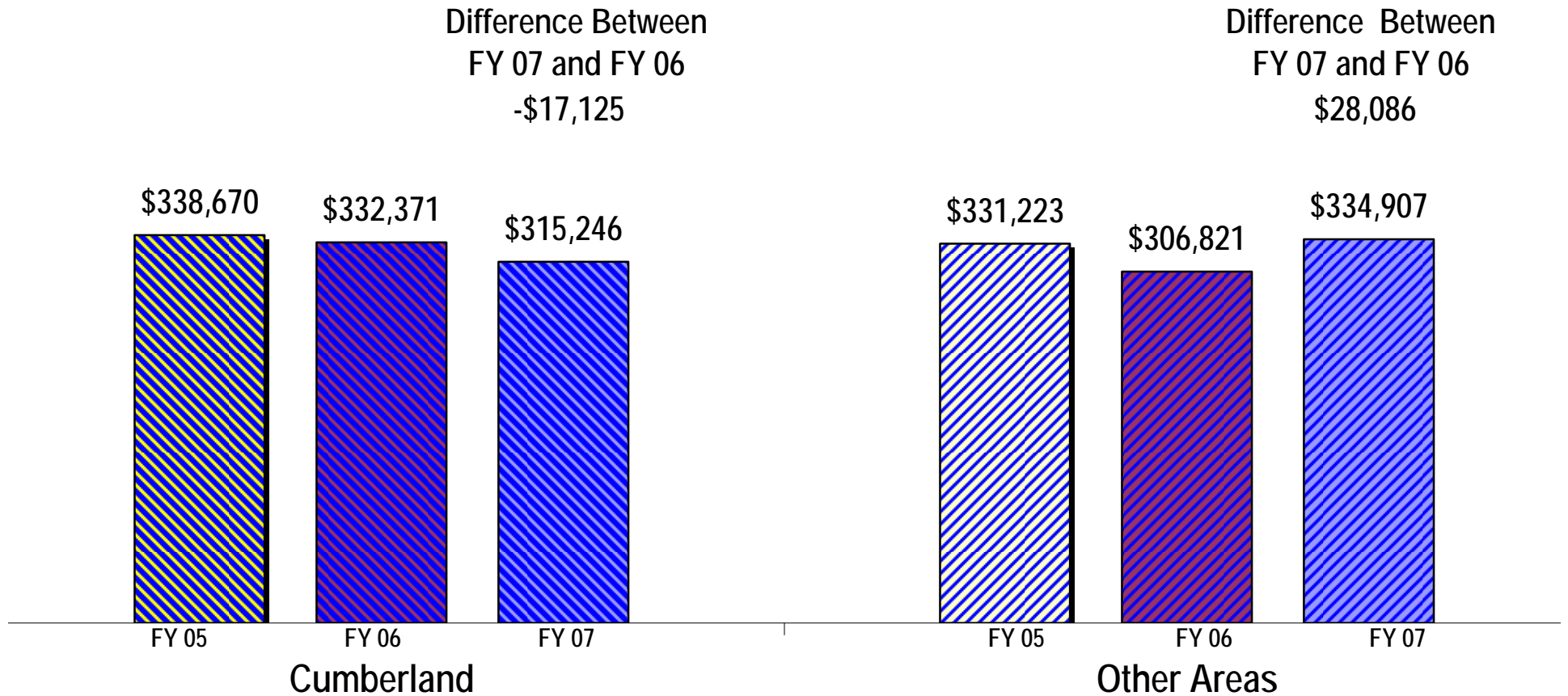


**Allegany County Paper Gaming Fund
Tax Revenues By Operator Type
Fiscal Years 2005 - 2007**



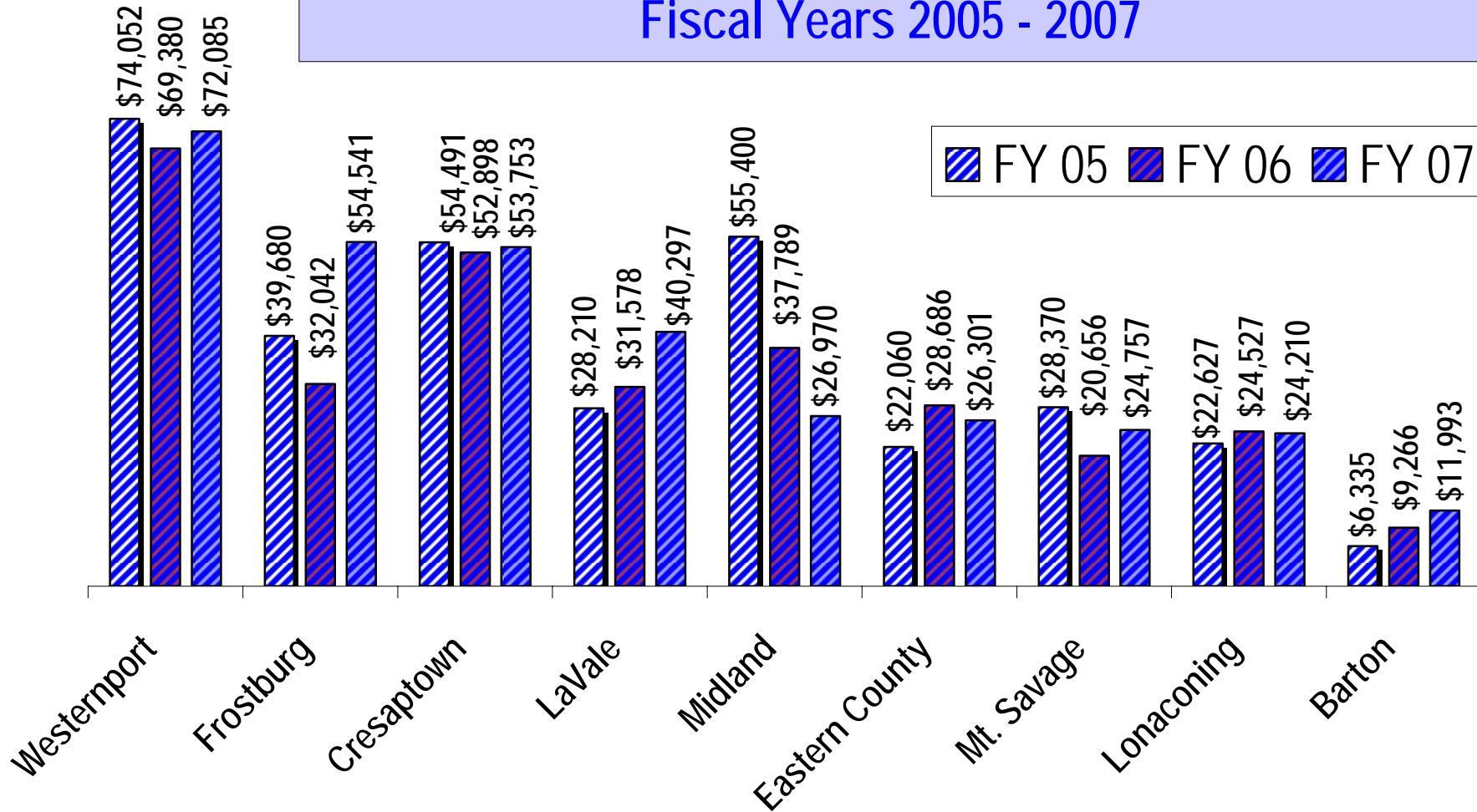
Liquor stores suffered significant decline in gaming income. Tax revenue loss was balanced by gain for convenience stores, plus taverns also gained making year up overall.

Allegany County Paper Gaming Operator *Tax* Revenues Cumberland Area Versus Other Areas Fiscal Years 2005 - 2007



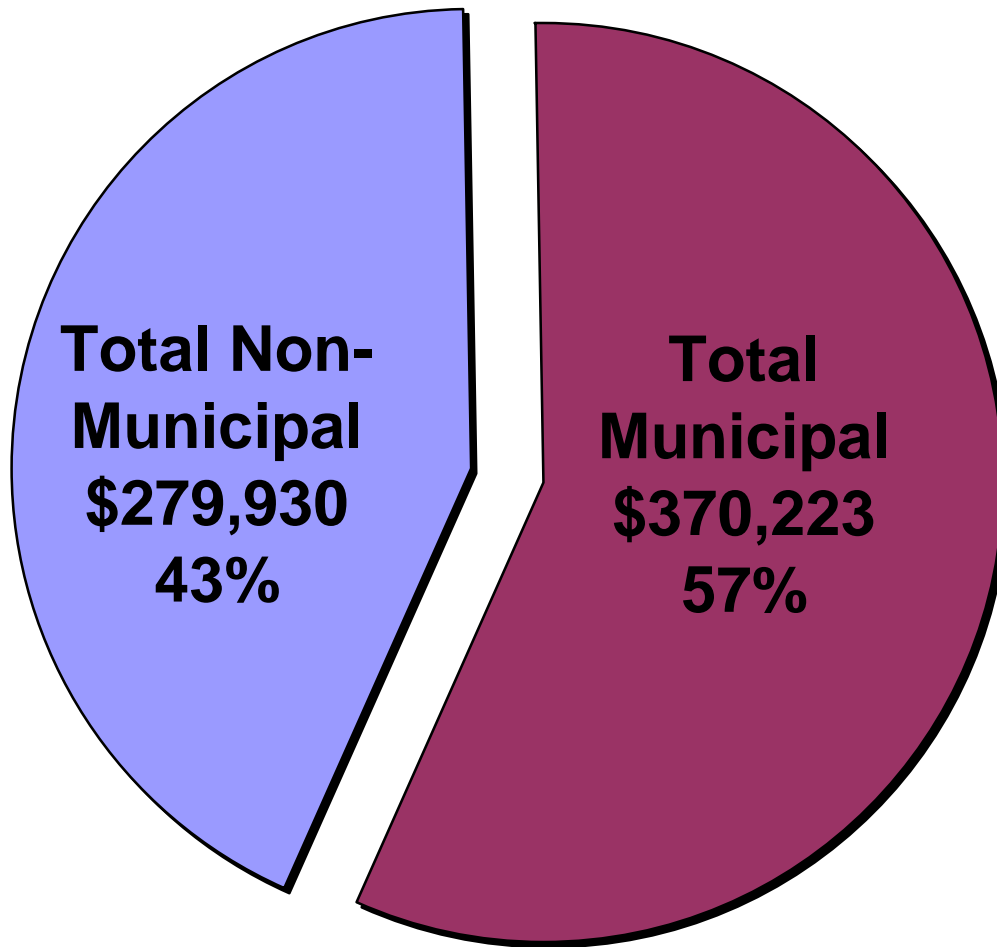
For 1st time in 3 years, tax revenues from Cumberland have fallen below those from rest of county.
Higher tax revenues overall were due to other areas and not Cumberland.

