



**NH Racing and Charitable Gaming Commission**  
**Agency Overview**  
**October 7, 2010**

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# Mission and Purpose

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- The mission and purpose of the New Hampshire Racing and Charitable Gaming Commission (RCGC) is to:
  - Protect the wagering public and ensure the integrity of Racing, Bingo, Lucky- 7 ticket sales and Games of Chance.
  - Maximize revenue to the charities and the State.
  - Ensure compliance by the regulated entities with State rules and regulations.

# History of Gaming in New Hampshire

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- *1933* - State Racing Commission was established to regulate horse racing.
- *1971* - Greyhound Racing Commission was established to regulate greyhound racing.
- *1982* - Racing and Greyhound Commissions were combined to form the Pari-Mutuel Commission to regulate both classes of racing.
- *1991* - Licensees conducting live racing were authorized to simulcast and sell pari-mutuel pools on thoroughbred and harness horse and greyhound races held at other race tracks.
- *2000* – Tele-betting /Account Wagering was introduced.

# History of Gaming in New Hampshire (Continued)

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- *2005* – Administration and enforcement of Bingo games and Lucky 7 ticket sales by charitable organizations was transferred to the RCGC from the Lottery Commission and Department of Safety respectively (Bingo formerly regulated as “Beano” - Legal in NH since 1949).
- *2006* – Administration and enforcement of Games of Chance was transferred to the RCGC from the Attorney General’s Office and local Chiefs of Police (Games of Chance have been legal in NH since 1977).
- *2008* – The agency name was changed from The Pari-Mutuel Commission to the NH Racing and Charitable Gaming Commission, primarily to reflect the agency’s oversight of charitable gaming.
- *2009* – Effective July 1, 2010 the legislature banned live greyhound racing in New Hampshire.

# Administration and Budget

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- Oversight of the agency is entrusted to (6) part-time Commissioners appointed by the Governor and Council for a term of three years.
- Daily operations of the agency is the responsibility of a full time Director assisted by (19) full time and (2) part-time employees including administrative, rule writing, enforcement, compliance, auditing and technical support staff.
- Total agency adjusted authorized budget for the fiscal year 2010 was \$2.2 million.

# Regulated Entities

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## **Racing:**

- Until 2008, there were four licensed race tracks conducting live and simulcast racing. Rockingham Park conducted live thoroughbred and harness racing along with simulcast racing. The remaining three tracks (The Lodge at Belmont, Seabrook Greyhound Park and Hinsdale Greyhound Racing Association) conducted live greyhound racing and simulcasting. In addition to these tracks the RCGC also licensed the Rochester Fair in Rochester to conduct a ten day harness race meet during the annual Rochester fair.
- Due to economic pressures, the Rochester Fair has not applied for a license since 2007. The Hinsdale Greyhound Racing Association filed for bankruptcy in 2008 and closed the facility.
- Rockingham Park discontinued live thoroughbred horse racing in the 2002, citing economic conditions, opted not to conduct live harness horse racing in 2010.

# Regulated Entities (Continued)

## **Bingo/Lucky - 7 (Pull-Tab Tickets):**

- RCGC licenses eligible charitable, civic, veterans and fraternal organizations. These organizations must be registered with the Secretary of State and the Attorney General's Office – Division of Charitable Trusts. Must have been in existence for at least 2 years and possess a tax exempt status under Internal Revenue Code sections 501(c)(3), 501(c)(4), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19).
- RCGC has several classes of licensees. Included are commercial halls that rent facilities to charitable organizations; manufacturers and distributors of Bingo/Lucky - 7 supplies, equipment and other paraphernalia necessary in the operation of bingo games and sale of Lucky -7 tickets.



# Regulated Entities (Continued)

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## Games of Chance:

- Games of Chance licensees include charitable, civic, veterans, fraternal and church organizations, including police and firemen's organizations that have been registered with the Secretary of State for at least 2 years and to whom contributions are exempt from federal income tax .
- RCGC also licenses Game Operators (Game Operator Employer, Primary and Secondary) who assist charitable organizations in the operation of Games of Chance.

