

NEW HAMPSHIRE GAMING STUDY COMMISSION

State House, Room 100

Concord, NH

Tuesday, February 2, 2010

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VICE-CHAIRMAN FOSTER: I don't have a gavel. We are going to open the hearing on -- this is a hearing of the New Hampshire Gaming Study Commission. It's an opportunity for legislators, Senators and Representatives, to give us their thoughts on the issue of gaming. I do note that some folks are signing up from -- thank you -- from other -- other interest groups and so forth. We're going to hold hearings in Manchester and North Conway -- do I have that right -- on April 6th and that's where we'll be taking testimony from the general public. I mean, you're obviously welcome to stay and listen to what the legislators do say today, but this is really for legislators only and that's why we are holding it in the State House today.

I'm going to run this more or less like a legislative hearing, as the legislators are all familiar with that. I don't know how many people we have signed up. This will go till 4 o'clock. Those of -- those of you who know me when I used to be a Senator know that I would often go well beyond that, but I'm Vice-Chair, and our Chairman Andy Lietz, who couldn't be here today, would end it at four, so will I end it at four. So try to be respectful of one another so we can get as much viewpoint as we can.

It's a busy day in the legislature so people could be coming and going. I'm going to try to call the Senators and Representatives, you know, for and against as I'm going along. Sign up, if you haven't. And you know, the sheets will be handed up to me and I'll try to sort of alternate it back and forth, you know, roughly in the order that people -- that people appear here. So with that, are there any comments or questions from any of the Commissioners? And if you're willing to take questions from the Commissioners, just indicate that at the end of your testimony.

If you have anything in writing, you can hand it up to Gail who works with us and we'll make sure that the full commission gets it. So with that, I will call up Senator Lou D'Allesandro.

LOU D'ALLESANDRO, State Senator, District #20:
Thank you. Thank you, Mr. Chairman. Nice to see you.

VICE-CHAIRMAN FOSTER: Nice to see you, Senator.

SEN. D'ALLESANDRO: And distinguished members of the Committee. First of all, thanks for your willingness to serve on a commission that I think can have a tremendous impact on the State of New

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Hampshire.

I've been the prime sponsor of this gaming bill for the last 12 years which proves that I have stick-to-itiveness. And I think the bill does two things. It provides for economic recovery and job creation. Both are fundamental to the recovery process that takes place in an economic downturn. So let me give you a quick précis of the legislation, and then I'll be happy to address any queries that you have with regard to the legislation.

A legislative piece very similar to this passed the Senate 12 years ago and was not accepted by the House because the House said that they had defeated the subject matter previously. I'm not sure that that was correct but, indeed, it happened and that's the way -- that's the way it is. In 12 years a lot has happened in the United States of America, as well as in the State of New Hampshire. And all of us recognize we are at a 7% unemployment rate. We have 60,000 unemployed people in the State of New Hampshire. And thankfully, the extension of unemployment benefits has helped us greatly.

Our unemployment compensation fund is zero and we are borrowing from the federal government. We'll borrow \$150 million, which we have to payback. I think that clearly indicates the gravity of the situation in the State of New Hampshire. We aren't creating any jobs as we speak. We continue to lose jobs. And when you look at the North Country, you look at the Town of Groveton, Northumberland, which is considering bankruptcy. They can't -- they can't pay their bills. They can't survive. They can't survive on the tax rate, the property tax rate, there's nobody to pay it. Nobody has any jobs. We're looking at a little town like Seabrook which has a 10% plus unemployment rate. So you see the unemployment is pervasive throughout the state, not

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only in the North Country but in the south.

So let me go over with you my economic recovery job creation package. The package is quite similar to a package that was presented, as I said, a number of years ago. The package presents an opportunity for six sites in the State of New Hampshire where expanded gaming will take place. Originally, four of these sites were existing racing venues. We don't have four existing racing venues any longer. We only have three. So what's been added in the south is a destination resort in the Town of Hudson or in Hillsborough County.

Initially, we have three presentations in the North Country. We have the grand hotels. They have dissipated. They didn't want to participate. So we have two locations in the North Country. So, in essence, we're down from seven locations to six. We only are offering six locations, and I think that addresses the proliferation aspect of gaming as it's been presented by those who oppose it. We're not looking for extended proliferation.

What we're asking for is this. We have three existing tracks in the south. We thought those would be venues where gaming has taken place, actually, at Rockingham Park for over 100 years. So we've had 100 years of activity there that's been monitored by the State. The two racetracks have had gaming on their sites since the early '70s. The creation of another facility in Southern New Hampshire just fulfills another entity.

In the North Country we have the ability to place a facility in either Coos or Grafton County. Any place in either one of those counties that measures up to the criteria that we have set forth in the bill. The bill calls for an entry fee. If you're a horse racing facility, the initial fee is

\$50 million. For the dog racing facilities, it's \$20 million. For the other facility, the recreation destination facility, it's \$50 million.

In the North Country the fee is \$10 million. Now, that's if you want video lottery machines. If you want an extension to that, if you want table games, there's an additional \$10 million fee associated with that. Each one of these facilities must make a provision for charitable gaming. There is charitable gaming in the State of New Hampshire. Actually, there is a proliferation of charitable gaming in the State of New Hampshire. This would take that charitable gaming and basically bring it to existing -- existing sites where gaming takes place.

So the entry fee is basically if you want the video lottery and the additional gaming, it's a \$60 million fee at two facilities. It is a \$30 million fee at the racetracks. And it is a \$10 million, possible \$10 million fee in the North Country.

What is our perception as far as economic viability and economic recovery is concerned? In order to physically do the right -- present the right image and the right venue, about \$500 million would have to be spent at Rockingham Park. There's a commitment to spend a half a billion dollars in retrofitting that facility. That facility has been around, as I said, for 100 years. It's a landmark. It's a destination location. It has been and will continue to be one of the real jewels as far as tourism in the State of New Hampshire. It's been a very acceptable situation and as I say in most of my testimony, I thank Cardinal Cushing for building Route 93. He did a wonderful job in presenting us excellent access and egress. And as you know, for years and years and years he had a charity that was

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basically funded by Rockingham Park and did a lot of good for a lot of people. The facility is there with an initial capital investment of a half billion dollars, about a thousand jobs will be created during that construction phase. And these are jobs for carpenters, plumbers, brick layers, ordinary laborers, electricians, as they begin to build out this facility. The Seabrook facility there's -- there's a commitment to spend about \$200 million to renovate that facility. The talk of the facility in Hillsborough County is about a \$300 million investment. And with regard to the facilities in the North Country, there's a maximum investment of \$10 million that needs to be spent in order to gain your license.

So from the economic development side, jobs will be created in conjunction with the retrofitting of these facilities. And by the way, we have the highest unemployment in all of those laboring categories as we speak. They just can't get jobs. Once the facilities come on-line, we believe that about 2,000 permanent jobs will be created. Now, that will obviously ebb and flow based on the number of facilities that come on-line. These will be permanent jobs. They will be good paying jobs with benefits. And there are economists that will give you iterations about that and I think you've heard from them up to this point.

Now, from my perspective, why is it so important that we do this? Well, one of my original intentions was to restore the breeding industry in New Hampshire, to restore thoroughbred racing to Rockingham Park and to protect open space. And as a result of that, what we used or what I used along with Senator -- Senator Klemm from Salem at that time was the Delaware Model. And the Delaware Model was put in place about 15 years ago. Delaware is

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very -- very similar to New Hampshire. There's an agrarian south in Delaware and a rather urban north. We have the agrarian north and the urban south. So you just flip it. But Delaware has three facilities. They have Delaware Park, Dover Downs, and Harrington, and each one of these facilities was allowed to have a video lottery at the tracks and there was an emphasis on restoring the racing industry, the breeding industry in the south, the Standardbred industry at the two Standardbred tracks and the Thoroughbred industry at Delaware Park.

If you look at the numbers, and I'm sure you've seen the numbers, Delaware has received about a billion dollars a year in revenue. And Delaware's tax rate originally was 33 percent. I believe it's now up to 43 percent. And at the time of Delaware or the inception, Ruth Minner was in the House of Representatives. She was then elected to the Senate and then elected Governor of the state, and she was the driving force behind this activity. So the sustainability, which has always been a question in everybody's mind, is there. If you look at what's happened over that period of time that revenue continues to -- continues to flow. If you talk about crime, the attorney general gets a report on an annual basis that tells you what's happened in the area surrounding the venues. So all of that can be looked at and it can be documented.

It's proven to be a successful revenue source. Now, I have never said, nor have I ever advocated, that this was the "be all, end all" for the State of New Hampshire. It's one ingredient. It's one ingredient that has a cash flow to the State of New Hampshire of about a hundred to \$200 million a year and that doesn't include the BPT, the BET, the rooms and meals and other associated taxes that will come once the venues are on-line. But at this

point in time, the significant aspect of the economic recovery job creation package is we are doing something with private investment. And all -- all of you have seen what's happened with the Stimulus money and the pros and cons of the Stimulus money. I'm saying to you that we have private investors who are putting their money on the line in order to invest in these facilities. And it's their money that will be paying these employees and it's their money that will be paying these benefits.

The movement for expanded gaming is nothing new. As I said, I've had it on the books for the last dozen years and as you all know we were the first state in the United States to reinstitute the lottery. The lotteries were disbanded in the 1800's. New Hampshire brought it back in 1963 when Governor King signed the lottery bill. And, of course, you know that we had the first Sweepstakes race at Rockingham Park, and that -- that was nationally televised by ABC TV and New Hampshire got exposure as the first state in the United States to reinstitute the Sweepstakes and so forth and so on. And when we first had the Sweepstakes, it was a very cumbersome process. You had to sign up and deposit your -- your receipt. It was an emulation of the Irish Sweepstakes. So we, as a state, have been in the gaming business for a long period of time, and we've monitored the gaming business quite effectively over a long period of time and it's proved successful.

We have a constitutional amendment that says all of the lottery money goes into education. The money, the proceeds from this bill would go into the general fund. There's no specific designation as to where the money goes. The money goes so that all of the people in New Hampshire will get the benefit of it.

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Our tax rate creates a situation where X -- 30% comes to the State of New Hampshire, but 9% is distributed among a series of other entities. The local community, by the way, gets 3% and the local community must vote for this option. The local community must by local referendum accept expanded gaming. I might say that Seabrook, Belmont, and Salem have on numerous occasions passed referendums that support expanded gaming.

We have had the benefit of a number of entities who support this proposal. Our New Hampshire State Police support this proposal. Local law enforcement supports this proposal. Almost every labor union in the State of New Hampshire supports this proposal. So we have had a ground swell of support. If you believe the polling that's taking place, you've got a 60 to 70% support mechanism amongst the general population of the State of New Hampshire. They accept this rather than a tax revenue, such as an income tax or a sales tax.

We would expect that if our bill goes through the legislature and is passed, we would have about three of these facilities would come on-line fairly quickly. Our perception is that Rockingham Park, Seabrook, and another venue would come on rather quickly. We would take the upfront money, immediately deposit it in the Treasury, and then look for the revenue stream as the build-outs have taken place.

Now, obviously, the longer we delay the presentation of this, the lesser the revenue stream. I mean, if you don't pass it, it doesn't happen and that's been the situation. It's my perception that we have lost \$2 billion in revenue since the day we passed this bill in the Senate to today. About \$2 billion in revenue. And it's gone

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someplace else. Because anyone who thinks that people are not gambling, I would suggest help because it's happening, and it's happening with New Hampshire residents going to other venues, and residents from around the area. Plus, the charitable gaming that takes in the State of New Hampshire right now from which the State receives de minimus revenue, de minimus revenue, really, it's a pittance when you think of the amount of money that is spent.