Allegany County Paper Gaming Operator *Tax* Revenues *Other Areas (Excludes Cumberland)* Fiscal Years 2005 - 2007



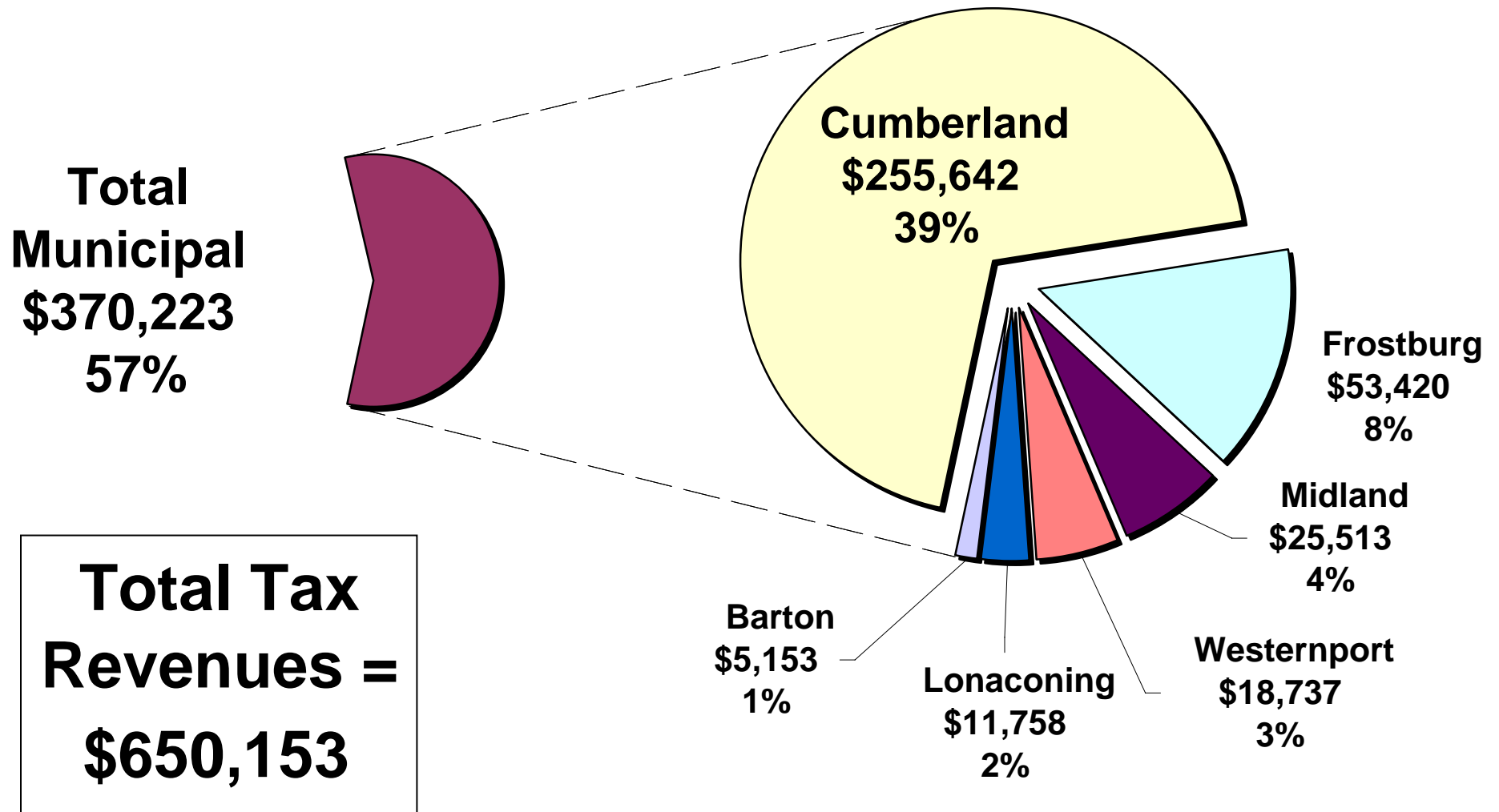
6 out of 9 areas increased for tax revenues, including the four largest areas.
 Revenues dropped in half in Midland in just two years due to decline in Truly's business.

**Allegany County Paper Gaming Operator Tax
Revenues *Municipal Versus Non-Municipal*
Fiscal Year 2007**



**Total =
\$650,153**

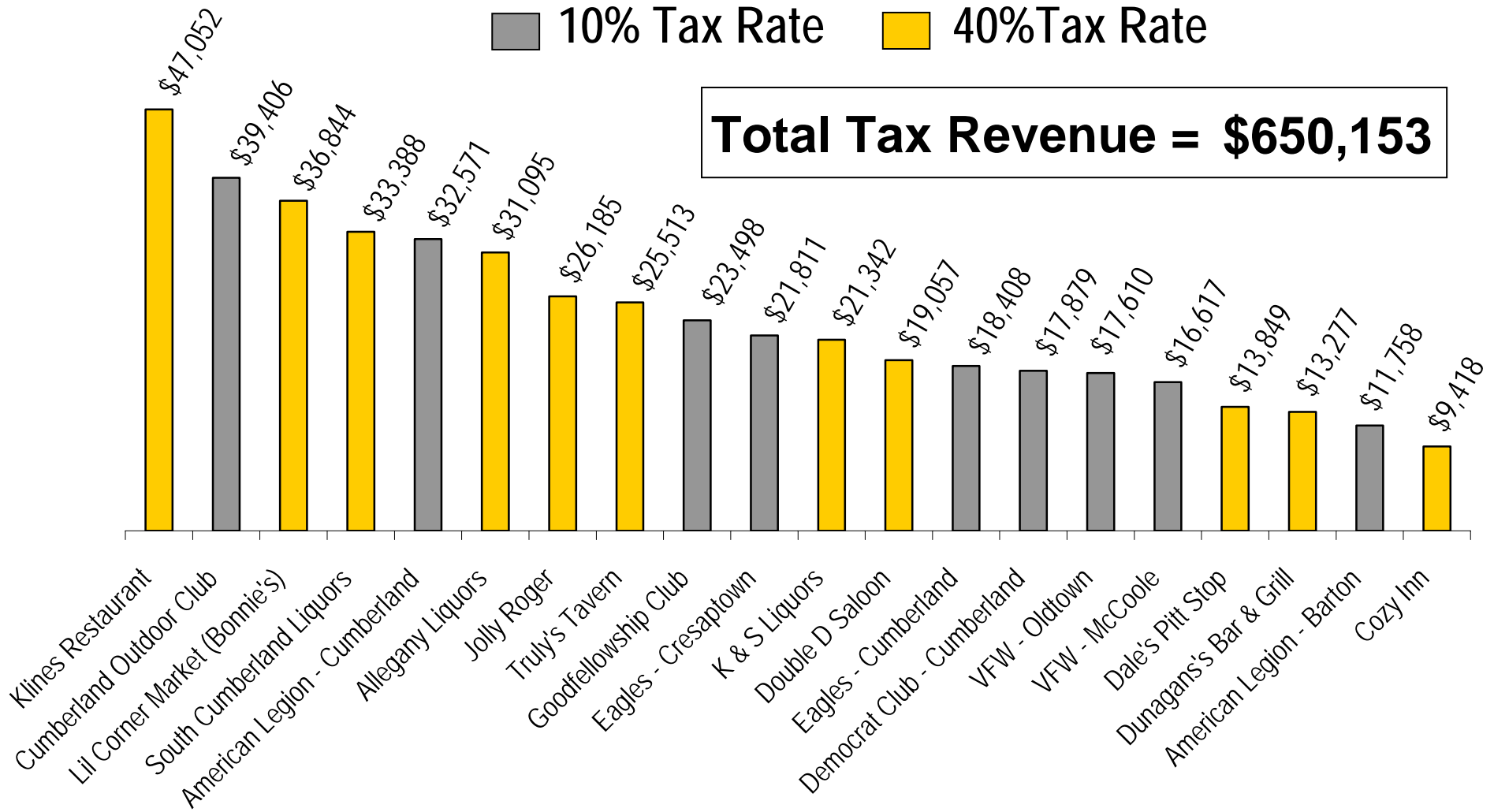
Allegany County Paper Gaming Operator Tax Revenues By *Municipal Areas* Fiscal Year 2007



