

Minutes
Gaming Study Commission
Meeting: Tuesday, November 3, 2009

Commissioners Present: Andy Lietz, Chair; Joe Foster, Vice Chair; Jim Craig, Mark MacKenzie, Bob Odell, David Babson, David Bailey, Bonnie Newman, Micheline Dufort, Maggie Pritchard, Ned Densmore, Mary Heath, Karen Pollard, Lew Feldstein.

Commissioners Absent/Excused: Tom Ferrini

Staff Present: Gail Wolek

Commission Chair Andy Lietz called the meeting to order at 1:00 p.m.

Chairman Lietz asked Gail Wolek to conduct the roll call. Chairman Lietz then asked for a motion to approve the minutes of the October 6 and October 20, 2009 meetings. Commissioner Craig motioned for the minutes to be approved, seconded by Commissioner MacKenzie. There being no further discussion, Chairman Lietz called for a vote to approve the minutes. The minutes of the October 6 and October 20, 2009 meetings of the Commission were unanimously approved.

Alice DeSouza, Director of the NH Division of Travel and Tourism Development, accompanied by Henry Goode, Deputy Director of the Division, presented a report on how NH brands itself to attract tourism and new business to the state (see separate PowerPoint presentation). Summer is the primary visitation period followed in order by fall, winter, and spring. Responding to questions, Director DeSouza provided the following:

- Image is primarily centered on “wholesome” family type activities;
- She was unaware of any correlation between state’s image and gaming;
- There is no data indicating that people would fly internationally to NH-based gambling destinations;
- A study into niche-marketing would be needed to determine whether gaming could fit into the NH brand;
- Branding doesn’t happen overnight—benefits and downsides would have to be measured in terms of the time it would take to re-tool the current NH brand;
- One perceived weakness—the lack of “night life” in N—is improving in the southern part of the state in bigger cities like Manchester and Nashua and on the seacoast;
- It takes 3-5 years to see results from new marketing efforts;
- With recent management changes, it is unknown whether gaming would be viewed favorably as a potential activity to be added at the major grand hotels in the state;
- Currently the state earns about \$8.80 for every \$1.00 spent by tourists. When the DTTD budget is cut, revenues to the state drop significantly;
- The state has not reached a point of diminished returns where revenues top out regardless of how much money is targeted to tourism marketing;
- It is difficult to determine whether adding gaming facilities would bring in new and more visitors to the state or if it would simply draw (reduce) current visitors away from other activities to expanded gaming opportunities.

Next followed a panel discussion led by Paul Kelley, Director, NH Racing & Charitable Gaming Commission with guests: Averill Cate, American Legion Post #21, Concord; James Chase, Bektash Shriners, Concord; Les Nishi, Seacoast Fundraising; and Jamie Timbas, Universal Gaming. Each panelist reviewed his interest and participation in charitable gaming activities in NH and discussed how the funds raised support various charitable groups throughout the state.

Mr. Chase reported on how the funds raised at Bektash Bingo events support the Shriners Burn Center and assist families with insufficient resources to be able to access the Burn Center when needed. He said that Bektash does everything possible to assure that the Bingo events are high quality and meet the highest standards. Average annual revenues are \$100,000 which represent about 30%-40% of their budget. Bingo nights help to generate funds so that the organization doesn’t have to keep dipping into members pockets or

run other kinds of fundraisers in order to support the services of the Burn Center; they run one game per week (Thursday nights) for 50 weeks of the year.

Mr. Timbas (with his partner, Dick Anagnost) has been in the charitable gaming business for 12 years. He raises about \$200,000 between Bingo and Poker with 35% of revenues going to the charities and 65% (before expenses) going to the operator. After expenses, the operator ends up making approximately 8%-10% of profit. He said there is not a lot of competition simply because gamblers are creatures of habit and it is very difficult to break into an area where gaming activities already exist. The state earns 3% of tournament game revenues, 10% of live game revenues, and 10% of bank games (where gamblers play against the house). Mr. Timbas said that other than Bektash-type gaming venues, gamblers don't necessarily know or care about what charity is being supported. They just want to gamble and are generally chasing the bigger jackpots. Thursday, Friday, and Saturday are the busiest days. His operation loses money on the Monday, Tuesday, Wednesday groups. The stalled economy has impacted his operation. Mr. Timbas estimates that Bingo is off 8%-10% and Poker is off 7%-8%. People are coming less days per week, gambling smaller amounts of money when they do come, and following jackpots because they need the money due to job losses and reduced incomes. Mr. Timbas further noted that adding slot machines to the mix would likely drive local charitable gaming operations out of business unless protections were put in place to ensure their viability.

Mr. Nishi opened his operation at Seabrook in March 2006 with 12 Poker tables operating one day (Saturday) per week. In 2008-2009 revenues he raised supported 68 charities with an average \$3,542 take per charity per day. He pointed out that weather, season, competing venues, and the economy all have an impact on participation. Mr. Nishi said about 65% of his clientele comes from Massachusetts and another 12% come from places outside Massachusetts and New Hampshire. He said charitable gamers need to think of ways, such as higher betting limits, to get new people into the venue. Mr. Nishi said he has been contacted by the group interested in expanding gaming at Seabrook, but there are no formal agreements to include charitable gaming in their project.