## Oversight and Regulation

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- Regulation of racing activities is governed by RSA 284 while charitable gaming is governed by RSA 287 D & E.
- All licensees associated with gaming are subject to State Police and/or FBI background checks before a license is issued (Bonafide members of charities are exempt).
- Race track licensees are subject to comprehensive background checks by the RCGC and the Attorney General's Office.
- Race tracks, game operator employers, primary game operators and manufacturers/distributors of gaming equipment are required by statute to post surety bonds to meet their statutory obligations. Bond amounts vary from \$50,000 for manufacturers and distributors to amounts not to exceed \$300,000 for race tracks and game operators.

## Oversight and Regulation (Continued)

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- To maintain the integrity of live racing, animals that placed first in a race are subject to strict blood and urine testing to eliminate any tampering of racing animals. Animals that did not place first in a race are be subject to random testing.
- RCGC is required by statute to contract via the RFP process for laboratory testing services. The entire cost of testing is borne by the race tracks. The current contractor is the University of Florida.
- Gaming activities at bingo halls, facilities licensed to sell Lucky-7 tickets, Games of Chance licensed facilities and Race Tracks are routinely inspected and audited by the RCGC inspectors and auditors respectively. Five full time inspector positions and three internal auditor positions are authorized to perform these functions.

# Oversight and Regulation (Continued)

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## Audits:

- Audits are conducted using professional guidelines.
- Licensees are selected based on risk analysis, volume of activity and other factors considered appropriate.
- Typical audit process includes:
  - Planning (review of applicable statutes/rules; risk analysis; internal control review; determination of audit period; preparation of audit program).
  - Entrance conference/Interviews with licensee personnel.
  - Observation of gaming facilities and operations.
  - Extensive testing of source documents including but not limited to check registers, bank statements, contracts and other documentation to facilitate the field work.
  - Compliance testing to determine statutory financial compliance.
  - Exit conference with licensee.
  - Issuance of audit report to the Commission.

## Oversight and Regulation (Continued)

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### **Inspections:**

- Inspections are performed on a daily basis by RCGC inspectors.
- Approximately 1,700 inspections are conducted annually.
- Detailed (20) point checklist is used to determine licensee compliance with state statutes in the conduct and operation of games.
- Warning letters are issued to non-complying licensees.
- Repeat offenders are brought before the full Commission for hearings.
- Penalties are imposed on violators including fines and/or revocation of license.
- Violations of a criminal nature are referred to the Office of the Attorney General.

## Oversight and Regulation (Continued)

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The dollar amounts of legal gambling oversight by the RCGC in fiscal year 2010 were as follows:

|                 |                      |
|-----------------|----------------------|
| <b>Racing</b>   | <b>\$103,321,468</b> |
| Bingo           | \$17,419,081         |
| Lucky - 7       | \$63,484,903         |
| Games of Chance | \$32,887,446         |
| <b>Total</b>    | <b>\$217,112,898</b> |

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# Sources of Agency Revenue

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- The RCGC receives the following revenue from racing activities:
  - Tax and Breakage from Live (Harness) and Simulcast Racing: Based on statutorily established percentages of total handle (1% and 1.25% for live and simulcast racing respectively).
  - “Outs” (Unclaimed Tickets): These monies are paid over to the State by the tracks. Typically, 20 to 25% of these monies are claimed by ticket holders. The remainder escheats to the general fund after being unclaimed for (11) months.
  - Occupational License Fees: For tracks’ employees, totalisator companies, trainers, food concession employees, judges, grooms, drivers, owners etc.

## Sources of Agency Revenue (Continued)

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- Other Racing Revenue: Fines and background investigation fees.
- Reimbursements: The State is reimbursed by the tracks for veterinarian and judges salaries.
- The RCGC receives revenue from the following *gaming* activities:
  - GOC Assessment Fees: 3% of total handle (amount wagered) for games where chips have no monetary value. 10% of rake or house winnings for games where chips have monetary value.



## Sources of Agency Revenue (Continued)

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- License Fees: Charged to the charities, commercial halls, game operators and game operator employers.
  - ◆ Charitable organizations are charged license fees for the right to conduct Bingo games and sell Lucky-7 (pull tab) tickets.
  - ◆ Commercial bingo halls are charged license fees for the right to host organizations holding Games of Chance, Bingo games and selling Lucky 7 tickets.
  - ◆ Manufacturers are charged license fees for the right to sell gaming supplies, equipment and other paraphernalia in the State. The annual fee is \$5,000.