We have a thorough investigation process by which you get a license. The Attorney General investigates you. The upfront fee for that is \$100,000, and you pay all of the expenses, if they accrue over the hundred thousand dollars. If you're a machine operator you pay a \$50,000 fee for investigation and anything over that you pay for. So all of that -- all of that expense is paid for by those who are looking to participate in the process.

The breakdown of the bill, as I said, we have the local municipality that gets money. We provide money for problem gaming and that isn't done today. And the amount of gaming we have, obviously there are ramifications of that.

We provide money for resources and economic development to promote tourism. We provide money for police standards and training and for the fire training academy. We provide money for horse racing fund which will embellish the purses at the tracks and we provide money to every county. Because one of the initial reasons for the bill was to abate taxes and to abate property taxes. So we give 2 percent, divide that up amongst the ten counties to be used exclusively to the abatement of the county property tax.

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You know, I guess in brief, that's our bill. I'm sure you've all read it. And if you have particular questions about any aspect of the bill, I'd be -- I'd be more than happy to address them. And I'll close by saying this. If you or anybody else has a better solution to this, I would accept that. I mean, I'm ready and willing and I think every legislator would be ready and willing to accept other solutions. But we aren't going to pass any taxes because that's not the solution at the present time. This to me is a solution that says private investment will come to the State of New Hampshire and will invest. They will create jobs in an environment where no jobs are being created and they will provide positives to the economic well-being of our state. I mean, that's the critical issue, as I see it, at this time. The critical issue is how are we going to create jobs. Jobs, jobs, jobs. We need jobs. And I think the other -- the other part that I take great pride in is private investment. Not asking for the government to invest a dime. The government is going to receive a ton of money, but no government and no government investment. And safety and security is handled by the State Police inside, by the local police on the outside, Chief. And the local police, the local police chief in Salem has come out slugging for our bill and he's been enforcing the law in Salem for a long period of time. As I said, it's been 100 years when Hinsdale was in place. The chief of police of Hinsdale came out slugging for our bill. The local law enforcement, the local offices have come out slugging for our bill. New Hampshire State Police have come out slugging for our bill. So law enforcement which is going to have the responsibility of enforcing this, you know, sees it as an advantage and not a disadvantage.

So with that, Mr. Chairman, thanks so much for allowing me to speak before you, and I'll be happy to address any questions that anybody has.

VICE-CHAIRMAN FOSTER: Thank you, Senator. We have questions. Ned.

COMMISSIONER DENSMORE: Sure. Thank you, Mr. Chairman. Thank you for going over the bill for us. My question has to do with how you arrived at \$50 million licensing fee or entry fee as you call it.

SEN. D'ALLESANDRO: Right.

COMMISSIONER DENSMORE: Is there a -- a formula that you're looking at that we can understand?

SEN. D'ALLESANDRO: Sure. What I -- what I did, Former Representative Densmore and book store entrepreneur, wonderful to see you here.

COMMISSIONER DENSMORE: Nice to see you.

SEN. D'ALLESANDRO: What I looked at are the fees being charged around the country. I kind of used Pennsylvania as the most recent one as the model. And the Pennsylvania -- these fees are quite similar to the Pennsylvania fees. And I checked with different operators around the country. I spoke with Commissioner Lemons in Delaware, and I spoke with Senator Fusco in Pennsylvania who has the Meadows in his district. And I did some other research and that's how the numbers were derived. Basically, what was the going rate at the present time and what made sense for New Hampshire based on what people were willing to pay in other venues.

COMMISSIONER DENSMORE: Follow-up?

VICE-CHAIRMAN FOSTER: Follow-up.

COMMISSIONER DENSMORE: Connected with that is the -- how you arrived at the 40 percent tax level. We heard -- we've heard from some of the people testifying helping us out on this that there are operations that are paying a good deal less tax.

SEN. D'ALLESANDRO: Right.

COMMISSIONER DENSMORE: And the benefit they see of the lesser tax is the more investment available to them.

SEN. D'ALLESANDRO: Sure. I think that's a good point. The highest tax is paid in Rhode Island. It's 62 percent. Pennsylvania is paying 55. Delaware is paying 43. In Connecticut they pay 25 percent of the machine income, of the net machine income. That's a deal that was cut between the administration and the tribes when they let those two locales come into play. The number that we chose, A, was attractive to those who wanted to come into our venue and reasonable in this context. It wasn't as high as some venues. It wasn't as low as some venues. But it was squarely in an area at that mid-range that made sense economically for people to come in and invest.

COMMISSIONER DENSMORE: Thank you.

VICE-CHAIRMAN FOSTER: David.

COMMISSIONER BABSON: Thank you. Senator, I have two questions. One is the discussion here on the tax.

SEN. D'ALLESANDRO: Right.

COMMISSIONER BABSON: Is that 43 percent, is

that on the amount gambled or is that the amount reported as net income?

SEN. D'ALLESANDRO: Well, what -- when they're taxed they're usually taxed on net machine income. That's how -- that's how it comes out. And our tax would be 39 -- the current tax would be 39 percent.

COMMISSIONER BABSON: So it's on the net revenue or net --

SEN. D'ALLESANDRO: Yeah.

COMMISSIONER BABSON: -- of the machine played?

SEN. D'ALLESANDRO: Right.

COMMISSIONER BABSON: The other one, I'm a little confused. You said the money of the revenue, the tax revenue, would go into the general fund.

SEN. D'ALLESANDRO: Yes.

COMMISSIONER BABSON: Yes. Here in number five in the analysis you listed a whole bunch of programs that the money is going to go to. Is that already -- have you figured a formula for that?

SEN. D'ALLESANDRO: Yes, we do. Thirty percent goes directly to the State. That 9% is divvied up specifically to those certain entities. For example, the 3 percent that goes to the local municipality doesn't come out of that 30%, it comes out of that 9% that we set aside.

COMMISSIONER BABSON: Thank you.

SEN. D'ALLESANDRO: Sure.

VICE-CHAIRMAN FOSTER: Senator, let me ask a

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question. We've heard from folks who have come to speak to us that the type of facility that is built, the level of capital investment, whether or not it has table use, all impacts the types of jobs that are there for long-term. Does the bill, as you see it, require the licensee to make that capital investment or is that just an undertaking that the private developer is going to do?

SEN. D'ALLESANDRO: The only place where -- where the investment is demanded as part of the license is the North Country. They have to make an investment, and the destination location. The licenses for the existing tracks, we are -- we are assuming that in order to make these attractive venues those capital investments would have to be made. You can't do it without those capital investments. And we've looked at sites around the country where some of these interested parties have invested and that's -- that's been their mode of operation, that significant capital investment.

VICE-CHAIRMAN FOSTER: Maggie.

COMMISSIONER PRITCHARD: The figure that you gave us for permanent positions was 2,000 jobs.

SEN. D'ALLESANDRO: Yeah. I would think so. Yes.

COMMISSIONER PRITCHARD: And I appreciate that, but we have heard a lot of testimony from charitable gaming and is that 2,000 above and beyond what would be lost because of the unemployment experience by the people who currently run and operate charitable gaming that would potentially go out of business?

SEN. D'ALLESANDRO: We don't want any of the charitable gaming to go out of business. We'd make provisions at all of our facilities for charitable

gaming to continue. So they're not going to lose anything.

COMMISSIONER PRITCHARD: But the people who are working wouldn't be working there. Your assumption is that they'd be one of the 2,000.

SEN. D'ALLESANDRO: No, it would be the same people working the charitable gaming. They wouldn't be employees of the facility. They would be the charitable gaming operators. And we set aside space in our bill for charitable gaming to take place.

VICE-CHAIRMAN FOSTER: Questions? Senator, thanks for your presentation.

SEN. D'ALLESANDRO: Sure.

VICE-CHAIRMAN FOSTER: Do you have market studies or economic modeling as to southern New Hampshire, vis-à-vis northern Massachusetts and what it looks like and can we get our hands on that?

SEN. D'ALLESANDRO: Yeah. I think that there are two significant studies. Barrow, Professor Barrow has the study. I don't know if those have been presented to you or not, but I assume they have. And they talk about with competition and without competition. And that competition, obviously, would mean -- would mean Massachusetts. And I believe there's another study that's available, too, by the Innovative Group. Both of those studies are available. And they go over both scenarios with or without competition from Massachusetts. And then they focused in on the numbers, the revenues, they focused in on the jobs, the initial jobs, and the permanent jobs, and they have used, I think, some very sophisticated

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modeling in order to come up with these numbers.

VICE-CHAIRMAN FOSTER: Thanks, Senator.

SEN. D'ALLESANDRO: Sure.

VICE-CHAIRMAN FOSTER: Senator Odell.

SEN. ODELL: Thank you. Senator D'Allesandro, we have heard from a number of people about the number -- populations that's necessary to be successful. And that some of the success comes from induced gambling. In other words, a facility will create gamblers because of the marketing and drawing people in that might not otherwise gamble. And we were given a chart that used as the center point Salem and that around that would be within a 30-mile drive 2.6 million people of which 74 percent would be in Massachusetts. I think we have heard from a good number of people that the saturation created by having three facilities would be -- none of them would be able to sustain themselves. They'd be in basically direct competition. Is the concept of having a single facility in New Hampshire reasonable in terms of your look at the -- at your legislation?

SEN. D'ALLESANDRO: Well, I think it's a good question and your comments are well-taken. I think our bill provides sustainability and I think it let's them all function. But obviously, I mean, it's clear, if you only have one particular entity, it's going to -- it's going to flow and it's going to go. But I just don't think that's -- that's acceptable in the world. You're right about the inducement. I mean, that's what it's all about. You just go to the strip in Vegas and you, obviously, can -- you can see that. But I think the sustainability would be in the quality of the venue, the venue's attractiveness based on the win

percentage. You know, you've got a minimum 87 percent win percentage, it usually goes up to 90, 92, some places 93 to 95. So I think all of these things come into play. And I -- I do believe that they will all do well. They will all do well. I mean, you -- you know enough about this business and you've seen this business. You've seen the ups and downs of this business to know that good operators do well in this business.

SEN. ODELL: I think we heard that some of the operators would be very -- they wouldn't be as interested in investing if there were three facilities.

SEN. D'ALLESANDRO: Sure.

SEN. ODELL: Further question.

VICE-CHAIRMAN FOSTER: Follow-up.

SEN. ODELL: As I told Senator D'Allesandro who shares the hall with me down the way, I spent Saturday night at Isle of Capri in Florida and Senator D'Allesandro knows I've been a real advocate of not enriching people who have invested in real estate who happen to have a racetrack. So I went to Isle of Capri in southern Florida and it was fascinating. That they have -- that there's a racetrack there, a Standardbred racetrack. The parking lot was jammed. Absolutely overflowing. On the racetrack side they never opened the floors where the seats are. They never opened the third floor. The number of people there on the horse racing de minimus. It's a sport that I love, but it's a sport that's dead. So you've got everybody is basically over the casino. Why couldn't we put out to bid that anybody can bid to build a casino. You don't have to come from a racetrack. You can come from experience and gaming someplace else. You

can put it in Nashua or wherever you get local approval and disengage ourselves from being responsible for an industry that we are propping up if we put money into it that we're sort of it's on life support and it's known around the country and around the world. I just wonder if we couldn't go to something the old New Hampshire way of doing things and say here's a request for proposal. You want to build it and put it here, and it's acceptable to us, then we go from there.