Mr. Cate read from a written handout noting that 85%-90% of the Post's betting revenue is used to support American Legion baseball. AL baseball is completely fee-free and charitable gaming revenues support the purchase of uniforms, bats, ballfield equipment, transportation, food for away games, as well as scholarships for players entering college.

Responding to questions, the panelists provided the following additional information:

- Mr. Timbas said he has not seen a lot of problems with crime associated with his gaming facilities. He watches all his tables from a security system that he can access from his home and if he sees people betting more than they can afford he cuts them off and sends them home. However, this is the first time he has seen people chasing jackpots because they need the money. which means gambling is becoming more than just entertainment;
- Mr. Chase said Bektash has not been significantly impacted by the economic downturn. There was a hit the first couple of weeks of the year, but they consistently get 160-200 players per week and revenues are up 15% at Bektash;
- At Rockingham there is a capacity for 60 +/- tables, they probably see 400 +/- players at regular tournaments, but attract 600-700 players for big events. Charities would certainly have a challenge if this sort of fundraising were to dry up. Expanding gaming would draw players to other venues.
- Paul Kelley pointed out that charities have to be registered in NH for a minimum of two years before they are allowed to conduct charitable gaming events/activities. He said he would refine the basis of the numbers he reported to the Commission and get the information to the Chair for distribution as soon as possible.

Final presenter, Rick Wisler, Executive Director of the NH Lottery Commission, provided information relative to video lottery terminals (VLTs), Keno gaming, and Internet gaming (see separate handouts). He noted that the Lottery Commission only monitors a central computer system that supports lottery gaming throughout the state. He estimated that he would only need 5-7 more staff if VLTs were added to the NH mix. Internet gaming takes existing lottery games and allows people to play from home, but they would still need to get tickets and redeem winnings from established outlets. It would take about 4 months to get Internet gaming up and running

and cost about \$300,000 for new marketing targeted to the new gaming opportunity. Mr. Wisler pointed out that new gaming would not be a bonanza to the state because lottery games are based on luck not on skill. He would estimate that Internet gaming would generate approximately \$18 million in gross sales returning about \$5 million to support education in NH. Mr. Wisler said that Keno is also based on the existing lottery system with the difference being that players draw a number every 4-5 minutes. Up-front costs would be minimal and the Lottery could get it running in about six months. Distribution could be expanded into “age-controlled” environments and, depending on earnings caps, could generate from \$4.5 to \$9 million dollars for education. The Lottery Commission does not get involved with enforcement or mitigation of problem gaming.

Commissioners Roundtable Discussion

Chairman Andy Lietz led the group on a discussion of the following:

- Need for more reliable information relative to how expanded gaming activities/facilities might contribute to job creation in NH and the economics of different scenarios. What types of jobs would be created? Long term or short term? Differences among construction, service (typically low wage), and technical/enforcement aspects of job opportunities.
- How is a “charity” defined in NH?
- Better supporting information for summary numbers presented by Paul Kelley.
- More information on expanded gaming impacts to law enforcement, such as costs for training and staffing, at both local and state levels.
- Ask Dr. Barrow to produce the model he presented at the 10/20 meeting.
- How does NH collect and distribute revenues targeted for social cost mitigation? How are these revenues calculated and their distribution reported? What happens to these funds when politics and budget challenges intervene?
- Note that big money often overwhelms local referendums when major campaigns are underway. It is difficult for smaller communities in NH to have a voice in decisions affecting their area when huge amounts of dollars are in play.
- Financial impact and social implications that played out in the 50’s, 60’s, and 70’s when live racing was the primary gambling activity.
- Cost of governance for expanded gaming.
- Have to consider the context in which expanded gaming might occur i.e. aging demographic in NH, how the state sells itself, and the possibly worst-case budget cycle on deck.

Some things we’ve learned so far:

- Surprise at the amount of gaming that already exists in NH. How is “expansion” defined?
- Gaming can be a revenue generator/enhancer, but it’s not a panacea and it won’t solve the state’s deficit problem.
- There are costs associated with expanded gaming—at what price is the revenue/benefit worth the cost?
- Potential impact on NH’s image/brand for attracting tourists and new businesses—is it possible to test whether the projected image is actually the perceived image?
- Increasing buy-in/betting limits would dramatically change the dynamic of gaming, including charitable gaming. Where people now can lose hundreds of dollars, increased limits would allow them to potentially lose thousands of dollars before intervention could stop the losses.
- Slots create far fewer jobs than casinos in the long term; construction of new facilities would create high quality but short term jobs; service industry side could potentially create long term but low wage jobs; need better understanding of exactly what types of jobs would be created by different models.
- Need reliable data on how proximity of different types of gaming facilities affect each other.
- Need reliable report on how for-profit gaming facilities would affect charitable gaming activities in NH as they currently exist
- Next steps include determining how the Commission will frame what’s been learned, how the interim report will be constructed, and how the information presented will be interpreted for public, legislative and gubernatorial consumption.
- What expanded gaming models might gain traction in NH?

- Can the Commission develop a tool/utility for testing proposals that will provide a calculus and benchmarks to assist policy-makers for assessing future gaming-related proposals so that the state doesn't have to go through this evaluative effort again?

At 4:40 p.m. a motion was made, seconded, and approved to adjourn the meeting.

NEXT MEETING, TUESDAY, November 17, 2009, 1:00 pm, NHHEAF

Respectfully submitted: Gail Wolek, Executive Director