Tax Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2007

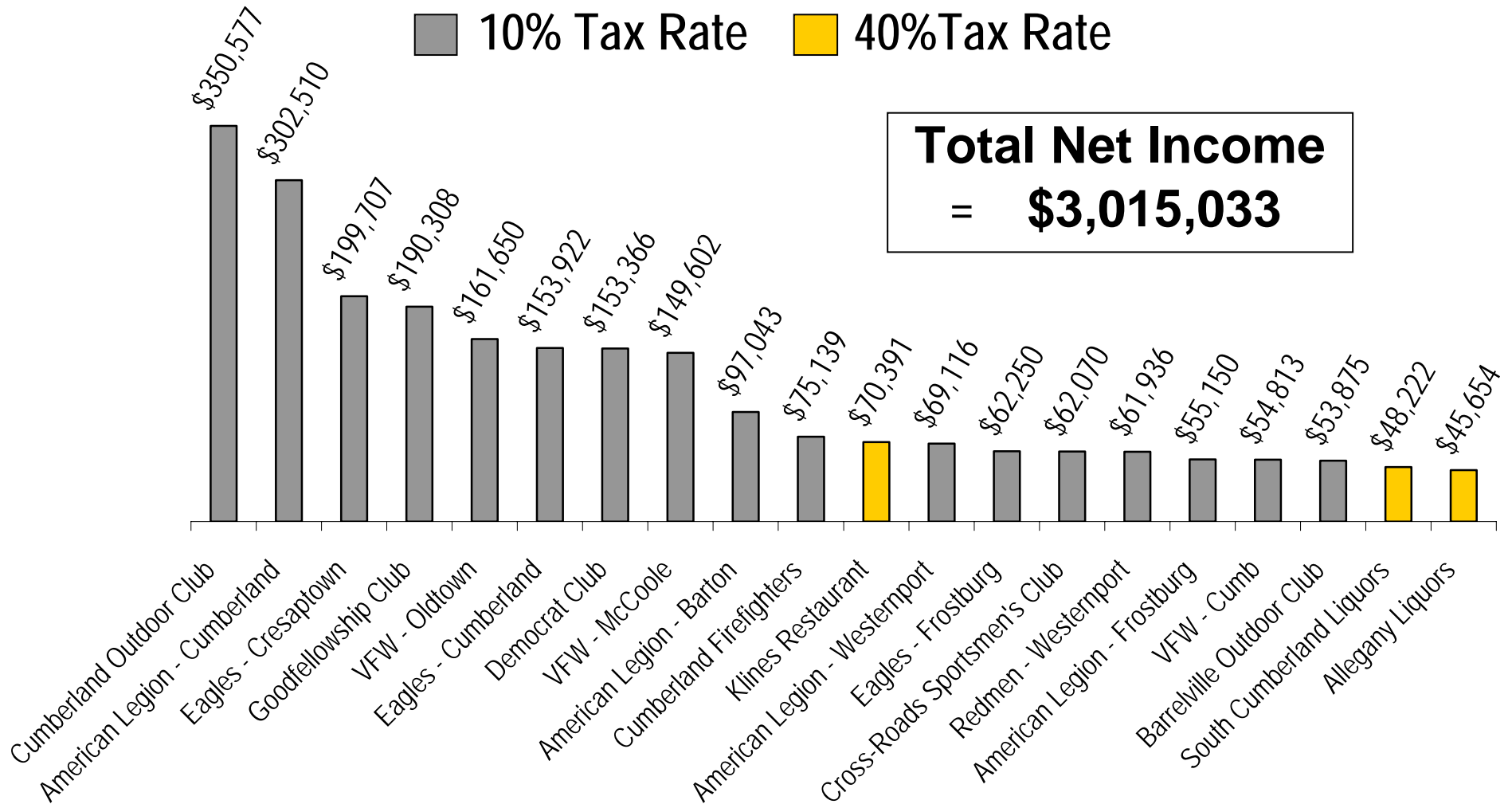
10% Tax Rate
 40% Tax Rate

Total Tax Revenue = \$650,153



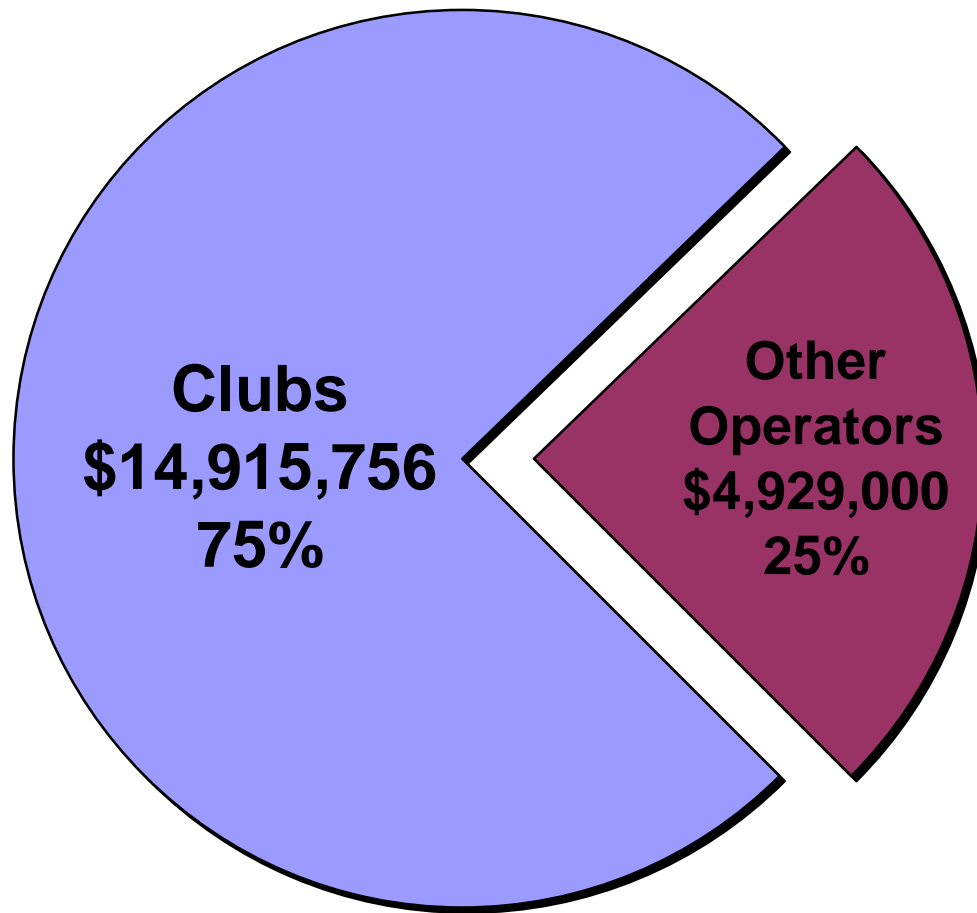
11 of top 20 for tax revenue are for-profit organizations.

Net Income By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2007



The top 20 for net income is dominated by clubs. Only 2 of the for-profit operators make the top 20.

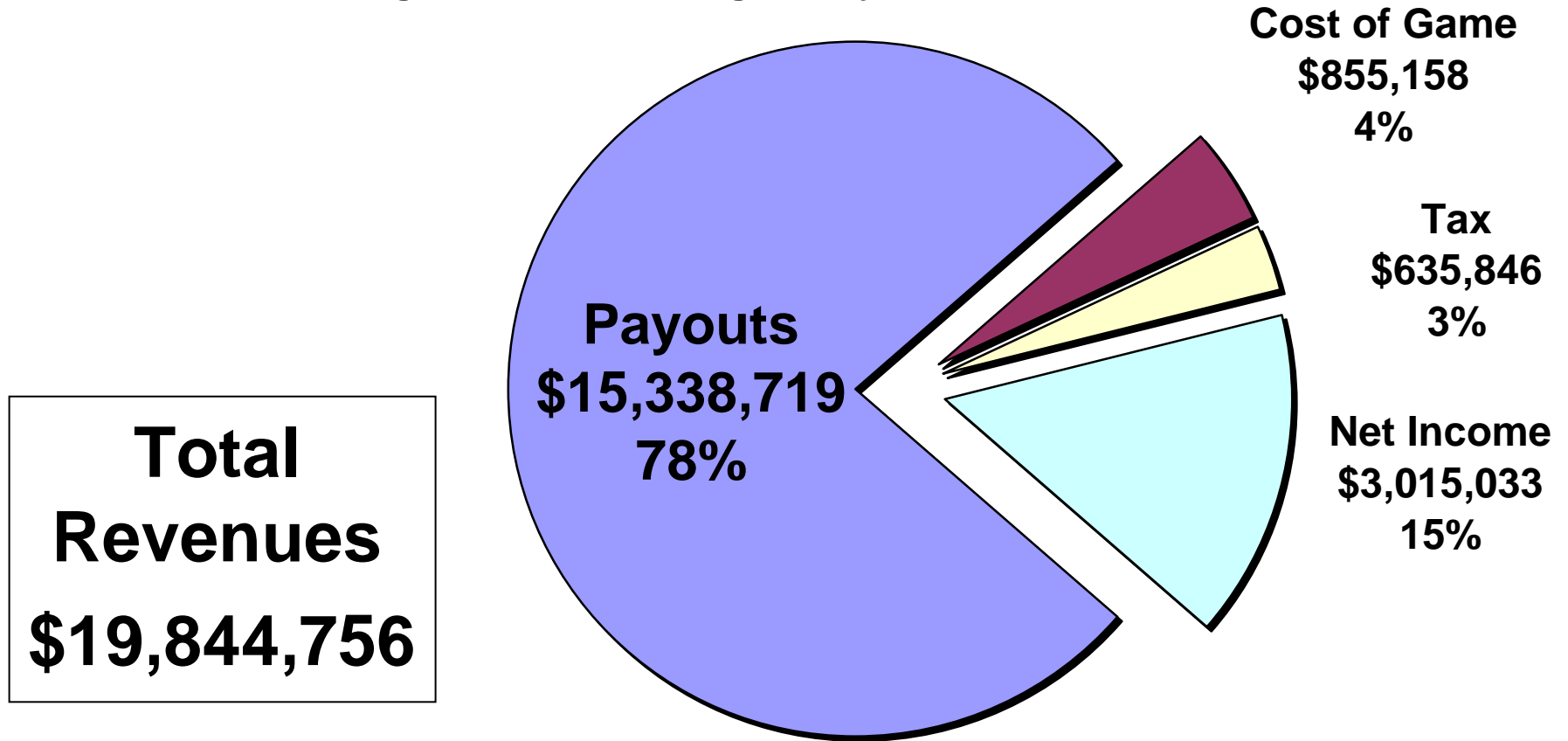
Allegany County Paper Gaming Operator Revenues
Clubs Versus Other Operators
Fiscal Year 2007



Total =
\$19,844,756

Distribution of Operator Gaming Revenues* Fiscal Year 2007

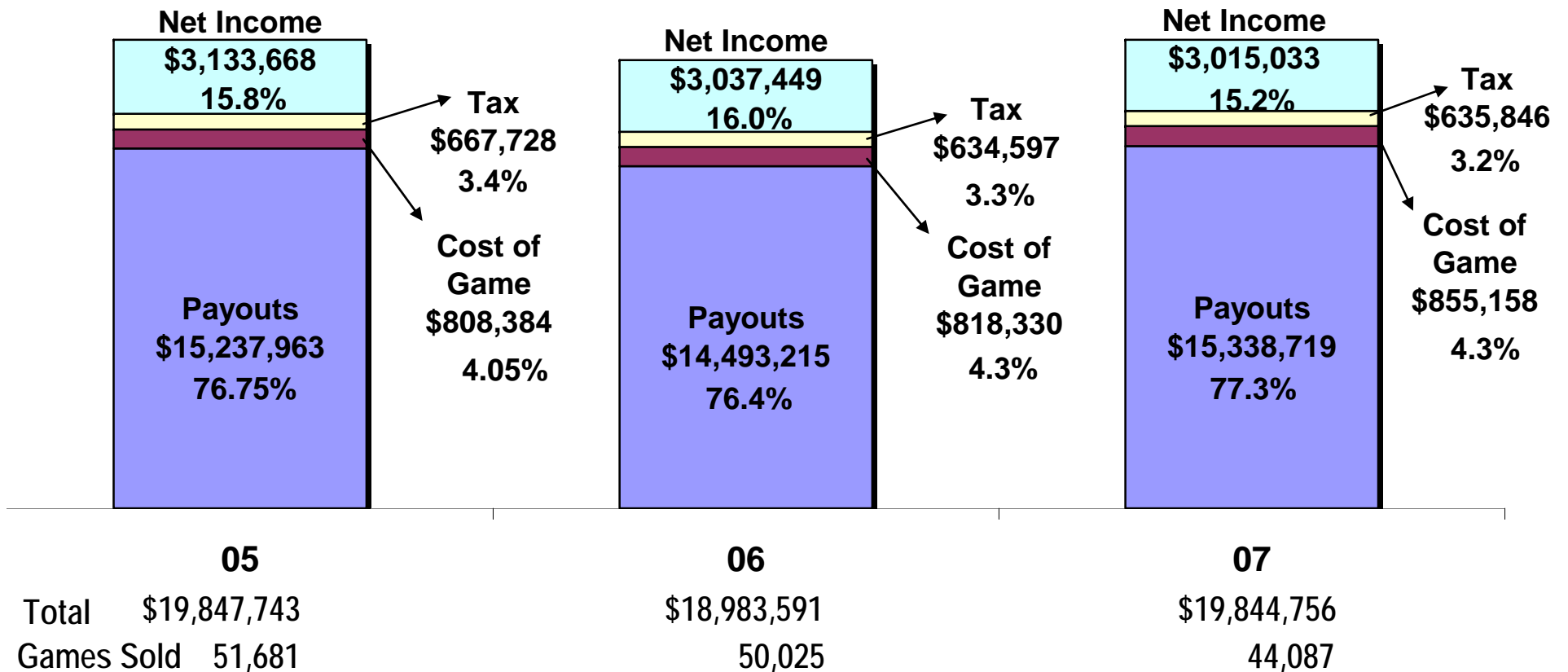
*Based on games started during fiscal year.