SEN. D'ALLESANDRO: Well, you make a good point, obviously. I personally believe that if you -- if you did it at a venue that's in play, you can do something to bring back. I mean, I love horse racing. I think the breeding industry did a lot of good things for New Hampshire. It certainly protected our open space in the south, which has been cut up for house lots over and over and over again. And there's -- there are occupations associated with it. And those who work in the hay industry, the feed industry, and so forth and so on. So I still believe that we can -- we can restore that. And we do have an opportunity to do that because of the fact that we do have a horse racing facility. And I think if you -- if you were able to raise the purses, you could bring back some of the quality that we once had here. But is it a risk? Absolutely. I don't think there's any question. There's no question about that. And those who -- those who invest in this and who accept the fact that they're going to keep racing, for example, at the Rockingham venue, have to be willing -- have to be willing to take that risk.

The other reason why I chose the venues is because they're there, and the locals have accepted it. And they would like it to continue because in the past they have reaped the benefits of that and they're accepting of this new change. But, you

know, that doesn't mean that I have a perfect way and I'm not saying that. But I think I have a way that has proven to work. And right now the -- the ability to do this as efficiently, effectively as we can, I think is an imperative in the discussion.

VICE-CHAIRMAN FOSTER: Any further questions?
Ms. Dufort.

COMMISSIONER DUFORT: Hi, Senator. Nice to see you. Thank you for the presentation. The \$2 billion figure that you gave for lost revenues over time, what's that based on? We have tried to look a little bit to get a handle of going to other states for.

SEN. D'ALLESANDRO: I took a look at what we had proposed in our original bill, the numbers that we thought that would come in, and the revenue that has been lost. And I just take a look at the revenue that's been produced at the other venues around the country. And I say make a value judgment. I'm not a CPA. But I know enough about the game to say that that revenue's disappeared and that's -- that's what I think, my personal observation, based on my numbers, would have been the revenue that we would have received over this ten-year period.

COMMISSIONER DUFORT: Ten years. Thank you.

VICE-CHAIRMAN FOSTER: Chief.

COMMISSIONER BAILEY: Always a pleasure. Literally, just before I came up here I printed what I thought was the bill we got in the e-mail. We talking Senate Bill 489?

SEN. D'ALLESANDRO: That's correct.

COMMISSIONER BAILEY: That says one golf resort and convention center in Hillsborough County.

SEN. D'ALLESANDRO: Right. That's the -- that's the fourth venue in Hillsborough County. That's the one that took the place of Hinsdale when Hinsdale went out of business.

COMMISSIONER BAILEY: I'm just on the analysis it just talks about the one designated.

SEN. D'ALLESANDRO: Yes, because that's the designated. The others are the racing facilities.

COMMISSIONER BAILEY: It's all inside there.

SEN. D'ALLESANDRO: Yeah, it's all there.

COMMISSIONER BAILEY: Okay.

SEN. D'ALLESANDRO: If it isn't, I apologize, Chief. We'll make it right.

COMMISSIONER BAILEY: I'm sure it is. If you say it is, Senator, it's there.

SEN. D'ALLESANDRO: That's why they put erasers on pencils. We'll make it right.

VICE-CHAIRMAN FOSTER: Maggie Pritchard.

COMMISSIONER PRITCHARD: One more question, Senator. The 9% allocation that goes after general fund dollars.

SEN. D'ALLESANDRO: Yes.

COMMISSIONER PRITCHARD: The specific mention of the alcohol and drug abuse treatment program.

SEN. D'ALLESANDRO: Right.

COMMISSIONER PRITCHARD: I'm wondering if you understand or have any experience with how the state currently pays for addiction and substance abuse treatment through the allocation of funds from the sales of alcohol and whether or not you really think that this appropriation would pay for services that seem to be more expensive than the state is able to contribute?

SEN. D'ALLESANDRO: Well, that's a good point. The State has been less than, you know, stand up in terms of paying for the addictions that we have. But this money is more money than has ever been appropriated to Health and Human Services for addiction, for gaming addiction, and so forth. So -- and specifically in the law it goes -- it goes to that -- for that purpose to Health and Human Services. It's the first time that, as I said, first time we've ever designated this amount of money for that specific purpose. And that's what -- that's what it's intended for and that's what I think it will be used for. Make sure that that happens. You know, as I say, currently we don't do anything --

COMMISSIONER PRITCHARD: Hm-hum.

SEN. D'ALLESANDRO: -- in some of those areas.

COMMISSIONER PRITCHARD: And my concern, I guess, is having gone up to Maine and visited, the money that they allocated for addiction treatment they weren't able to release from the State to the providers because there was a glitch in the legislation that didn't allow it to fully --

SEN. D'ALLESANDRO: Sure.

COMMISSIONER PRITCHARD: -- be disbursed.

SEN. D'ALLESANDRO: It would be our intention to fully disburse the money that's required. I mean, we recognize -- I recognize -- I shouldn't say we -- I recognize the depth of the problem that we have today for which we spend really little or nothing on to abate. So the purpose of the bill was to do something positive in terms of treating -- treating addiction.

COMMISSIONER PRITCHARD: Thank you.

VICE-CHAIRMAN FOSTER: Senator Craig.

COMMISSIONER CRAIG: Thank you. Senator, as Chairman of the Senate Finance Committee, would you give us your estimations on what the legislature is facing in terms of the deficit this year and what the difference could be if it came of passing this Bill with this income and not passing it or passing it next year, what kind of effect this could have on what we're facing, whatever it is?

SEN. D'ALLESANDRO: Sure. Well, thank you for the question, Representative Craig. I just looked at the numbers for the month that we just left, the month of January. We are 12.8 million below plan. My predictions and Senator Odell, we have had these discussions, I project that going at the rate we're going now we could be one hundred million in the negative for FY10. We could very easily be there. The JUA was counted as 20 in each year of the biennium. So look at that. That's a negative now. Because that money is not -- is not forthcoming.

There's no question we need new revenue. In our plan, in the Senate's plan for the budget, which was not accepted in the Committee of Conference, we had these monies coming in and these monies created

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a balanced budget for the biennium. And the sale of licenses provided initial \$90 million. That's what we thought we could get in the first year and then it would take about a six-month period to get these things on-line and we would start receiving revenue. We thought in the vicinity of 100 million in the second year of the biennium. Now, that's if everything had gone as we had proposed. Everybody's backed up now. But certainly, the licensing fees would definitely help negate the deficit. And as fast as they could get on-line, those monies -- those monies would help. But I think the real issue that I think we all have to think about is job creation. We've got to create jobs. We have got to create jobs. And jobs produce business enterprise tax. They produce business profits tax. They produce all of the taxes that we depend upon. So I think all of these things have a positive impact as we move forward.

Now, again, the impact lessens as the time expires before you put these things in place; but we think we could have a positive impact in this biennium and --

COMMISSIONER CRAIG: Thank you.

SEN. D'ALLESANDRO: -- as I said, we looked at the numbers. We look at the numbers everyday. Senator Odell, you look at them everyday. I look at them everyday. You look at those numbers across the board and they're not positive.

VICE-CHAIRMAN FOSTER: Any other questions from the Commission? Thank you, Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Senator Foster. Appreciate you taking the time away from your lucrative law practice to be here.

VICE-CHAIRMAN FOSTER: Thank you very much.

SEN. D'ALLESANDRO: Thank you.

VICE-CHAIRMAN FOSTER: Let's see. I'm sorry. I cannot read the Representative from Hillsborough District 2's last name. He still here? I guess not. Representative Hinkle.

PEYTON B. HINKLE, State Representative, Hillsborough County, District #19: Thank you, Mr. Chairman. I'm Representative Peyton Hinkle from Hillsborough, District 19, which is the Town of Merrimack. And in the last -- first of all, thank you for having this hearing. It's very nice to be able to have the legislators come and comment on this since some of us have been deeply involved in this issue of gambling.

I sat on the Ways and Means Committee in the last biennium when we had three gambling bills come to us, plus another whole chapter for the state statutes proposed on gambling. And so we spent a lot of time in 2007 studying this whole subject. And we went into it, I think, in quite some great depth. And by the time June came around we had listened to a lot of professional presentations by people like the Millennium Group and so forth advocating gambling, and they submitted some very professional looking reports and analyses on it. But we had never at that point done an economic analysis of our own on what kind of revenue these bills might generate for the state.

I proposed that we have a thorough professional, impartial study done on this whole subject by some professional organization. But we were told this would cost upwards of \$700,000. And of course, we were told we didn't have the money to pay for that. So by about June of that year I

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embarked on my own to just do a little analysis on the revenue that might be generated by the bills that we had coming in. And I used the three bills that we had as the basis for this, plus the testimony that we had gotten from both sides of the issue and tried to combine that together and look also at the subject of pathological and problem gambling and what treatment for that might cost, and sort of concluded that it didn't look like these bills represented an economic value to the State when you considered the cost of addiction treatment. But that's not what I really wanted to talk about today. Because I don't look at gambling as simply being a matter of data and dollars and the number of jobs created and so forth. I think there's another big issue.

As far as jobs, there are other ways to create jobs, and we've had efforts to try to stimulate job creation. One very successful method was passed in the last biennium. Senator Odell was involved in this, that was the R and D tax credit to try to stimulate more high tech business in New Hampshire which would create some good high-paying jobs and, hopefully, bring some manufacturing back to the state. And we've lost a lot of manufacturing jobs since the 1970's.

There are other efforts that have been in the legislature this biennium, three of them that I put in, two of them are dead. One still has a life to it. There are other ways to do this. But I would like to focus on instead is what the effect of this is going to be on the people who gamble and who become addicted to it.

In 2008, we had a subcommittee that was formed, and we continued to study this whole question of gambling. And on that subcommittee we took different aspects of it and we divided those up

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between us. And each one of us took an aspect to do a thorough kind of literature research on and do a report and the subject I was given had to do with pathological and problem gambling. So I looked a lot of the literature that we had that went into this whole subject. There is a lot out there. You may have gathered all that for your Committee already. I don't know that I need to review it all. But the literature came up with different figures for how many people or what percentage of the population becomes problem and pathological gamblers. One report said 3.5 percent. And that also pointed out that the amount of problem gambling can be influenced by a number of factors, like, how many casinos you have, how big the casinos are; what type of gambling they have; how close together they are; what the population density is and so forth. So it's a complex sort of subject.

Another report put out by the Policy Analysis Center at University of Massachusetts came up with a 2.6 percent problem gambling rate. Another report put out by Deloitte and Touche had a range of 1.83 to 3.68% dependent upon these different variables. We had a report by Grinols that came up with a total of 4.2 percent. We had somebody from the State of Vermont come testify and said that where you have casinos close together you could have a rate as high as 7%. So it's very hard to pin down what the percentage is. And we spent a lot of time trying to figure that out. But whatever the percentage is, I think we need to look at the effect that gambling has on the lives of people who become entrapped in it. And there are a number of different types of gambling disturbances. And the results that come from gambling, including crime and embezzlement, where people try to steal money to cover their gambling debts, bankruptcies where people actually run into bankruptcy because of

their gambling debts, and I'll come back and talk about that in a minute. We had the subject of suicides, although there's been no thorough study that we could find on that. We had anecdotal evidence of the stories, like, people jumping off the roof of the casino in Atlantic City or shooting themselves in the men's room of a casino in Montreal and these are some of the really sad effects of gambling.

We've had suicides, as I mentioned, illness and health issues as people become stressed out over their gambling and their gambling debts. Homelessness can arise from that. There are divorces and domestic violence and child abuse cases and so forth. And so I really question whether the State wants to sacrifice a certain percentage of its population, whatever that percentage may turn out to be, for the sake of getting some more revenue when there are other ways to do it. To me, it's kind of a sick way of looking at revenue raising and job creation when we say, okay, well, we'll admit that there are some people that are going to have problems with it because they have an addictive kind of personality, but we are willing to accept that for the sake of the money that we can earn.

And then we had the issue of gambling addiction treatment and just how effective that's going to be. Again, there weren't any really good thorough studies on that, but there were some that got into it.