## Sources of Agency Revenue (Continued)

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- ◆ Distributors are charged license fees for the right to distribute gaming supplies, equipment and other paraphernalia in the State. The annual fee is \$10,000.
- ◆ Distributors are also assessed a \$15 fee for each deal of pull tab tickets sold and \$6 for each deal of bag tickets sold.
- Bingo Tax: 7% tax is assessed on all “winner take all” and “carryover coverall” games.

## Distribution of Agency Revenue

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- All revenue (gross) from racing activities is transferred directly to the general fund on a daily basis. Administrative expenses for racing are appropriated by the general fund.
- All revenue from Bingo and Lucky - 7 activities net of administrative expenses, is transferred monthly to the education trust fund.
- All revenue from Games of Chance assessment fees net of administrative expenses, is transferred monthly to the general fund.
- In fiscal year 2010, the RCGC generated a total of \$5.5 million in revenues and contributed \$2.2 and \$1.3 million, net of administrative costs, to the general and education trust funds respectively.

## Initiatives Since 2005

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- Established FBI background checks for licensees.
- Increased bond amounts for game operators from \$20k to up to \$300K.
- Required bonds for account wagerer accounts.
- Established audit function.
- Introduced assessment fees for Games of Chance.
- Obtained statutory authorization to monetarily fine and assess penalties for violations of charitable gaming statutes and rules.
- Required charities to maintain separate checking accounts for Bingo and Lucky - 7 activities with a bank or its branch located in New Hampshire.
- Promulgated rules to further strengthen and ensure the integrity of gaming.
- Required charities to make no less than 35% from Games of Chance.
- To further protect charities, strengthened contractual agreements between game operators and charities.

## Future Initiatives

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- Rules and Statutes for procedures to play games.
- Bonding for high stakes Bingo.
- Strengthen internal reporting (modernize data base for gathering statistical and financial information).
- Migrate to online licensing and financial reporting by licensees.
- Update statutes to ensure consistency between Bingo/Lucky – 7 and Games of Chance statutes.
- Formal training for audit and compliance staff to better understand and audit the “back end” of gaming operations and the inspection and monitoring of gaming equipment.
- Ensure charities are provided equal opportunities to participate in Games of Chance to further their fund raising objectives.

# Summary of Licenses, State Taxes/Fees and Charity Revenue Fiscal Year 2010

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| Licensees:                    | # of Licensees   | License Fees (\$) | Comments                                    | Bond                    | License Expiration |
|-------------------------------|--|-------------------|---|-------------------------|--------------------|
| Bingo/L7 organizations        | 104  | 25                | Per game date, max 10 games per month       | None                    | Monthly            |
| Lucky 7 organizations         | 123  | 10                | Per month                                   | None                    | Monthly            |
| Games of Chance Organizations | 295  | 25                | Per game date, max 10 games per year        | None                    | December           |
| Primary game operators        | 71   | 500               | Per year                                    | 20K to 75K/Location     | December           |
| Secondary game operators      | 442  | 30                | Per year                                    | Covered by GOC Employer | December           |
| Facilities                    | 13   | 250               | Per Year                                    | None                    | June               |
| Commercial Halls              | 10   | 250               | Per year                                    | None                    | June               |
| Distributors                  | 5  | 10,000            | Per year                                    | 50K                     | June               |
| Manufacturers                 | 9  | 5,000             | Per year                                    | 50K                     | June               |
| Campgrounds                   | 19   | 25                | Per year (cannot have Lucky-7 license)      | None                    | April              |
| Hotels                        | 1  | 25                | Per year (cannot have Lucky-7 license)      | None                    | April              |
| Agricultural Fairs            | 1  | 25                | Per game date (cannot have Lucky-7 license) | None                    | April              |
| <b>State Taxes/Fees:</b>      |  |                   |   |                         |                    |
| Bingo Games                   | 7 % on WTA and carryover coverall games and 7 % of WTA bonus prizes paid.<br>Total taxes collected by State in 2010 was <b>\$680,703</b> .   |                   |   |                         |                    |
| Lucky 7 Tickets               | \$15 per deal sold by distributors is paid to the State. Total paid to State in FY 2010 - <b>\$915,525</b>   |                   |   |                         |                    |
| Games of Chance               | 3% of all funds collected from players in games where chips have no monetary value (tournament games).<br>10% of rake or house winnings in games where chips have monetary value. (table games and cash games)<br>Total assessment revenue in FY 2010 - <b>\$1,468,542</b> . |                   |   |                         |                    |
| <b>Charity Revenue</b>        |  |                   |   |                         |                    |
| Bingo/Lucky 7                 | 6.7 Million net after expenses.  |                   |   |                         |                    |
| Games of Chance               | 4.3 Million net after expenses.  |                   |   |                         |                    |