78 cents of every paper gaming dollar is paid back to the customers.
15 cents is income to the operator. 3 cents goes to the Gaming Fund.

Distribution of Operator Gaming Revenues* Fiscal Years 2005 - 2007

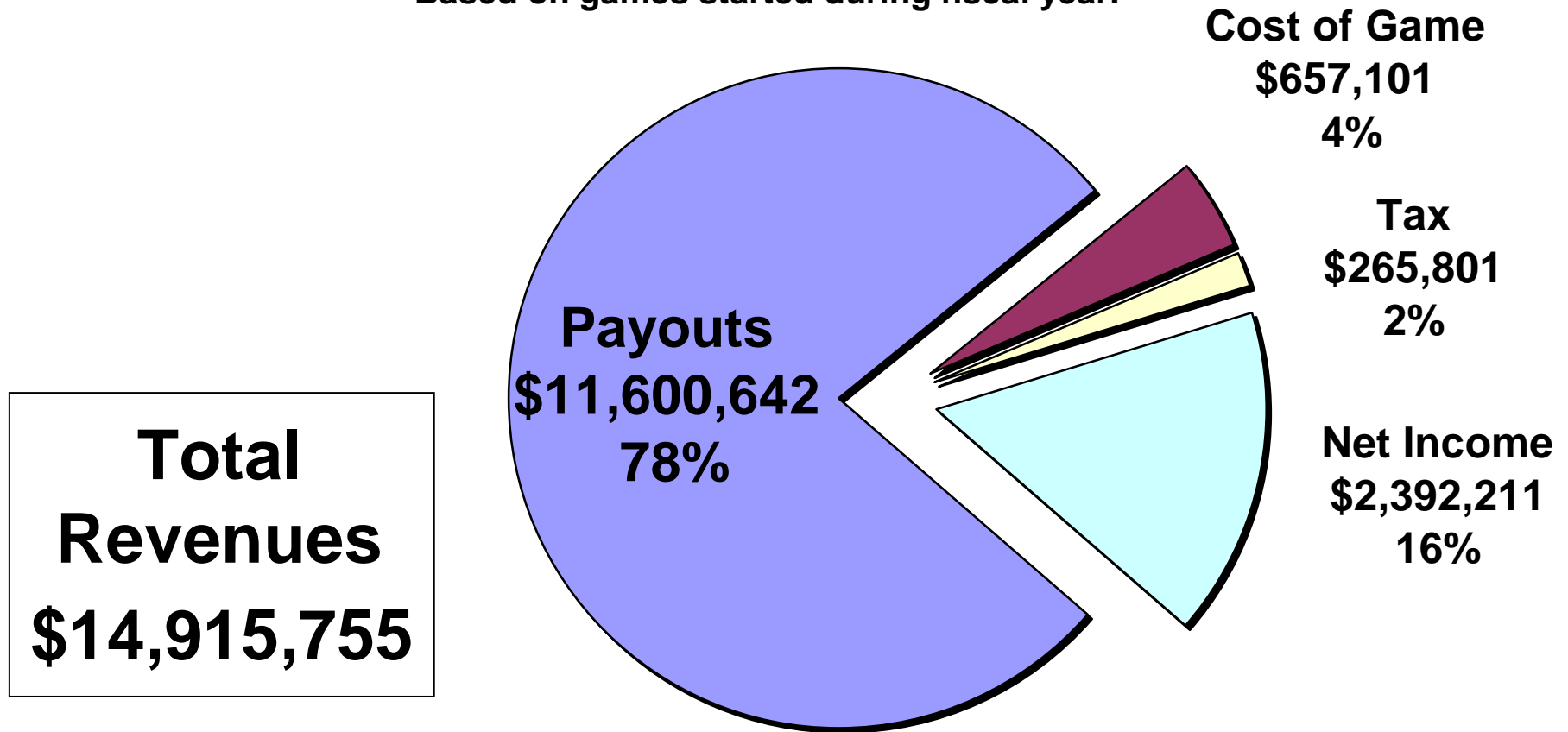
*Based on games started during fiscal year.



Compared to last fiscal year, operator revenues for fiscal year 2007 are up \$861,165 or 4.5 %. Payouts, however, are up even more %-wise, 5.8%, so net income is down .5%.

Distribution of Club Revenues* Fiscal Year 2007

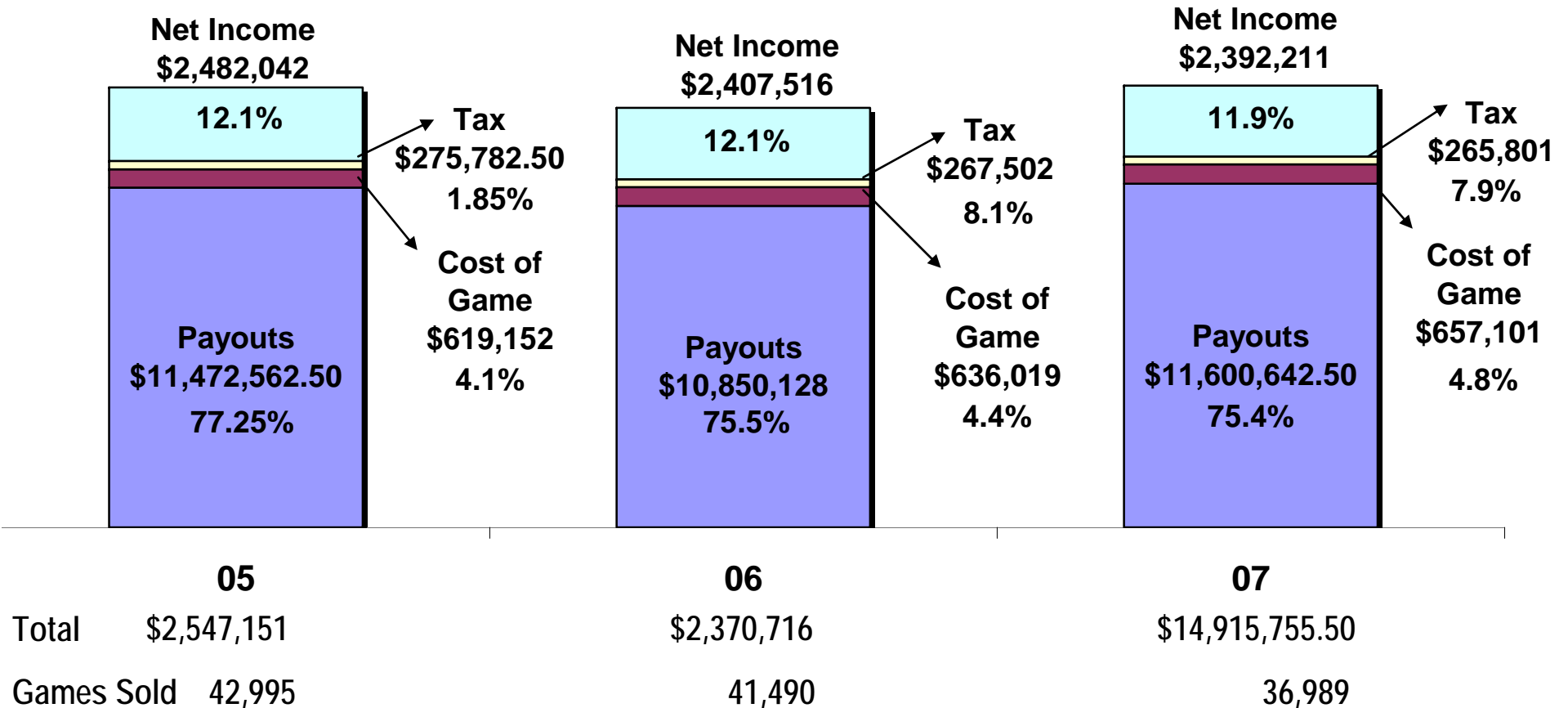
*Based on games started during fiscal year.



Considering clubs make up 75% of the licensed operator revenue, the %'s match those for operators overall, except tax is one point lower giving net income one more point.

Distribution of Club Gaming Revenues* Fiscal Years 2005 - 2007

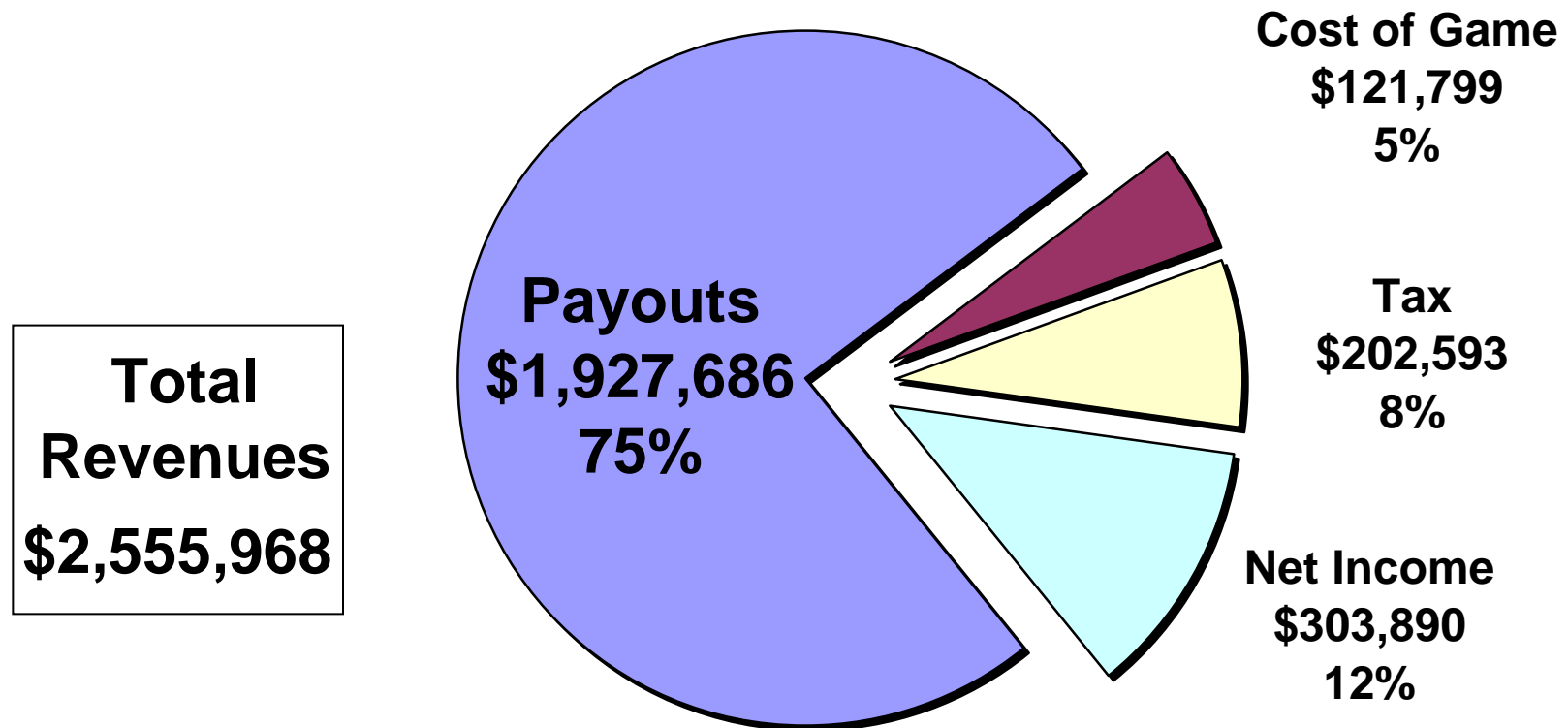
*Based on games started during fiscal year.