One pointed out that 5% of the individuals with moderate to severe gambling related issues actually seek treatment. That's a pretty small percentage out of everybody that might have an addiction problem. Seeking that treatment was identified as something that was sort of socially unacceptable.

There's a stigma to it and people don't want to admit that they have a gambling addiction problem and so they don't seek treatment.

There was a study by Harvard researchers that reported that 92 percent of the people who went through gambling addiction treatment actually experienced relapses. Many of them wouldn't even complete the whole treatment program before they would think, well, I'm okay now. I'm going to be able to maybe gamble a little bit without becoming addictive and before they know it they're trapped again.

I said I was going to talk about bankruptcies a little bit. It was a part of the studies. I contacted a lawyer in Oklahoma where they have 110 casinos, and these are mostly Indian casinos. And I'll talk about that subject more in just a minute. And this lawyer handles about 80 percent -- about 80 percent of his business is bankruptcies. A lot of these bankruptcies come about as a result of people's gambling addiction. He told me stories of people, like, older ladies who came to him completely bankrupt. Their husband had died. They were feeling sad and lost. They were looking for something to do. They got involved in gambling, and they gambled away their life savings. They gambled away their home. And they ended up relying upon their children for support. And these are the kind of things that can happen from gambling addiction. And I think we need to look seriously at that side of it.

As to the Indian issue, I looked at the federal laws regulating Indian gambling and it is under the federal government. And it seemed pretty clear to me that if the State authorizes casino gambling and allows a casino company to come into the state and set up a casino here, that we might then be

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required to allow any Indian group that wants to do the same thing to have their casino. There's 90 acres up in the Town of Sanbornton right off I-93. There are three exits from that highway there. They would provide excellent access to a casino and the government, federal government would require that a group of Indians gain status as a tribe and then they might be allowed to have a casino. It's interesting that when you look at the other states in New England, every one of them has Indian groups that are applying for recognition and status. And once they have that, they could possibly go ahead and establish casinos. And as the experience in Oklahoma proves, when you get Indian gambling going in the state, it's out of the state's hands. You don't have control over that. It's up to the federal government and it's up to the Indians. And I think that's another risk that we have if we get into expanded gambling in the state. And that's the extent of my comments, Mr. Chairman. If you like, I'll take any questions.

VICE-CHAIRMAN FOSTER: Questions.

COMMISSIONER DUFORT: Representative, did the Committee look at -- did you look at on-line gaming and any addictions around that? Any of the examples or the figures you've given commingled with on-line versus physical gaming?

REP. HINKLE: They could have been mixed in there. The studies I saw didn't separate that out specifically, but that could very much be an aspect of it and we are getting more and more into off line gambling.

VICE-CHAIRMAN FOSTER: Ned.

COMMISSIONER DENSMORE: Thank you. Representative Hinkle, do you have an estimate on

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how many residents of New Hampshire are under DSM-IV pathological gamblers?

REP. HINKLE: No. I don't -- I don't have a figure on that. I guess we could take some of these percentages and we could maybe figure that out. I would have to agree upon what is the right percentage rate, and that would depend upon how many casinos we have. Where they are located. How close together they are. What type of gambling they have. The video lottery terminals seem to be very addictive. We are told they're the most addictive form of gambling because of the way those machines can be set up to run to encourage people to keep on gambling thinking that they're almost on the verge of winning.

COMMISSIONER DENSMORE: Follow-up?

VICE-CHAIRMAN FOSTER: Follow-up, sure.

COMMISSIONER DENSMORE: That a figure we might be able to get from Health and Human Services. Did you check with them?

REP. HINKLE: No. I'm not sure they would even know. They never did come to testify to our Committee on that subject. I do have a copy of this report that I put together. If you'd like a copy of that, I could leave it with the Committee if you wanted to look into these issues anymore.

COMMISSIONER DENSMORE: Sure.

VICE-CHAIRMAN FOSTER: In your discussions -- we've bantered about on the Commission the fact that it's likely that Massachusetts will expand its gaming and if it gets north of the city or even Suffolk Downs area that some of the concerns that you expressed for pathological gaming will have

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that burden if the casino's close enough to our borders and none of the revenue or ability to deal with it. Do you have any thoughts on that or is that a consideration? As I heard your testimony sitting here, why sacrifice the population for the revenue? But if they're being lured into it anyway and none of the benefits are coming to the state but only the burdens, how do you -- have you thought about that?

REP. HINKLE: I guess my own personal reaction would be that we can't help what other states do and what people do to go to other states to gamble, but we can help what we do in our own state. And we could set an example here for New Hampshire by saying that we don't want to lure more of our citizens into that kind of gambling by having casinos available for them. And brings up to mind a sort of hypocritical approach that the State of Indiana had. They had river boat gambling on the southern edge of their state and they had it up in the northwest corner in Lake Michigan and there were a lot of people from the State that went to those river boat casinos to gamble. But the state didn't worry about the addiction problem because those casinos were sort of removed. They were from, you know, different ends of the state. But then they decided they would explore putting casinos right near the center of the state. And when they did that, they realized they were going to be creating more addiction problems for their own citizens because those casinos would be readily available to a lot of their people. They'd be near centers of population. And so then they became a little more concerned about the addiction problem when they realized that they would be creating it. I think the best thing to do is let's not create the problem in the first place or add to it.

VICE-CHAIRMAN FOSTER: Thank you,

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Representative. Any other questions? None. Thank you very much for coming in.

REP. HINKLE: I don't know if you'd like this report left with your Committee.

VICE-CHAIRMAN FOSTER: Sure. Representative Flurey. Is Representative Flurey here?

(No response.)

VICE-CHAIRMAN FOSTER: Representative Rausch.

JAMES RAUSCH, State Representative, Rockingham County, District #5: Thank you, Mr. Chairman. For the record, my name is Representative Jim Rausch. I represent Derry, Rockingham District No. 5. Hum -- also for full disclosure I am a co-sponsor on this legislation. This is my fifth term. I have never co-sponsored gambling legislation. But over the ten years that I've been up here, I have become more and more convinced that it will be beneficial to our state. And I think it's critical that we recognize what our citizens want.

Before I became a State Representative, I practiced veterinary medicine for 30 years in Salem, New Hampshire. And my veterinary hospital is kitty corner to the racetrack. In 30 years I've never encountered a problem as an owner of that facility with gambling at the racetrack. It's been a good neighbor. And even though I sold my business, I still own the property. Hum -- it still operates an animal hospital and I believe no matter what they put over there, they will continue to be good neighbors.

There was -- I apologize. I did not realize this Commission was hearing, so I do not have written testimony. Anecdotally, there's no question

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in my mind that the majority of citizens that come in contact with me would prefer to see revenue generated by a non-taxable source than expanding the other potential taxable revenue sources. Now, as we proceed into an environment that we live in now with unemployment, lack of jobs, that further enhances the necessity of developing another means of economic stimulation and job creation.

There was a question that came out during my years. I love science. I got involved with a bio-tech company. And in that process, I dealt with venture capital people. And what I came away with is these are extremely intelligent individuals. They deal with millions and millions of dollars, and they don't develop, loan, expend that money without doing due diligence. These individuals that decide to go to whatever site you want them to, they're doing that with a great deal of diligence. They are not going to invest millions of dollars potentially to lose that. These are smart individuals. They decide to put money into an area, they've done their homework. If the facilities are determined to be too close, they probably won't develop those. If they do decide to develop it, one of the things that's so different about this is there's no state, no local money involved. They put their money at risk.

I never heard a legislative committee debate whether or not down in Salem, even though I don't represent Salem, my business is there, years ago they built Rockingham -- the Mall at Rockingham Park, venture capital people. Millions and millions of dollars they invested. Not only did they have to build the facility, but they had to build in the infrastructure. They had to build a bypass or it's a fly over if you've been down there. They spent millions of dollars on the infrastructure. I never heard a legislative committee go, geez, I don't

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know that we should allow them to come into town because we don't know if that mall will be successful. If it wasn't successful, a lot of venture capital people are going to lose money, but the taxpayer wasn't going to lose anything. I see this as the same way. I don't really see the down side.

You posed a question about the gamblers. Well, very interesting when Foxwoods opened up. I had a lot -- I don't know why, but I had a lot of my senior citizens like to see me with their little poodles, a lot of them were widowed. Because I personally am not a gambler, I guess I didn't know the demographics of gambling. So I was very surprised when some of my sweet little clients would come in and tell me about what a wonderful experience they had at Foxwoods. And I looked at them, like, what are you talking about? Well, there was a bus that left from Rockingham Park, went to Foxwoods and there was a whole group of them. Now, most of these ladies were very wealthy. They went from Salem to Florida and back and forth. They never once mentioned about, oh, this is harming me. It was a day out. It was an entertainment. I don't see a problem with that. The dichotomy that I sometimes had, which was amazing to me, is we as legislators, and I say I vote this way, you don't have to wear a helmet because we have individual responsibility. You don't have to wear a seat belt. You can buy alcohol on I-93. I think alcohol is addicting. And I believe you can kill yourself without a helmet and without a seat belt, but we give them the individual rights. Why is it if you want to pull a little lever on a machine you don't have the responsibility to do that? That's a dichotomy that I can't -- I can't address that in my own mind. It's that wait a second. That makes no sense to me. But yet, we're going to make that potential determination or at

least we have in the past that you just don't have the right to pull that machine because, you can't take care of yourself. But you can ride on that Harley Davidson naked in the head and just down the road and that's okay.

Now, there was another thing about the addiction. Before I became a veterinarian, I did pharmacological research. Predominantly, I did cocaine, amphetamines, but also I worked on the precursor L-dopa for the treatment of Parkinson's disease. When we start making these determinations about addiction, I don't think out of the 424 members of the general court any of them have a grasp of the complexity of addiction. The years that I researched cocaine, it's very difficult. The end result is it influences dopamine, which has all kinds of other ramifications. But the complexity is massive. You cannot make a simple, simple statement that because you have a facility you are now going to get addiction. Addiction doesn't work that way. Addiction is a neurological complex phenomena that to make a simple statement that if I put a building here and people go to it they are going to get addicted. That's not how addiction works.

Again, I wish I had prepared a statement, but I want to try to give you that I fully support it. I have never, again, signed onto a bill, but I think this is a time, it's the time as Senator D'Allesandro said, because of jobs, because of economic stimulation, but it's also a time from my personal experience as a legislator, the people are saying why don't we put in gambling? Are there some that oppose it? Yes. And they'll let you know that. But most of them it's the best alternative we have. They don't see the harm. I can tell you from representing Derry, and having a huge component of friends and business associates in Salem, there's

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no down side.

I happen to be on the board of directors of a small bank in Salem. And as I signed onto this legislation, I made contacts with tons of business people. I asked them, I signed on. What's your opinion? So far I've only had one individual who had said, no, I object to it out of all the people I've contacted and said I'm a co-sponsor. What do you think? Give me your opinion? So my personal anecdotal information is almost 100% supportive.

The venture capital individuals that are willing to spend their money. Unlike a stadium or I think we can -- I don't think I'm going out on a line, but Verizon Center was taxpayer money. If that isn't successful, the taxpayer's on the hook. If somebody wants to put a \$450 million facility in Salem, New Hampshire, and it's not successful, that's their problem. No different than I'm a golfer. How many of us golf and we've been at a golf course that it's a third owner, because the first two went under. I still get to golf, but it's still a successful venture because somebody came in, picked up the pieces, and made off with it. So I commend somebody who's making their investment, whether it's in Salem or Hudson or Seabrook or wherever it is, I think they do due diligence and I think if they decide to spend that kind of money they're more than likely going to be successful. Because my short experience with venture capital, these are very intelligent individuals and with that I'll end my testimony.

