

Maine Policy Review

Volume 3 | Issue 1

1994

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Recommended Citation

Townsend, Ralph. "Public Policy, Private Profits." *Maine Policy Review* 3.1 (1994) : 77 -77, <https://digitalcommons.library.umaine.edu/mpr/vol3/iss1/10>.

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Commentary

Public policy, private profits

Gambling has emerged as one of the hot public policy issues of 1994 in Maine. The Maine Legislature defeated the proposed casino in Calais, but the Passamaquoddy tribe is still considering its legal options under federal statutes. A rush is on to qualify for off-track betting licenses in Maine. One applicant for the Bangor off-track license explained that the competition for these licenses reflected simple economics: The winner of the license could expect to net \$300,000 per year.

The right to operate a gambling operation is so valuable for one reason: The government limits legal gambling. At one time, the state prohibited gambling on moral grounds. But the old objections to gambling have gradually been undermined by more liberal moral standards. Public policy on gambling is now buffeted by an odd variety of interests. Some groups still oppose any effort to expand gambling on moral grounds. Law enforcement agencies are worried about the impact of legal gambling on the level of criminal activities. For some, gambling is the new path to economic development. Other groups want gambling revenues to promote activities that the Legislature would otherwise be unwilling to fund, such as subsidizing the horse racing industry. Not surprisingly, this hodge-podge of self-interests has produced a schizophrenic policy. Within a general policy of limiting gambling, Maine creates special opportunities for a few to profit. If it was not clear before, the hearings on applications to run the Bangor off-track betting parlor have now made it clear that Maine needs a coherent policy on gambling.

The state should end the practice of allowing a state-fostered monopoly to yield private profits. The state could end the monopoly by licensing all qualified applicants. For legitimate law enforcement reasons, this option may be impossible. Consequently, the state should insist that the excess profits from this state-sanctioned monopoly go to the state treasury.

The simplest way to capture the excess profits is through a bidding process for licenses. The state would announce the terms under which it was prepared to issue gambling license. Bids, in the form an annual lease payment, for these licenses could be submitted by anyone able to meet the licensing requirements. (The lease payment would be in addition to all required taxes and fees.) The highest bidder would be awarded the license. The bidding competition for licenses would return the excess profits to the state, to be used to fund general state activities.

Maine is understandably ambivalent about legalized gambling. But this ambivalence is no excuse for whimsical statutory standards that create private windfalls. Monopoly profits created by the state should be returned to the state.

— *Ralph Townsend*