Compared to last fiscal year, club revenues for fiscal year 2007 are up \$754,590.50 or 5.3 %. Payouts, however, are up even more %-wise 6.9%, so net income is down .7%, or \$15,305.

Distribution of Tavern Revenues* Fiscal Year 2007

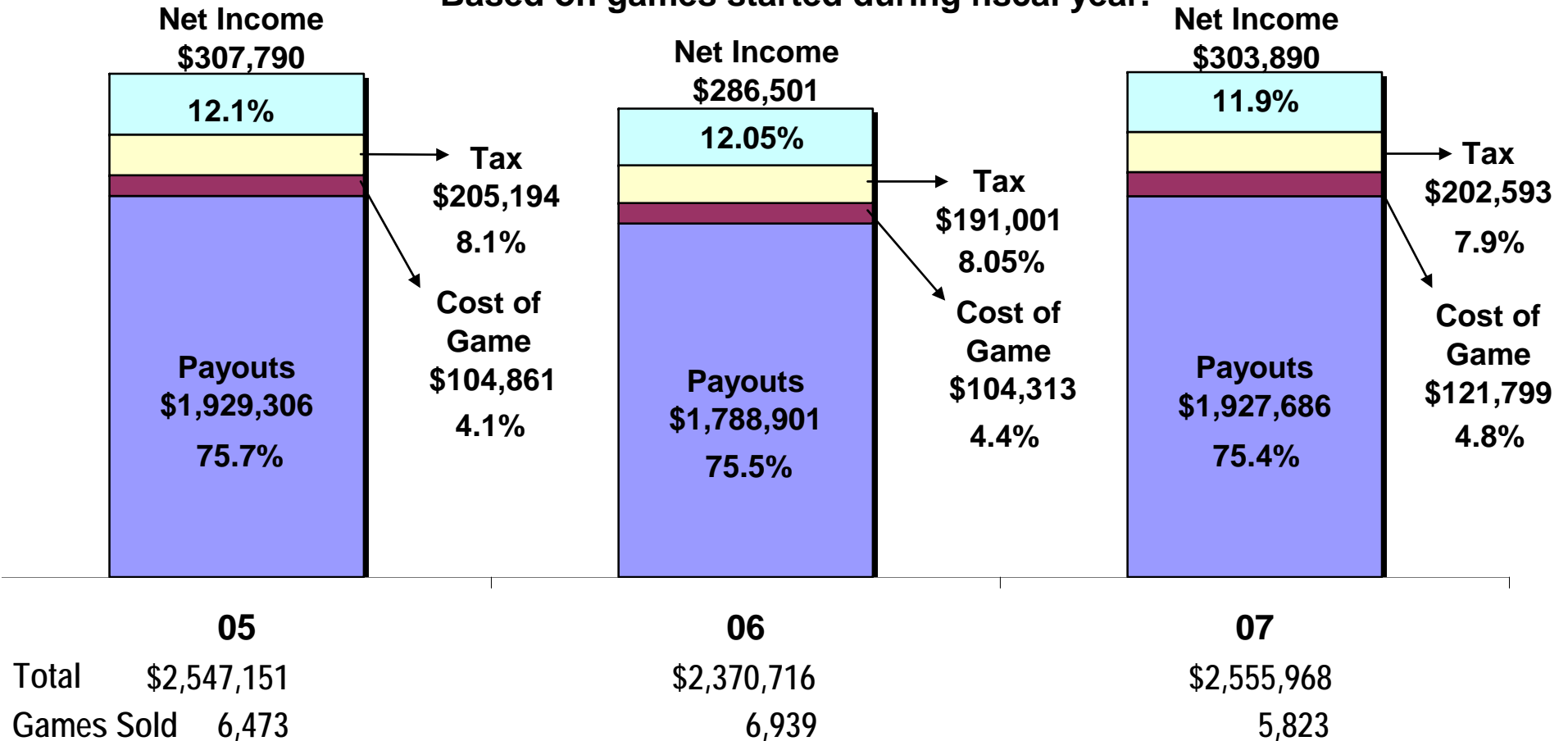
*Based on games started during fiscal year.



Taverns pay out 3 % points less and make 4 % points less than clubs, so that they can pay 6% points more in tax and 1 % point more in game cost. The clubs enjoy lower game cost because of volume discounts.

Distribution of Tavern Gaming Revenues* Fiscal Years 2005 - 2007

*Based on games started during fiscal year.



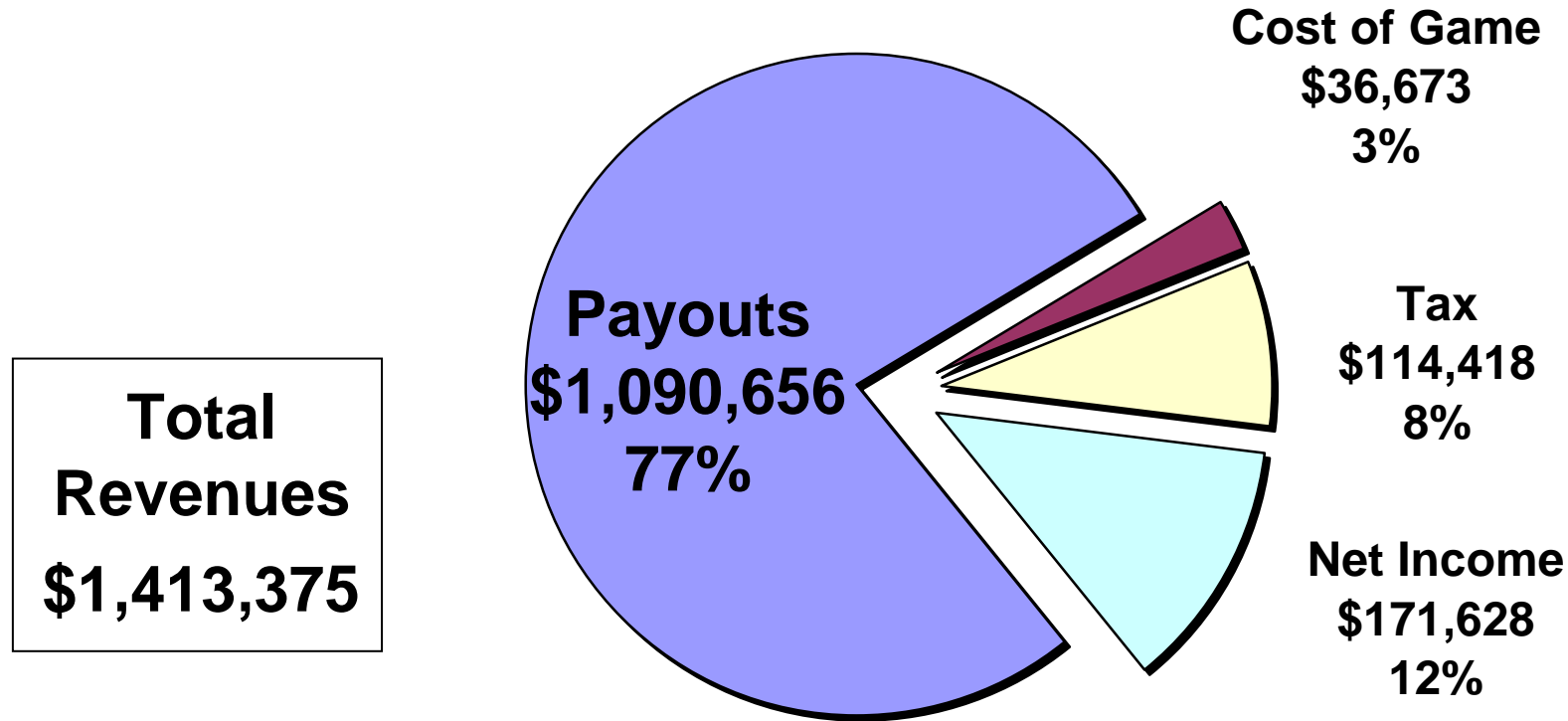
Compared to last fiscal year, tavern revenues for fiscal year 2007 are up \$185,253 or 7.8 %.

Net income for taverns is up \$17,389 or 6.1%

Net income and tax are each down .2 % points because cost of game % is up .4 % points .

Distribution of Liquor Store Revenues* Fiscal Year 2007

*Based on games started during fiscal year.