VICE-CHAIRMAN FOSTER: Questions. Mr. Babson.

COMMISSIONER DUFORT: Representative, I know you don't represent Salem, but you have a pretty good working knowledge of that operation it sounds like.

REP. RAUSCH: Yes.

COMMISSIONER DUFORT: In your opinion the folks who frequented that facility, are they locals, far away, what's your take on that?

REP. RAUSCH: I'm going to preface that that the -- the racetrack component was definitely a big draw for Massachusetts. Now, this is kind of funny, we don't have gambling, but the charitable gambling which I will reiterate Senator D'Allesandro, the charitable gambling will absolutely still stay in place at Rockingham Park. I've seen the schematics. It will be there. I know a lot of the charities that participate in it. That will not go away. And, of course, they like it. That component I am not intimate enough since they did that. I don't know where that draws from. But because of the infrastructure I am assuming that there is also a very large component and I would say probably predominantly from Massachusetts, which one other thing I did forget to mention. If I may? And that is we forget about the fact that if you do have that problem gambler, and they go to Massachusetts to gamble, or they go to Foxwoods, when they come back home we have no money for them. At least if we were generating income from the gambling, this bill allocates money to alleviate that social service. If they put a track in at Suffolk Down, we get nothing, other than the problem. But again, I want to stress that please don't belittle the psychological and neurological complications for addiction. That is not something that you just make this determination that because you have something they're going to be addicted. It just doesn't work that way. It's not that simple with any of the drugs, medicine. Addiction is a very, very complex neurological problem. So I can't positively answer what the percentages are. But because of Salem's location, I would say that there is far more Mass. than there is New Hampshire.

COMMISSIONER DUFORT: Thank you.

VICE-CHAIRMAN FOSTER: Representative Babson.

COMMISSIONER BABSON: Thank you. Thank you, Mr. Chairman. Representative Rausch, we heard over the last, I don't know, maybe nine meetings that we've had, that a facility such as you're describing in Rockingham would cannibalize the local economy of other businesses. How do you respond to that?

REP. RAUSCH: Well, because I've operated in Salem for 30 years -- hum -- I don't believe that. I --

COMMISSIONER BABSON: That could be they won't take their dog to the local guy running the slot machine where they might go to a veterinarian. How about the restaurants?

REP. RAUSCH: I think if you go gambling, they don't probably bring their dog with them.

COMMISSIONER BABSON: That's true, too.

REP. RAUSCH: So that's probably not a problem. At least the way the Salem is set up, you're going to have two -- two individuals. You're going to have the one that truly is going there, whether it's right now for racing, they are -- they have the ability to get off of 93 and go right to that facility and coupled with the mall. They can get right off of 93 and go shopping at the mall. But we never heard a complaint that you're going to take away from the business in Salem just because they go to JC Penney. It's no different. If they have determined they're going to go to the track to gamble, they go there. If they want to do something else, whether it's buy gas or go to the restaurant,

I don't think that behavior is going to change. And it certainly hasn't on Route 28, which is the Main Street where my facility is. That has only grown and grown and grown. Now, has it changed recently? Tweeter went out. Circuit City went out. We have lots of stores that are empty. I'd like to say to anybody here can you blame the racetrack because those stores went out? No. That's an economic thing. It had nothing to do with whether there was gambling there. If you put in gambling last year would you blame the failure of Circuit City to go under because we put in gambling? I don't think so. Maybe some would, but the reality is is no. Circuit City failed on their own accord. They weren't competitive. Tweeter did the same thing. So I do not believe that at all. I don't believe that you're going to take away from the local businessman. And, in fact, with job creation I think it's going to be quite the opposite. You're going to expand that. The guy coming to work is going to buy a coffee, is going to buy a donut. He's going to buy gasoline. And you're going to have a job. You're going to have to build more houses would be my guess because you're bringing in more people. So the builders. So no, I don't agree with that concept at all.

COMMISSIONER BABSON: Thank you.

VICE-CHAIRMAN FOSTER: Further questions? Thank you very much, Representative Rausch --

REP. RAUSCH: Yes.

VICE-CHAIRMAN FOSTER: -- for spending time for us. Very helpful.

REP. RAUSCH: You're welcome.

VICE-CHAIRMAN FOSTER: Thank you. Representative

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Roger, with a G, Gletto? Are you here?

SEN. ODELL: Roger Wells.

VICE-CHAIRMAN FOSTER: Roger Wells. Boy, not close.

REP. ROGER G. WELLS, State Representative, Rockingham, District #8: Thank you, Mr. Chairman. And thank you for letting me be here. I did not bring any written testimony; and yet, I'm very familiar with this whole topic. And I'm hoping that I can bring a different perspective. You've heard probably all of the arguments pro and con that I could turn around and repeat to you. But I do have a perspective that may be new. And that's the fact I worked at a racino. I'm a veterinarian. I practiced on thoroughbred racetracks for 40 years in eight different states. Somebody mentioned once what's the matter, couldn't you keep a job? But actually, I moved to New Hampshire in 1984 to work at Rockingham Park and had a very successful racetrack practice. So I worked the thoroughbred racetracks for a long time.

I retired five years ago and that's when I actually ran and joined the New Hampshire legislature. So this past year in April I realized I was having some major financial problems. My retirement program was devastated as several other people's were in the state and my property taxes were still escalating and I was looking at not too good a situation. Well, coincidentally, the veterinarian in charge of the thoroughbred racing operations at Penn National Race Course in Pennsylvania called and said that they had an emergency, that they needed a veterinarian to work as track veterinarian for six weeks. Sounded like a good deal. So I went down and worked for six weeks at Penn National Race Course which is one of, what

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I would call, a model racino that the State of New Hampshire should be looking at. They talk about the Delaware Model. I think the Pennsylvania Model is equally as good or maybe better, because it's been so successful.

I practiced at Penn National the first ten years they were open. And so that's where the veterinarian who is in charge there now knew me and we've kept in contact. I can say that while I was in Pennsylvania working, I discussed the whole issue of racinos, the casino, racino, racing, all of the aspects with the people who ran the racetrack, with the people who lived in the area.

Now just in case you're not familiar with where Penn National is, it's in Grantville, Pennsylvania, and the closest town is Hershey, Pennsylvania. And if there was ever what you would call Maybury, USA, it's Hershey, Pennsylvania. Mr. Hershey built his Hershey factory in Hershey, Pennsylvania, when it was just in the middle of the country. And he created what I think is a wonderful project. He bought most of the land around the area and he established an orphanage. And the orphanage functioned in the fact that he created residential homes that would accommodate about 12 young people. And he also typically had a dairy farm associated with it. So these kids would live in these homes and went to the school and worked on the dairy farms and it was -- he had about 100 of these homes in the whole area around Hershey. So this is the kind of an atmosphere Hershey is. And it's still that same way today. Obviously, it's a place with very low crime.

The other neighbor to Penn National is the Amish country. And I'm sure you're all very familiar with the high crime rate in the Amish country. So this is the kind of an area that we're

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talking about. And while I was there, I would ask people, what do you think about the racetrack? What do you think about the racino? I never heard a bad word. No crime. People were happy. They said we're making -- our people are at work. They're making a living. We're happy.

Hum -- Penn National did very much like what would happen here at Rockingham Park. Penn National was built in 1970, and they completely destroyed the racetrack and the facility in order to build a new facility. So they tore down a structure that was only about 30 years old. The whole grand stand, clubhouse, everything was completely new. So, again, there was a lot of money put in that they were confident that they would be successful and they have been extremely successful.

Now, because I am a veterinarian, and we're a very small group and most of us know each other that work on racetracks, I also know of veterinarians working at other racinos. At Mountaineer Park in West Virginia, at Presque Isle which is also in Pennsylvania, in Erie, Pennsylvania, and at the Meadows in Washington, Pennsylvania. And I've been to these facilities. And I can say that the same thing applies. When you ask the people how is it, they say, people are employed. We have jobs. They're happy. We have no problems. So I can talk about a lot of the other things, but I'm just trying to bring you the fact that I've been there. I've worked there. I'm familiar with them. They're a good industry. And as Dr. Rausch said, they make good neighbors. The crime was not an issue. And while I mention it, one other thing I'll touch on, but I'm not getting too involved.

I get very disturbed when people throw out these scare tactics like the word suicide. I've got

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a 40 year experience with suicide. I'm on the State Suicide Prevention Council. And I have facilitated a survivor of suicide group since 1994. And I have heard people come through our group with all kinds of issues. Never has one of them been gambling. I've had people who suicide is such a complex issue that people don't really understand. And if you have a couple of hours sometime I'd be happy to talk to you about it. But don't throw -- that's a cheap shot when you throw that out. So understand we're talking about a very complex issue. And that's strictly scare tactics and sensationalism. So I'd be happy to answer any questions you might have.

VICE-CHAIRMAN FOSTER: Thank you very much, Representative Wells.

COMMISSIONER BABSON: Representative Wells, you've had a lot of experience with the racetracks. Can New Hampshire bring the racing industry back?

REP. WELLS: Let me explain. It was mentioned that someone went to one of the racetracks and there wasn't anybody there. Well, that's probably true. But I'll give you an example. Penn National's handle the total money bet before they built this racino was about \$100,000 a night. Now, again, one of my colleagues, I talked to him yesterday about another issue, who's at Penn National, he says right now their handle is about a million two hundred thousand. But most of it doesn't come from live betting. It comes from the Simulcasting that they send out. But it's still revenue. So just the attendance doesn't necessarily relate to the kind of revenue that can be generated. But on the other hand, horse racing is a very labor intensive industry. And the number of people employed at racetracks is unbelievable. Between owners, trainers, groomers, jockeys, maintenance,

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blacksmiths, veterinary, I mean, it is staggering the number of people that make their living on the back side of a racetrack. So even though the public, maybe you're not talking about a huge number of spectators, there's still those who really love it. But now they also watch it on the TV. And they might be very much racing enthusiasts but they're watching instead of out on the tarmac or in the clubhouse, they may actually be watching the racing from their own facility up in a sports bar, which most of the racetracks, the racinos have. So they're still a major industry. And, yes, it will bring back jobs, and it will bring back racing.

VICE-CHAIRMAN FOSTER: Follow-up.

COMMISSIONER BABSON: Further question. Hum -- Representative Wells, one of the things we haven't heard much about is Simulcasting in our time here. Do you have any knowledge, how does that breakdown? If I go to Suffolk Downs and I bet Simulcast on a race in Penn National, what's the breakdown? Do you know?

REP. WELLS: I don't know the exact percentages because I think it fluctuates. Each racetrack makes bargains with other racetracks and there's a reciprocal agreement of how much each track takes in from the live portion and how much they take in from the Simulcasting of what they send out. So the other thing is one of the -- one of the things that helps is racetracks will look at racing schedules in other states. And for instance, if California is not racing on Tuesday, then you want to race on Tuesday, because now people will be watching your races and be betting on your races. So, likewise, I mean, a lot of these states do share, they share the revenue because they alternate racing days of the week.

COMMISSIONER BABSON: Thank you.

VICE-CHAIRMAN FOSTER: Any other questions from any commissioners? Representative Craig.

COMMISSIONER CRAIG: Representative Wells, I can't remember the exact definition of a racino but did any of these establishments you told us about, did any of them have slot machines?

REP. WELLS: Oh, yeah.

COMMISSIONER CRAIG: They all did?

REP. WELLS: They all did. Yeah. It's probably the number one attraction. Most of them, for instance, at Penn National, they've got the slot machines. They also have the sports bar we'll call it where they do the Simulcasting and you can sit in a very comfortable place and watch on big screen TVs all over the room. They often have entertainment sections where they'll have a live band playing. They're an entertainment center, and they're clean, and they're safe, and the people of all ages are there.