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# Five Year State and Charity Revenue History

## Fiscal Years 2006 to 2010

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| State Revenue:                | Fiscal Years      |                   |                   |                   |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                               | 2006              | 2007              | 2008              | 2009              | 2010              |
| <i>Racing:</i>                |                   |                   |                   |                   |                   |
| Tax and Breakage              | 2,813,250         | 3,045,242         | 2,916,096         | 1,968,193         | 1,498,699         |
| License Fees                  | 55,749            | 44,188            | 42,571            | 43,440            | 13,815            |
| Fines                         | 3,100             | 11,935            | 6,875             | 5,965             | 5,500             |
| Unclaimed Tickets             | 863,143           | 833,453           | 723,234           | 514,543           | 528,833           |
| Reimbursements                | 204,807           | 182,091           | 137,324           | 89,738            | 28,519            |
| Lab Fees                      | 120,401           | 102,329           | 56,260            |                   |                   |
| Investigation Fees            |                   |                   |                   | 150,000           |                   |
| <b>Total</b>                  | <b>4,060,450</b>  | <b>4,219,238</b>  | <b>3,882,360</b>  | <b>2,771,879</b>  | <b>2,075,366</b>  |
| <i>Bingo:</i>                 |                   |                   |                   |                   |                   |
| License Fees                  | 150,625           | 145,550           | 137,989           | 131,210           | 129,492           |
| WTA Tax                       | 794,012           | 722,670           | 703,879           | 679,413           | 680,703           |
| <b>Total</b>                  | <b>944,637</b>    | <b>868,220</b>    | <b>841,868</b>    | <b>810,623</b>    | <b>810,195</b>    |
| <i>Lucky 7:</i>               |                   |                   |                   |                   |                   |
| Deal/Bag Fees                 | 961,350           | 971,760           | 960,555           | 955,780           | 915,525           |
| License Fees                  | 136,580           | 123,210           | 127,735           | 124,770           | 119,500           |
| <b>Total</b>                  | <b>1,097,930</b>  | <b>1,094,970</b>  | <b>1,088,290</b>  | <b>1,080,550</b>  | <b>1,035,025</b>  |
| <i>Games of Chance:</i>       |                   |                   |                   |                   |                   |
| License Fees                  |                   | 103,350           | 111,624           | 136,715           | 145,210           |
| Badge Fees                    |                   |                   |                   | 4,850             | 6,560             |
| Fines                         |                   |                   |                   |                   | 4,000             |
| Assessment Fees               |                   |                   |                   | 1,594,635         | 1,468,542         |
| <b>Total</b>                  |                   | <b>103,350</b>    | <b>111,624</b>    | <b>1,736,200</b>  | <b>1,624,312</b>  |
| <b>Total all sources</b>      | <b>6,103,017</b>  | <b>6,285,778</b>  | <b>5,924,142</b>  | <b>6,399,252</b>  | <b>5,544,898</b>  |
| <b>Charity Revenue (Loss)</b> |                   |                   |                   |                   |                   |
| Bingo                         | (1,323,648)       | (2,430,591)       | (3,001,267)       | (4,423,321)       | (4,573,369)       |
| Lucky - 7                     | 12,841,759        | 12,667,623        | 12,398,779        | 11,778,709        | 11,304,867        |
| Games of Chance               |                   | 1,343,704         | 4,344,960         | 4,804,679         | 4,354,548         |
| <b>Total all sources</b>      | <b>11,518,111</b> | <b>11,580,736</b> | <b>13,742,472</b> | <b>12,160,067</b> | <b>11,086,046</b> |

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