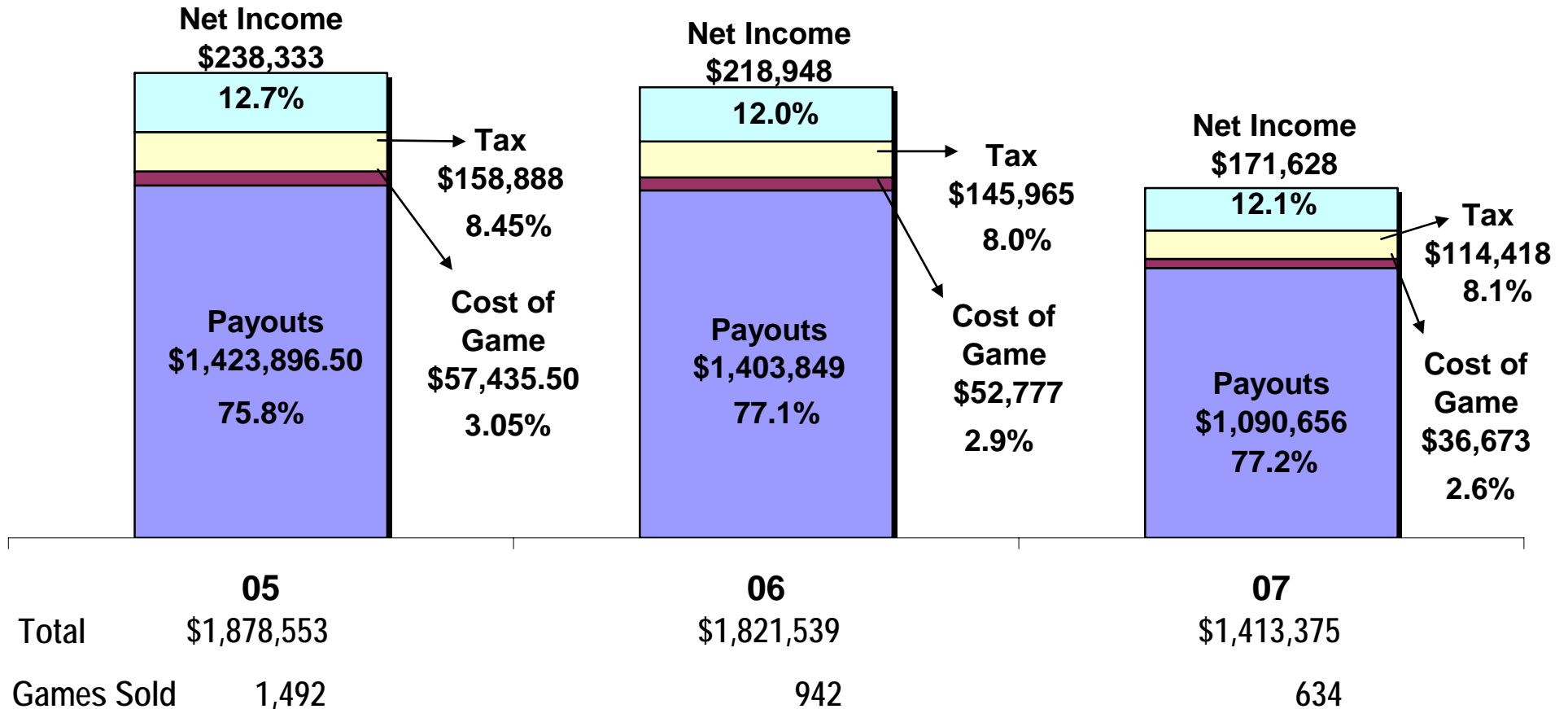
The liquor stores pay 2 % points less than the taverns for games.

It gives this 2 % points back to its patrons in payouts.

The liquor stores pay less %-wise than the taverns for games because the games are bigger.

Distribution of Liquor Store Revenues* Fiscal Years 2005 - 2007

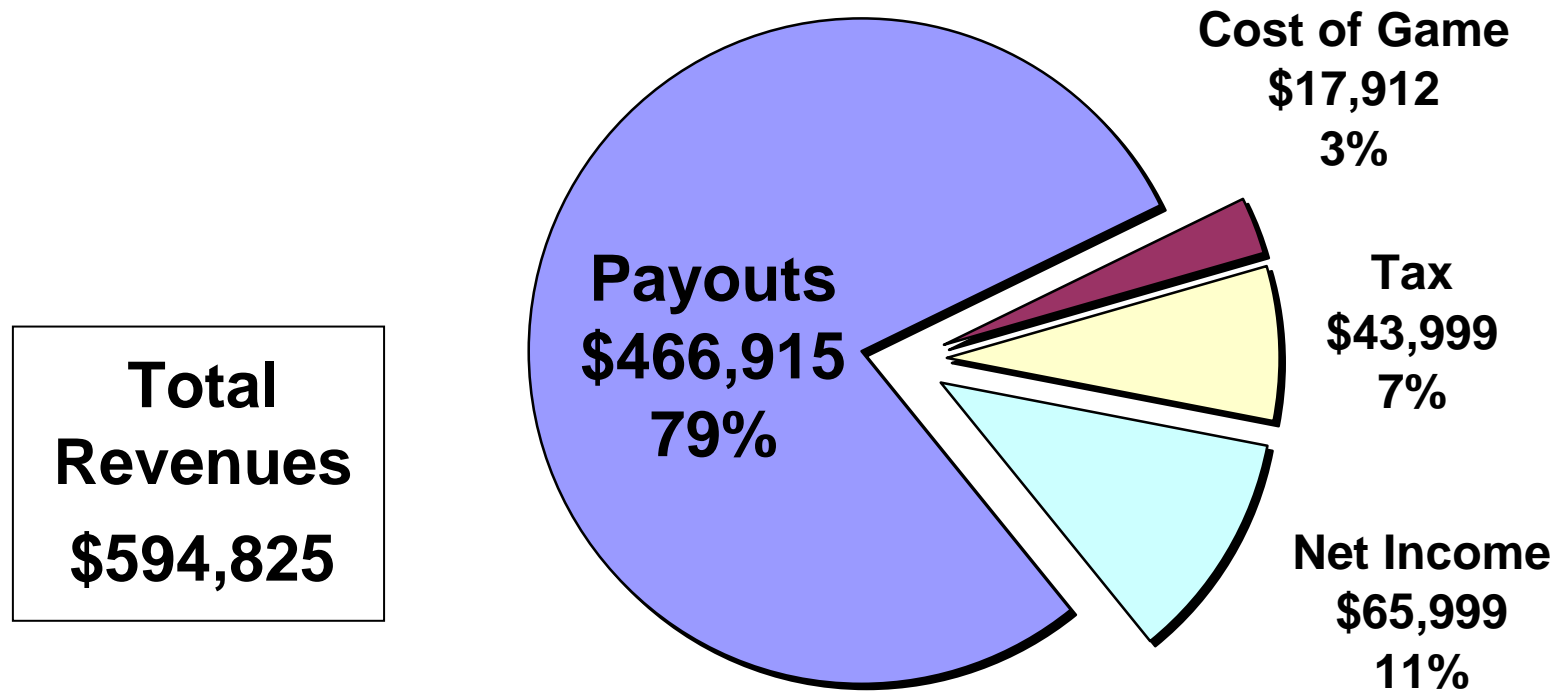
*Based on games started during fiscal year.



Compared to last fiscal year, liquor store revenues for fiscal year 2007 are down \$408,164 or 22.4 %.
The game cost % has been decreasing.

Distribution of Convenience Store Revenues* Fiscal Year 2007

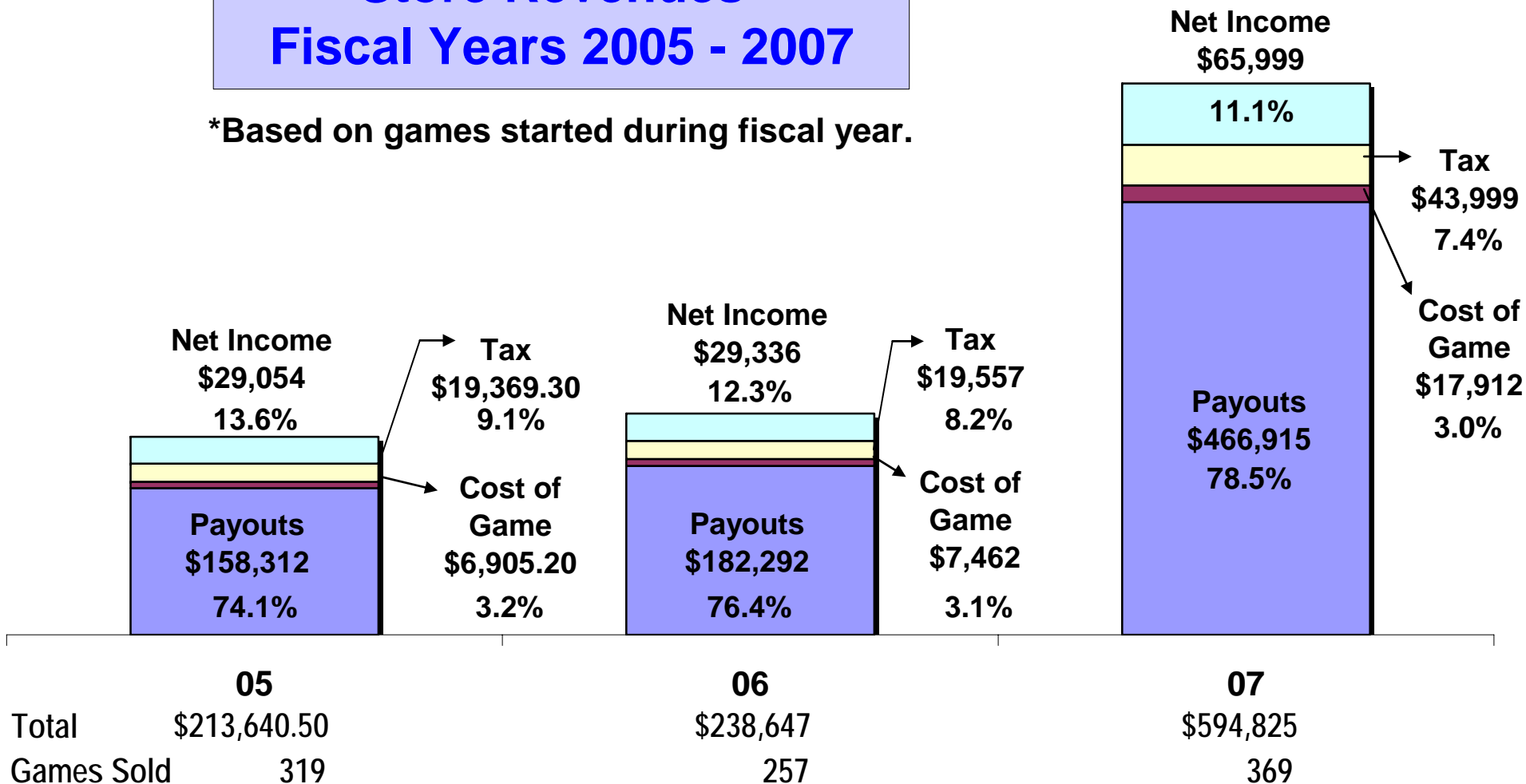
*Based on games started during fiscal year.



The c-stores pay out 2 % points more than the liquor stores.
This gives them 1 % point less in income and they pay 1 % point less in taxes.

Distribution of Convenience Store Revenues* Fiscal Years 2005 - 2007

*Based on games started during fiscal year.