COMMISSIONER CRAIG: Did they have substantial numbers of slot machines?

REP. WELLS: Yeah. Yeah. I don't know the number.

COMMISSIONER CRAIG: Okay.

REP. WELLS: It was so successful they added some I know.

COMMISSIONER CRAIG: Okay. Thank you.

VICE-CHAIRMAN FOSTER: Any questions? Thank you very much for your testimony.

REP. WELLS: Thank you.

VICE-CHAIRMAN FOSTER: For coming out and speaking with us. Representative Gionet.

EDMOND GIONET, State Representative, Grafton County, District #3: Gionet.

VICE-CHAIRMAN FOSTER: Gionet. I'm doing well today. I lost my touch.

REP. GIONET: Thank you, Mr. Chairman, Committee members. My name is Edmond Gionet. For the record, I represent Grafton 3, my hometown of Lincoln, Waterville Valley, Monroe, Bath, Lisbon, Landaff, Easton, Sugar Hill and Livermore.

Thank you for the opportunity to come in here and speak to you, because I was -- I didn't open my calendar until last night. And when I'm reading the front page of it I saw where the Commission was going to be here today from 1 to 4. And I thought, my God, maybe that's a breath of fresh air blowing in the right direction. I didn't hear everything that was going on back here when Senator D'Allesandro was speaking. And maybe I missed a couple on the others. Could be my hearing is going away. I don't know. But I may repeat some things unintentionally.

One thing I did understand or obviously there are a lot of myths and legends that are associated with gambling. And as a representative or like yourself I'm not here to try to do something for my constituents that I would think was going to be harmful. So for the last eight years as a rep, I've brought in a bill of my own to legalize gambling

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because my constituents of whom I'm well in touch with over the years, chamber of commerce, legion, veterans clubs, fish and game president, all kinds of different things, these aren't people that I haven't known for my lifetime up till now, this has been quite awhile. I was born during the Depression. And it was because of them that I've been pursuing this gambling. Because I live in a part of the state where I'm not really familiar with horse racing, but I do realize demographically we are quite a bit different than the southern tier. We have a lot of unemployment. I grew up in a paper mill town and saw mill, lumber jacks, bar rooms. And our lifestyle was good. The back bone to our economy at that time was a paper mill. If you came to Lincoln you had to go out of your way because Route 3 more or less bypassed it, until the interstate was built and the Kancamagus Highway. At the same time we lost our paper mill which was the back bone to the community. In its wake it left what I call the back bone to the community, old timers like myself and our children, family members, that aren't as fortunate as our friends to the south of us when it comes to employment and good paying jobs and benefits.

We realize that we need jobs up there. We know that we are a resort town. Anyone that's gone to Lincoln or in the White Mountains know what we are all about. We are the playground of New Hampshire and of the world if you stop and think about it. DRED numbers showed that we have in the vicinity of 3 million plus visitors a year. And they are spending close to \$8 billion -- \$800 million up in the White Mountains area of our state. These people are looking for something to do. Their money is in their pockets. They seem to have deep pockets. My hometown of Lincoln has almost lost its identity except for the side streets, of which I'm one of them, that have our old homes. I'm looking at roof

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lines that are all condominiums or second homes where they pay a half million dollars for the lot. Then they build a million dollar home on it. And they're asking the same thing. What can we do in the evening? Woodstock Inn can only hold so much. Truants' Tavern can only hold so much. And Route 3 that used to be our gold coast and bypass quite a bit, major business there, I'll mention -- I won't mention their name, but they couldn't pay their property taxes and there was a class act. And the reason they can't pay their property taxes is because the people that are coming up there are going to Loon Mountain, and they're a lot of day trippers from down here in Massachusetts.

The racetrack has a clientele entirely different than the people that we deal with. We deal with people that come up there because of our natural resources. Kancamagus Highway, Franconia Notch, Lost River, Mount Washington, these are all things that are going to remain, because they're either owned by the state or the federal government.

We have an interstate infrastructure that comes right to our town. We also have the main street of Lincoln which is Route 112 that gets bogged down quite heavily in the summertime and even when the skiing's on -- in the wintertime when the skiing conditions. Route 93 is -- goes almost right to the doorsteps of the Indian Head Resort, which has a hundred ninety-seven acres. And they let it to the Governor telling him why he's willing and ready to partner with a group that will have a gambling casino.

The Town of Lincoln has -- will have an article on the warrant this year to see whether they will allow it in town. The Zoning Board is already making preparations hoping that this will happen to

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accommodate a resort casino. The jobs up there right now are, are you a babysitter? Do you have a lawn mower? Can you wash dishes? Can you wait on tables? Well, when we have snow in the ski areas open we need you. When it stops snowing and it turns to mud you go home. You weren't making that much money when you were working a good waitress, granted they can make some real good tips. They have no insurance benefits. They really have no vacations and then the summer tourists start to come around and then they are rehired because there's a use for them. But other than that, there's no lifestyle. And that's not only Lincoln, that's my surrounding area up there in the North Country. We need the jobs. We have the place for it. What we don't have is the authorization from the State of New Hampshire for us to go out and shake the bushes and get somebody to do this. We know from the traffic studies that DRED has done. We know from the studies that the University of Mass, Dartmouth has done because Massachusetts wanted to put in gambling and they were looking at New Hampshire as a threat. And what parts of New Hampshire would this be lucrative? The No. 2 spot, interestingly enough, is right there in Lincoln off Route 3 in the White Mountains. The number one spot is Merrimack County, not Rockingham. But Rockingham has a facility. Hillsborough is looking to have a facility, and I wish them well. They must know what they're doing down there, because I know absolutely nothing about this part of the state below Concord, and mostly around the Lincoln north area.

If for some reason we get the green light, I've talked to people that felt they would be interested and investing in the Town of Lincoln and in the White Mountain area and conceivably in Coos County. I'm not well-versed on Coos County. Some of my colleagues are. They know Berlin. They know the Berlin area. They know their people. I know the

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Lincoln area and I know way around for a huge -- we cover also a great area. And I know what their needs are, and I know what they can do and I know what type of people they are. They're hard working, and they're honest, and they don't want to leave home. The State needs money. We need jobs. We're ready to do it. We're wanting to do it. I'm going to say honestly that there's over 80 percent of my constituents that support gaming and that are wanting this to take place. There are those that do not want it, and the reason they don't want it is because they have moved into the area because they felt it was pristine and whether the people that live there make a living or not is not a big deal to them, because they're well-established. We aren't. And I'm not being cruel when I'm saying that. It's reality and people have to understand that. But we draw from an entirely different group of people up there in the White Mountains than the southern part of the state does. We would never be a threat to a casino or slot parlor here in the southern part of New Hampshire. We do not deal with the same people. We draw from a different pool and statistics show that. And there's been many studies done and I sat on the Committee with one of your groups, Senator Odell, and we have gotten a lot of testimony and we got a lot of spreadsheets. We got a great deal of information that we never did anything with except we wasted two years studying it and it's in a big folder and nobody looks at it. And they should. Because the details, I'm not saying this to you people personally, but overall it seems that nobody knows that we've been studying this thing for the last eight years that I've been here. I'm aware of that. Because I got stacks of papers all over my house that my wife threatens to build another addition so she can put her things in. And I grabbed a few notes. Not what I would like to have brought with me. But I got notes and studies, after study, after study. I went to

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Denver. I was up to Central City and Black Hawk. I went down to the attorney general's office. At that time it was Salazar who's now in Washington. His assistant was an attorney from Massachusetts who I happened to be able to talk to and he told me, he said, Representative, the casinos are no problem. They're controversial. They aren't a problem. I called the attorney general's office in Connecticut, spoke with them. They echoed the very same sentiments. There's no problems with the casinos. They're controversial.

Marla Payton and Veronica Van Loon for over a month looked for a track record that led to casinos for problems with crime and prostitution. They can't find it. It isn't there. Bangor, I was up to talk to the CEO at Bangor at Hollywood Slots. Sat in his office. Had a lengthy arm's length discussion with him about the casino and its problems. He said, you know, we were very skeptical. We didn't really want to move forward on this, but it's the best thing we have ever done. I've got his name. I got his phone number. But he's been replaced to go to another place recently but he said it's the best thing that's happened here in Bangor. And the businesses that felt that they were going to be robbed had to expand. The chief of police said I've got some problems, he says, with crime, but they said nothing to do with the casino. He said I got meth labs that are operating up here, and I know where they are. And he said those are my problems. He said I've been called to the casino once at their request to remove a drunk.

They were putting money away in a pool to treat problematic and addictive gamblers or anything associated with all of these myths and legends that seem to follow casinos. And they were putting \$10,000 increments away. They stopped doing that. There's no takers. The money they have is not being

used. And those are things you can verify for yourself. And the racetrack, yes, the racetrack came back. Larger purses, better prizes, because they've been there. And Bangor in the *Bangor Daily News* I have some clippings here, they say all of this. It's in print. It's in black and white. It's the best thing that's happened to us. And they went from 500 machines to a thousand machines. Because now nobody is scared anymore. This hasn't done all the things that the doom and gloom had been portrayed to them. It's been a blessing in disguise, and they're very happy. And in July they broke their gate, except for one month, when other businesses proportionately were stagnant or going down. They broke the gate. So this just goes to show you that one size does not fit all.

My friends because we are unique up there where I live. You are or people that live in the southern part of the state are unique in their own way. All we want is permission for us to move ahead and to do this. All the checks and balances are in the bill. Somebody hiccups and does something wrong, they're history. And when they're history, it is not your tax dollars that goes, it's this person's money that goes. All the risk are theirs. It isn't yours. And they're not going to come to Lincoln and they're not going to go to the track and they're not going to go to Hudson and put money into something that they don't think they're going to realize a return. Ultimately, where they go and where they spend their money is up to them. It won't be us calling the shots.

So, again, I think you'd be doing us, the state, you'd be having a new revenue source, we'd be getting employment, and the things that people say that casinos and gambling cause, if you can consider that over 330 million people in the United States are either problematic, one percent, or

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addictive gamblers, of over 330 million people, and if you think that for some reason that if a casino or slots opened in Rockingham that tomorrow you'd have a whole bunch of new addicts and problematic gamblers, no. You had them. They're here. Go check out at Cumberland Farm sometimes and see if you can pay your gas bill and get out of there because people are buying these machines. You go to Wrenn at the state prison, ask him how many prisoners do you have in here because of gambling? He looked at his assistant when my Public Works Committee was over there on tour. I can't think of any he said. I talked to the county jail in Grafton County, my county, how many prisoners do you have because of gambling? I don't know of any. I talked to the county sheriff. I have no problem with gambling. I think it would be a good idea. I think it would be a great revenue source for the State. The superintendent of the jail said the same thing until I voted against the new jail. Now he doesn't want to do it. My chief of police when I was Selectman for 15 years in my hometown thought it was a great thing until he was the head of the Police Chiefs Association.

So, you know it's politics. And I can't -- I can't compromise myself as a rep when I'm here to represent my people, and I'm in sync with them. I'm asking for your indulgence and your support to allow this to happen. All the risks are the entrepreneurs. All the benefits are ours. And I'd be glad to answer questions if I can. I don't have a written report for you. All I got was a surprise in my calendar that this was going to happen, and I felt a little like I was going to be dueling and I would not be armed, but I'll give you the best shot that I could.

VICE-CHAIRMAN FOSTER: Thank you, Representative. Any questions?

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COMMISSIONER DENSMORE: Boy, I look forward to dueling any time. Thank you, Representative, for your comments. I guess what I'm interested in listening from you is the size that fits Lincoln. And the -- if you would agree that the model might not be Bangor, although it might be the size, because Bangor is pretty much a neighborhood rather than a destination kind of operation. I wonder if you have seen any resort destination operations that would be the right size for Lincoln or one that you would look to?

REP. GIONET: I'm not -- I'm not an expert on doing these kind of things. My own personal thing was I've been up to Black Hawk in Central City. You've got to drive right up in the mountains for that. And they're drawing from Denver, the metropolitan area. So they have got a large group. But I have something here in one of the studies that was done that shows that in Lincoln's case where it's a resort, it's a destination resort already, that these people don't only -- I'll see if I can find it. I wasn't prepared for this. But -- hum -- gain of visits drawn from the tourist base can add a significant component to a gaming market not only for the number of visits it can generate, but also because it represents importation of dollars from outside the local economy. So we have already a captive audience up there in the White Mountains. DRED's figures support that. These people are here. They're there. How long can we keep them there? If they can be up there and stay overnight, your room and meals, beverage tax, all of these things are impacted, also. It's just a win/win situation. You get the jobs, you get the revenue source for the state, and you get satellite jobs that complement those permanent jobs that stay with the facility. Your advertising agencies, your maintenance people, the

security people, your carpenters, your painters, your masons, all of these are jobs that people don't think about when you're just thinking about the person inside the facility itself. Thank you. If I can be of any other help, I'd be glad to.

VICE-CHAIRMAN FOSTER: Any other questions? Now thank you very much noticing the notice and coming in and sharing.

REP. GIONET: I was afraid you couldn't read my name and I was getting worried.

VICE-CHAIRMAN FOSTER: I've shown that today, haven't I?

COMMISSIONER PRITCHARD: Yes, you have.

VICE-CHAIRMAN FOSTER: The eyes aren't so good. Senator Downing. I know that name.

MICHAEL DOWNING, State Senator, District #22: Thank you, Mr. Chairman, Members of the Committee. I will be brief. I represent Salem so I'm going to confine my comments to Rockingham racetrack 'cause I grew up in that community and worked in law enforcement in that community and I am very well aware of the facility.

Rockingham's been in existence for over 100 years. In one form or another there's been gambling there. It's been a very good neighbor to the community and an integral part of the community. It supports all the local charities. As a matter of fact, I went to my senior prom there. And all the school testing for the high school was done there for a lot of years. They have just changed that. But it's been a good neighbor and everybody's depended on it. It's had an impact on the local economy because as its declined, local

businesses also have declined. We have a local newspaper that says we have a 29 percent vacancy rate in commercial property down there. It's a real problem. The local Board of Selectmen, the police chief, the chamber of commerce, have all publicly testified and supported this concept. This is about jobs for the area, and we need them. There isn't any -- anyone coming to the table with money like this to provide jobs and revenue for both the community and the state. This is an existing business that currently is licensed and regulated by the state. Not like -- unlike any business they're trying to compete or remain competitive within their industry. And this is going to help them maintain that competitive edge. It's been done throughout the country and it's been proven a success. So with that, I'll take any questions.

VICE-CHAIRMAN FOSTER: Senator Downing, I think maybe before you came in I asked the question to Senator D'Allesandro, I just want to get your take on that. I think he testified that the facility at Rockingham they're sort of indicating might invest, I think, as much as \$500 million I think was the number.

SEN. DOWNING: 450.

VICE-CHAIRMAN FOSTER: 450. Maybe there's other soft costs.

SEN. DOWNING: Well, there's \$50 million in licensing fees.

VICE-CHAIRMAN FOSTER: So but they're not committed under the bill to spend that. That's what they're telling you. What we've been hearing is the type of facility, it's size, whether there's gaming tables or not, whether hotels and restaurants and so forth determines, you know, the permanency of

the job. Job -- construction jobs, they're there, and obviously the size drives how many jobs or how long those jobs are open for. But after that on a long-term basis is what you have. Is there a reason that the bill or doesn't sort of obligate the facility to have a certain amount of capital investment in order to retain the license and had that been considered or rejected or I just want to get your thoughts on that?

SEN. DOWNING: It had been discussed among the sponsors but consensus wasn't reached.

VICE-CHAIRMAN FOSTER: Do you have any personal thoughts about it? You know, I know you're a sponsor but like everything else.

SEN. DOWNING: Speaking to the principal that is willing to invest that money, I don't think they have a problem coming up with a solid number and saying this is what we will guarantee investing. They seem to be more than committed.

VICE-CHAIRMAN FOSTER: Thank you. Any questions for Senator Downing? No. Thank you very much.

SEN. DOWNING: Thank you.

VICE-CHAIRMAN FOSTER: Representative Hamm. She still here? Yes. Like two for two now.

CHRISTINE C. HAMM, State Representative, Merrimack County, District #4: Good afternoon. I'm going to pass out my testimony. You can read the cartoons and then listen to me. And I think the cartoons represent the situation you're in. So I do understand. My name for the record is Christine Hamm, and I represent Merrimack, District 4, the towns of Hopkinton, Warner, and Webster. Two years ago while I was the Vice-Chair of the Ways and

Means Committee in the House, I was asked to head a group to study the pros and cons of bringing video lottery terminals, what most of us call slot machines, into this state. The study committee consisted of seven members of the Ways and Means Committee. Two of them you've met today, Representative Hinkle, Representative Wells. I would say that of the seven members of the Committee, three of them were for, three of them were against when we started and when we ended. And to give you a sense of my own frame of mind, when the study began I would describe myself as divided between my interest in the potential of the revenues, and my concern for the damaging social impact.

As to the latter, I had read an article a couple of years prior to that in the *New York Times Magazine* in which the author labeled VLTs the crack cocaine of gambling so I was very aware of that. The study committee ended its work in November 2008 after 16 months of reviewing the pertinent literature, including previous studies and academic papers. I think this must be for you déjà vu all over again. Because we heard -- we reviewed the pertinent literature, we heard testimony from a range of experts and advocates on both sides of the issue, including some members of this commission. These included academics, bankers, business owners, clerics, clinicians, law enforcement officials, lawmakers, lobbyists, members of the public. We toured Rockingham Park. Some of us also went to Seabrook, Belmont, and Hinsdale. A few of us sat in on classes on casino management at UNH. Two members of the Committee, one pro and one con, Representative Michael Marsh and Representative Bill Butynski, created a questionnaire to ask legislators and regulators in a dozen states about their experience with video lottery terminals and the impact on state revenues and residents.

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I would ask you to listen and then maybe we can -- you know, I've got this for you. I was hesitant to pass it out ahead of time. But anyhow, basically, I'm sure you can appreciate that I was determined to find out as much as I could about the pros and cons of this gambling. And to that end, I visited six -- I am not a gambler. I never had been in such a place before. But I lived -- I grew up in West Virginia. I was making a trip from here to West Virginia. I visited six casino/racinos while driving between the two states and these included the Meadows which is about a half hour from where I grew up. And that's the -- that is owned by the same person who is interested in Rockingham Park. I received a tour of the facility, inside and out. I never cast my bet. I cast my eyes over acres of carpet and the noise of thousands of slot machines. It will never be music to my ears, but I did visit the racino that Representative Wells talked about and I heard a local band playing there on a Saturday night.

Here's some facts that Committee uncovered. And just last week or week before Steve Norton of the New Hampshire Center for Public Policy presented his findings to the Local and Regulated Revenues Committee which I now serve as a member on, and it was both gratifying and frustrating to hear these same numbers that we had come up with ourselves a year and a half ago that really nobody's paid attention to. You've heard some of the frustration expressed by the people who've testified before me.

All but two states have legalized gambling. And at that time it was 37 states have legalized some form of electronic gaming device, including traditional slot machines, video poker and Bingo. New Hampshire was the first state in the nation to introduce the lottery in 1963 and 50 years ago

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approximately one-fifth, possibly more of the state's budget, was funded by horse racing at Rockingham Park. This past Saturday night I was at the Balsams. There was a slot machine -- vintage slot machine on display there. They talked about how people had played the slots up there until, I guess, Sherman Adams put an end to that in the early '50s.

In 2007, the citizens of New Hampshire and visitors to our state legally wagered more than \$694 million on the lottery, instant scratch tickets, Powerball, Megabucks, Bingo, Lucky 7, poker, craps, roulette, Texas Hold'em, Omaha Hold'em, horse and dog racing and blackjack and of that nearly \$80 million was spent by New Hampshire residents visiting casinos in Connecticut, Rhode Island, and Maine. We don't know how much more they spend in Las Vegas, Montreal, or Atlantic City, nor how much more have been wagered illegally on Super Bowl and March Madness, office pools, Internet betting as you mentioned, or on slot machines already in use at private clubs, restaurants, and lounges throughout the state.

New Hampshire has more than 1200 licensed lottery retailers. That means that lottery tickets, instant scratch tickets ranging from a dollar to \$30 are sold everywhere attractively displayed in vending machines at general stores, convenient stores, supermarkets, road side liquor outlets, bowling lanes, restaurants, news stands and gas stations. And because of this easy availability, when Dr. Clyde Barrow from the Center for Policy Analysis at the University of Massachusetts and Dartmouth was testifying before our Committee, and that was before he was hired as a lobbyist for Sagamore Crossing, he begged to differ with the *New York Times* article and called these the real crack cocaine of gambling.

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Depending on the study used, prevalent gambling rates for pathological gamblers in the United States are estimated to be between 1 and 2 percent of the general population. And combined pathological and problem gambling rates are around 3%, which compares to combined alcohol dependence and abuse rates of about 9.7%, and drug dependence and abuse rates of about 3.6%. And as we all know, tobacco addiction is virtually universal among users.

In addition, we learned that among individuals afflicted with a pathological gambling disorder the rate of substance abuse, alcohol, and/or drugs ranges from 25 to 63 percent. This raises the question of co-morbidity or co-existing disorders among problem gamblers. Frequently, these conditions play into the societal cost that many attribute to gambling alone. While we heard significant examples of wrongdoing within the gambling industry, we also heard in the words of a Division Vice-President for Bank of America, that U.S. gaming is, quote, a highly-regulated transparent industry subject to significant state and federal regulation. All sources indicated that the key to minimizing corruption is to establish a strict and efficient regulatory and enforcement structure. Testimony about the incidents of criminal activity within the immediate neighborhood of a casino showed that successful establishments invest heavily in both manpower and equipment to provide security to minimize this, and this is done for several reasons. To guard their own financial assets, to protect their reputation within the community and with state and federal regulatory agencies, to sustain the convivial atmosphere that attracts the large demographic of middle-aged casino patrons, and because most states require casinos to pay the cost of additional police, fire,

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and other infrastructure changes needed as a result of anticipated visitor growth.

We had the Attorney General's Office and the Police Chiefs Association testify that they oppose gambling, but many individual police people have told me privately and in testimony that these concerns are misdirected. That there's plenty of crime, mostly petty, at the Rockingham Mall even. This is what happens when lots of people gather no matter what the reason.

More than one-quarter of the American adult public visits casinos, about half of these on a regular basis. Of this number, nearly half are seniors who spend 20 to \$45 a visit. Another third are middle-aged empty-nesters with relatively high disposal incomes. And although he later revised them in testifying against gambling, revenue estimates prepared by then State Representative Michael Marsh who was a member of our Committee, he prepared these in October 2008. They indicated that with an approximately 50 percent tax rate the state and associated beneficiaries would collect between 250 and \$319 million. That was in a little bit different economy than we have now. Marsh projected further that if Massachusetts legalized casinos, earnings would be affected appreciably, dropping anticipated revenue to the state to 200 to 241 million. In both these estimates, Representative Marsh excluded Pennsylvania arguing that while its revenues per machine were the highest, its implementation was too new to be reliable. However, when New Hampshire Public Radio's David Darman checked with the head of the Pennsylvania Control Board last June, he was told the State of Pennsylvania had expanded gambling since 2006 and that returns remain strong, exceeding expectations with the State six racinos generating somewhere in the vicinity of \$3 million in tax revenue per day.