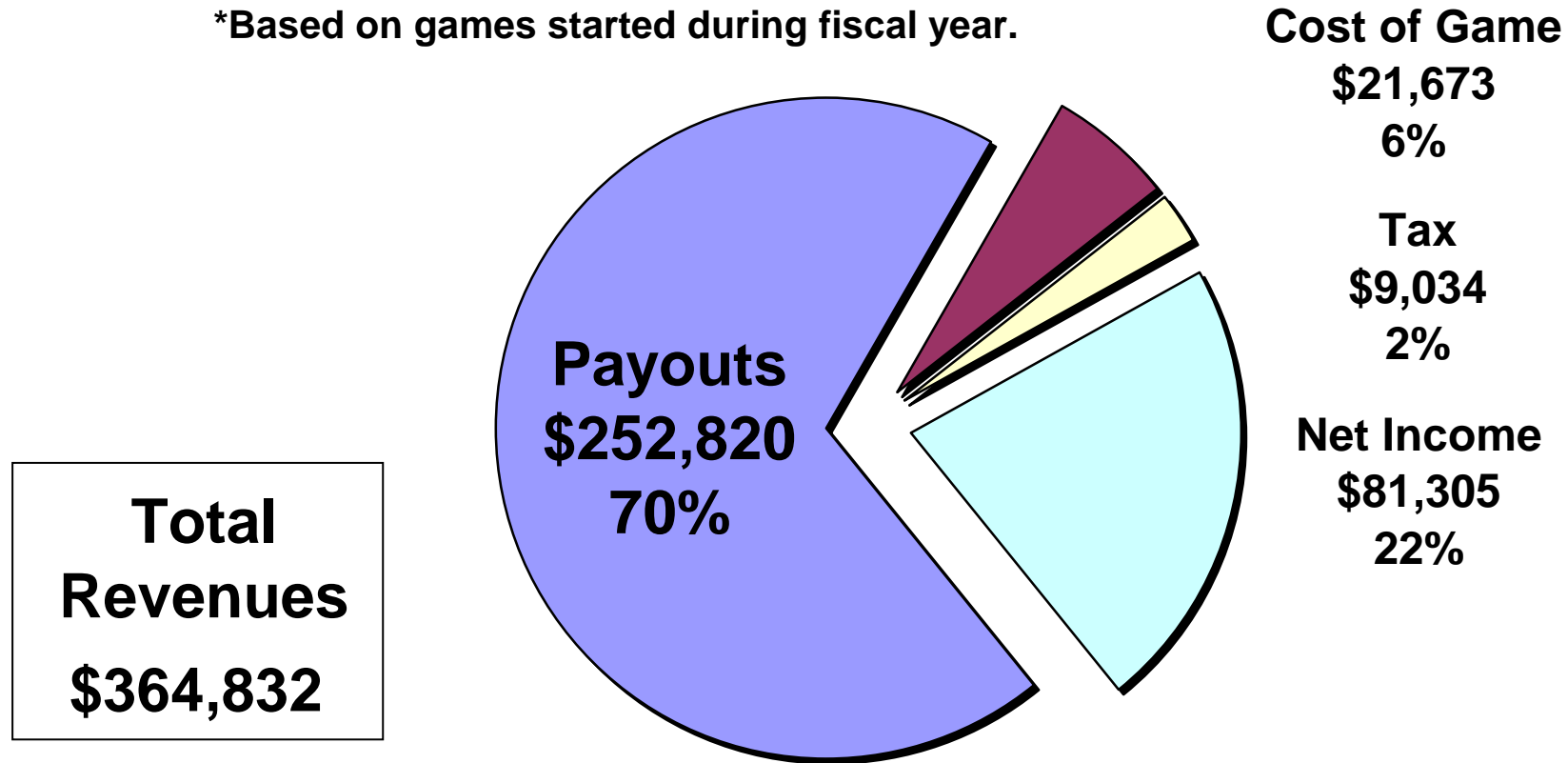


Compared to last FY, c-store revenues for FY 2007 are up \$356,179 or a whopping 149.2 %. One store alone increased \$268,506 for revenues. Also, another store was licensed in FY 07.

Net income % as been decreasing as payout % has been increasing.

Distribution of Temporary Operator Revenues* Fiscal Year 2007

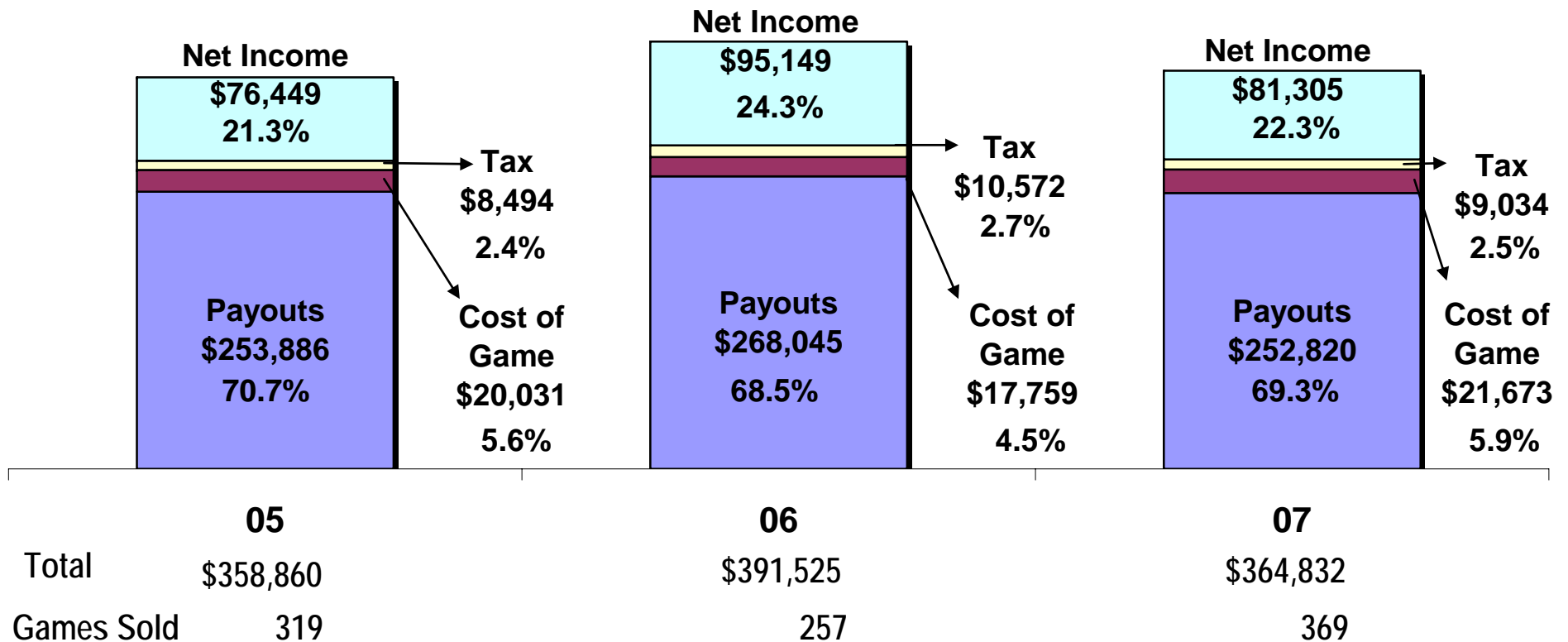
*Based on games started during fiscal year.



Compared to the clubs, the temporaries pay out 8 % points less.
Instead their income is 6 % points higher and their games cost 2 % points more.

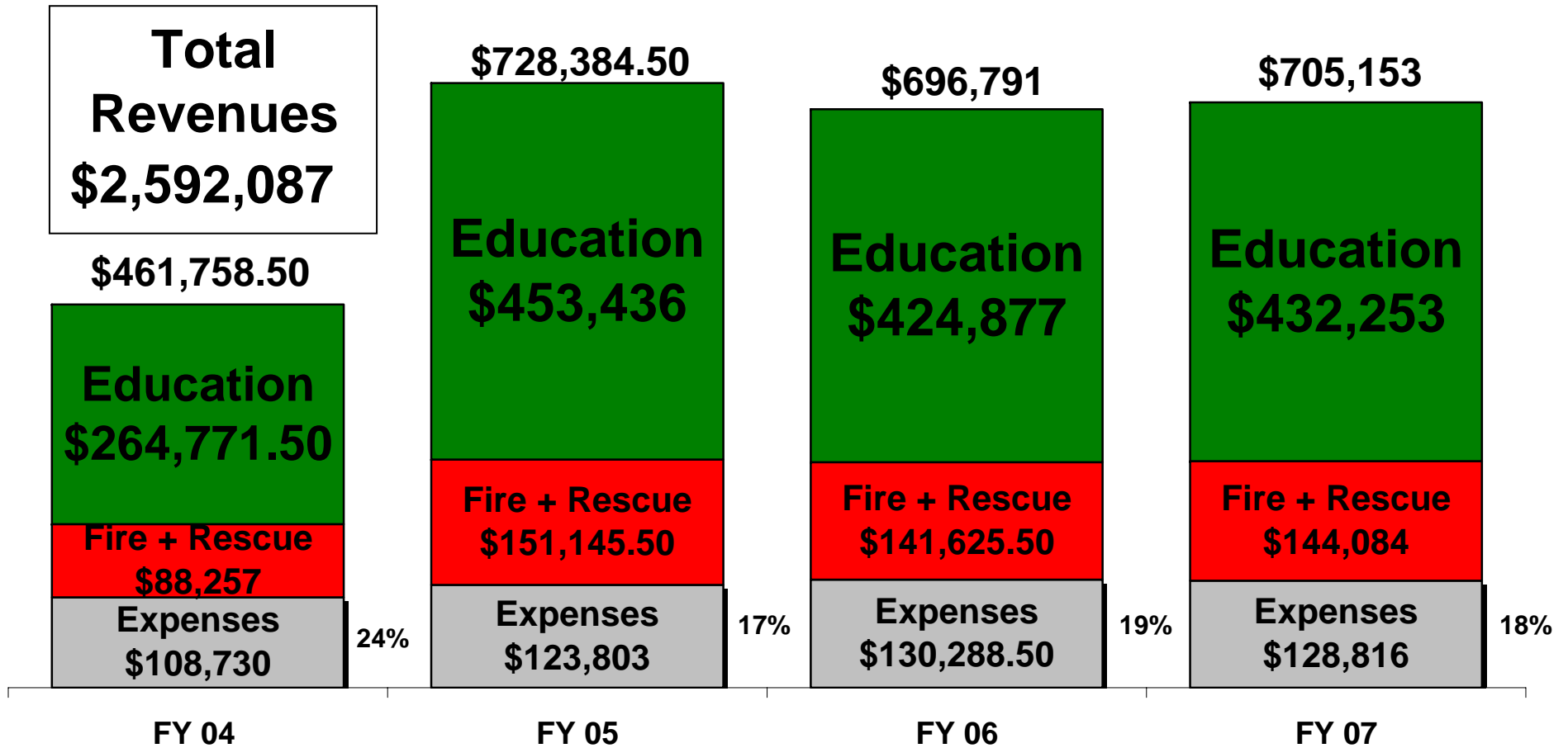
Distribution of Temporary Operator Revenues* Fiscal Years 2005 - 2007

*Based on games started during fiscal year.



Compared to last fiscal year, revenues for fiscal year 2007 are down \$408,164 or 22.4 %.
The game cost % has been decreasing.

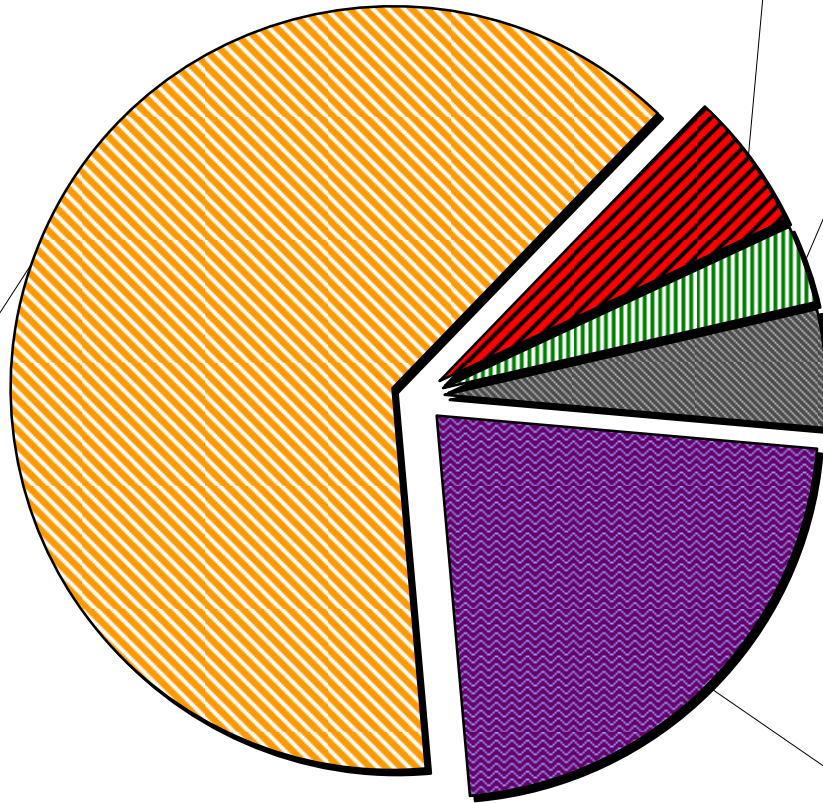
Allegany County Gaming Fund Distribution Fiscal Year 2007



After operating expenses, 75% of fund has been allocated to education and 25% to fire and rescue. Except for initial start-up, operating expenses have stayed 18%, plus or minus a point. Allocations are each up 1.7% compared to last fiscal year.

**Education Allocations From
Allegany County Gaming Fund
Fiscal Years 2004 - 2007**

**Mountain
Ridge High
School
\$1,000,000
64%**



**Cash Valley
Roof
\$96,000
6%**

**Eckhart School
Roof \$51,000
3%**

**Frost
Elementary
Heating (08)
\$78,000
5%**

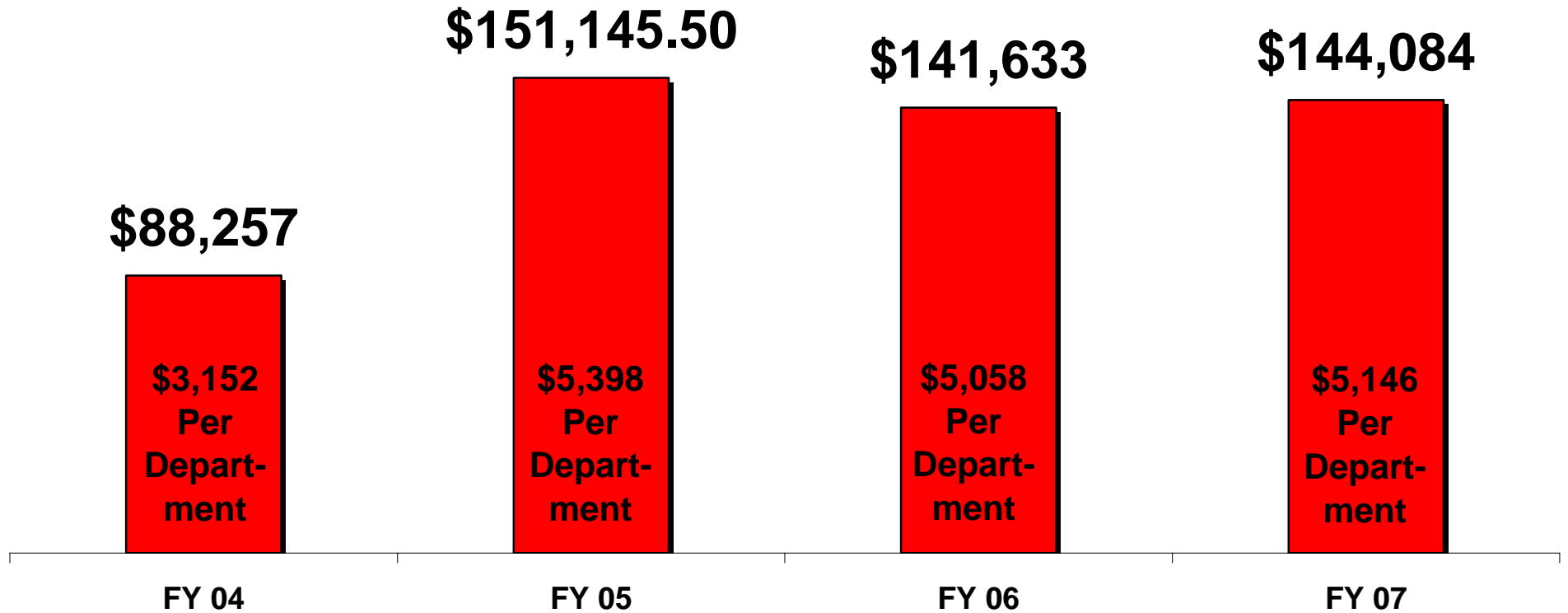
**Future
Projects
\$350,360
22%**

Total Education Allocation = \$1,575,360



\$1,000,000

**Fire Allocations From The Paper Gaming Fund
Fiscal Years 2004 - 2007**

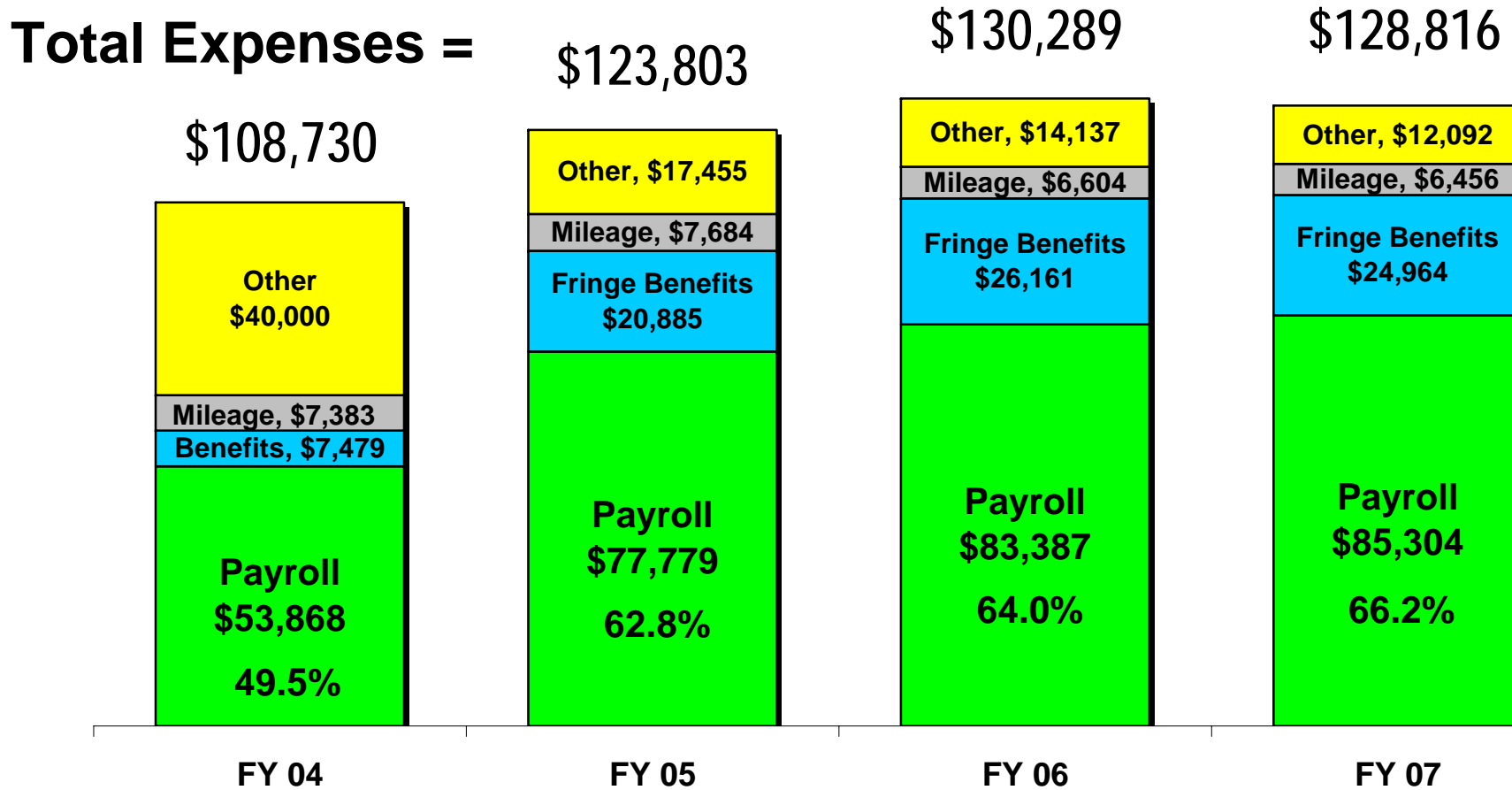


Total Fire And Rescue Allocation = \$525,119.50

Divided Equally Between 28 Fire and Rescue Departments

Total Fire and Rescue Allocation Per Department = \$18,754

Expenses For Allegany County Gaming Office Fiscal Years 2004 - 2007



Payroll is about 2/3 of Gaming Office's budget.
 Despite increase in payroll, overall expenses decreased \$1,473 or 1%.
 This is credit to decreases in other, mileage, and benefit expenses.

Allegany County Inspections of Paper Game Operators Fiscal Years 2005 -2007

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Inspections	1,180	1,035	965
Number of Operators	79	78	79
Each Operator Inspected	14.9	13.3	12.2
Each Operator Inspected Monthly	1.2	1.1	1.0

Inspections are random and unannounced

No More Than 2 Inspections Conducted In The Same Area In One Day
except occasionally for Cumberland, which has 42% of the operators.

Inspections Spread Over The Week, Every Day Of The Week
No more than 20% of inspections occurred on a particular day of the week.

No Patterns Are Allowed To Develop For Any Particular Operator For Inspections
Day of the week for inspection is checked against average daily.
Time of day is checked against a variance.

To keep expenses in check, number of inspections has been reduced,
but each operator was inspected at least once a month.

Conclusion

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

The public is also invited to e-mail the Gaming Administrator at
gaming@allconet.org.