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In the spring of 2009, the Innovation Group which provides feasibility studies and market analysis for the gaming, leisure, and hospitality industries estimated that once the facilities were up and running total distributive revenues would range between 193 and \$279 million, the lower figure reflecting the legalization of electronic gaming in Massachusetts. In any case, Massachusetts residents represent nearly 80 percent of the anticipated patrons at Rockingham Park. That number may be lower than that. I believe that Steve Norton's group said it was more like two-thirds. But I have talked to the current management at Rockingham Park and they do get about 80 percent of the people are from out-of-state who come there now.

Some areas of the country that have opened casinos have experienced additional economic advantages, even in the form of reduced food stamp recipients and unemployment rates. The local Chamber of Commerce reported that the Meadows expansion brought with it an influx of retail stores and restaurants which I see on my way from Wheeling, West Virginia, to the Pittsburg Airport every time I go by there. Millennium Gaming projects hiring more than 1100 construction workers to renovate Rockingham Park. Obviously, there would be further job creation. A projected 3,852 of them as these establishments open for business. Many of these jobs would be competitively paying opportunities that would also provide benefits.

New Hampshire is a beautiful state, thanks both to its natural endowments and to the sense of community embraced by those who live here. But it is also a state of parallel realities. One reality evokes the traditional image of stone walls, covered bridges, maple syrup, white clapboard

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villages, apple orchards, broad lakes, tall mountains, and Thornton Wilder's our town, yet at the same time we fear the damage expanded gambling could do to this image. Many more tourists currently come to our state to enjoy NASCAR races and bike week than for hiking or skiing. They're welcomed with highway liquor stores, \$30 scratch tickets, 1200 lottery vending machines, Rockingham Park and Seabrook racetracks at our borders, and a widespread reputation for Las Vegas style games of chance in the guise of charitable gaming.

A further reality is that 30% of our population is urban. And in 20 years 30% of those living where we are standing here in Merrimack County will be over 65, some other counties higher than that. Our young people are leaving. Our counties, municipalities, and school districts are overwhelmed with trying to balance their budgets. And too many of the approximately 366,000 families who own property in this state are already desperate. Now, our state government which for decades has operated with a structural deficit, under funding maintenance of its facilities and services, or shifting these costs to local property taxpayers, finds itself with perhaps as much as a half billion dollar shortfall for the coming biennium.

I am convinced that the revenues projected by the industry are real and that while the societal ills predicted by gambling proponents are also real, I believe these numbers are overstated. And to be fair, their existence needs to be put into the greater context of preexisting problems, many of them ignored or untreated too often, unfortunately, for lack of funds. In a sense, this decision is about priority. Whether to assist those who actually need help now or whether to worry about those who may need help later. While I would

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never intend to minimize the immense financial and human cost to individuals and their families affected by pathological and problem gambling, I am also acutely aware of the need to put these in context. In a certain sense, the foreclosures, the divorces, the murders, the robberies, the suicide, the whole panoply of ills are anomalies that could occur as the result of not only gambling, but also alcoholism, our current bad economy, even military engagements. In a sense, it's not too much to liken them to this passage from *Oracle Bones* which is a book written by New Yorker contributor Peter Hessler which I happened to be reading at the time we were going through this. It was about his time teaching English to students in China. And he writes:

In 1981 in California University, robbery and rape increased 150 percent. This is in a Chinese textbook. In a cathedral school of Washington District a girl student was raped and robbed by a criminal with a hunting knife while she was studying alone in a classroom. In a California University, a football coach was robbed on campus by someone with a gun. It is said that in South Carolina University, gangs of rascals have been taking girl students, women teachers, and wives of teachers working in this university as their targets of rape, which has caused a great fear. Hessler goes on to say that it was hard to teach from a book like that. The details themselves were probably true. Certainly, there were rascals in South Carolina, but that didn't make this information a useful starting point for a student in a remote Chinese city. They needed context, not trivia. A bunch of scattered facts only confused them.

The research conducted by our legislative study committee convinced me that the introduction of

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video lottery terminals with strict regulatory oversight would neither fundamentally damage our state nor solve all of its problems. Practically, and perhaps cynically, it seems to me that if New Hampshire does decide to approve slot machines much of the revenue would come from citizens outside the state and many of the associated problems would likewise be exploited beyond our borders. The corollary to this is that if Massachusetts adopts VLTs and New Hampshire does not, New Hampshire residents will contribute to that state's coffers while bringing their problems back home to our state to resolve. Whether or not the benefits of expanded gambling outweigh the disadvantages seems greatly dependent on how the practice is implemented. If well regulated, the concerns can be minimal as several other states can attest. If not, and I think it's if not is a legitimate concern, in a state that does so much on the cheek, then yes, again there are other states that have been models for disaster. I would hope New Hampshire would be smart enough to learn from other successes and failures. And I thank you all very much for your interest and deliberation.

VICE-CHAIRMAN FOSTER: Thank you, Representative Hamm. Any questions? Mr. Densmore.

COMMISSIONER DENSMORE: Did the regulated revenues committee talk about the model you might use for regulating this expanded gambling?

REP. HAMM: Not at all. Not at all. This was done when I was a member of the Ways and Means Committee. The Local and Regulated Revenue Committee got some bills last year. We did some repetition of going to Rockingham Park. Certainly appear in some of the same testimony. That has not been done at all. I mean, if I were in charge here that is exactly what I would be looking at. I would

be looking at how to get the most out of the licensing fees. I would be looking at how to regulate that. I would say that we -- the people that we called on this survey of the states and I would say that was done, you know, by some members of our Committee better than by other members. Representative Hinkle, for example, was charged with -- with polling three states. He called another state. He called a bankruptcy lawyer in another state. I was formerly a reporter. I did two out of the three states I was supposed to, West Virginia and Maine. I'm used to taking notes while talking to somebody on the phone. I followed the questionnaire. I did that. I would say that both the regulator, the head of the regulatory agency, I forget the exact title, both in Maine and West Virginia, gave me a lot of good advice on how to take care of this, which I would think this Commission could certainly follow-up on.

COMMISSIONER DENSMORE: Thank you.

VICE-CHAIRMAN FOSTER: Commissioner.

COMMISSIONER DUFORT: Thank you very much for your testimony. You commented on the projection of earnings. What do you think, given the current proposal of number of facilities in the state, what's your opinion the state could reach a saturation point or not?

REP. HAMM: I think of course. I think it would reach a saturation point. I think I had heard Representative Rausch talk earlier about how these are smart individuals and I think they see, you know, what is currently a real vacuum here, where you could put something, you know, for the same reason that Rockingham Park and the interstate are where they are today. That's a good place to put something. I don't know about going farther north.

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I think that there would be a market for that but not the same kind of market. Therefore, not the same kind of revenues would come to the state.

VICE-CHAIRMAN FOSTER: Thank you very much, Representative Hamm, for your testimony.

REP. HAMM: Thank you.

SEN. ODELL: Which one you looking for?

VICE-CHAIRMAN FOSTER: Representative Baroody has also moved on, I think. Tim Butterworth. Representative Tim Butterworth.

TIMOTHY BUTTERWORTH, State Representative, Cheshire County, District #04: Thank you very much. For the record, my name is Tim Butterworth, and I represent the towns of Chesterfield, Winchester, and Hinsdale, former home of the Hinsdale Greyhound Track and formerly before that the Hinsdale Horse Track. But I'm not talking about those details. And I'm not going to talk to you about the dollars and cents here. But I want to talk to you about monopolies because I'm very concerned about that.

My mother lives in Connecticut now, and I've seen how monopolies affect that. When Nevada was first starting I actually remember going into casinos in Nevada when I was about eight years old in 1954. And they don't look -- they didn't look anything then like what they look like now. But they -- you could go anywhere in the state, basically gas stations would have one-arm bandits and so on. We could do that in New Hampshire if we wanted gambling here. It's -- with -- with telecommunications the way they are now, they could all be linked to. New Hampshire could own all the slot machines, and they could lease them to

different bars and restaurants around the state and we can keep track of who's using them. We could even have a system set up with credit cards so you could cut people off when they spent a certain amount. There's all kinds of ways you can do that. You won't hear anyone saying that because you won't hear anyone advocating that here because the only -- the real money in gambling is to get a monopoly. If you don't have a monopoly, it's nowhere near as interesting to all the forces that would like to promote this. When Nevada was the only state that had gambling, they basically had a monopoly and they made a lot of money. Now that other states are doing it, even within the states they developed monopolies, like, the Indian tribes in Connecticut. Imagine what would have happened in Connecticut when the Indian tribes were granted permission to build on their property if Connecticut had said, oh, well, we'll just open it up to anyone who wants to build a Casino. Foxwoods and Mohegan Sun wouldn't have had the same impact because they would have had other casinos all along the shore there within an hour or two bus ride of New York City. And the owners of Mohegan Sun and Foxwoods wouldn't have had the same influence on the Connecticut legislature.

They have a tremendous influence now. And bills that they want to get passed, get passed. So we -- we'd like to talk about New Hampshire's small businesses, and there are an awful lot of small businesses around that would pickup if we put slot machines in all of them. I'm not advocating that for a minute. I've heard lots of testimony that that would be -- would be dangerous and so on. But there's a danger in allowing monopolies that isn't so obvious maybe and it doesn't have to do with street criminals or anything else. It has to do with people in coats and ties and the kind of influence that's brought to bear on them.

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Let's talk about the licensing fee. We license all kinds of businesses in the state and normally we think of the license fee as what it costs to supervise that. Granted, it would be pretty expensive to supervise the start of a casino and the construction and the people that are hired and so on, but not \$50 million worth or \$10 million worth of expense. That has to be seen as something more than a license fee. That is a fee that's basically a bribe, a payoff to the state to say nobody else is going to build, only me and that's how -- how monopolies get developed. Even in that, we're -- we can be held hostage to the State of Massachusetts, they deciding, well, if you're going to do that we'll build one right across the border on the other side. There are all kinds of unknown factors that can jump up at this and you can see gambling casinos or areas, like, Atlantic City and so on that start to go downhill pretty quickly when the monopolistic format is changed.

Just to conclude this a minute. If you really want to see how dangerous monopolies can be, there's an article in the *New Yorker* from June 30th about a man named Adelman who -- or excuse me -- Adelson. He's 74. He owns two of Las Vegas' casinos, Venetian and Palazzo, the third richest person in the United States, and this tells about how he made contacts with some people in Chicago and then offered one of the partners \$5 million to set him up with some of the Chinese deputy, deputy vice premier and got permission to build on Macau, and then the Chinese opened up Macau to more gamblers with transportation and making \$10 billion a year there now. And then he has bought newspapers in Israel and is affecting the outcome of elections there. We don't want to see -- I mean, I'm not saying that Northern New Hampshire is going to become Macau, but we don't want to see

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monopolies built up in New Hampshire I don't think. And I don't how you're going to avoid it. Nobody is asking for anything except monopolies here, and that's what every one of these -- every one of these bills does. Back when it was only going to be gambling at racetracks, the racetracks kept that, you know, we need live racing to be connected with gambling and so they kept running the dogs even though they weren't making any money off the dogs. But that's how they kept their monopoly. As soon as we separated those two, they stopped the dog racing 'cause they didn't want that really. And just to end this testimony.

I'm sure you've all read the New Hampshire Constitution. But it does say that free and fair competition in the trades and industries is an inherent and essential right of the people and should be protected against all monopolies and conspiracies which tend to hinder or destroy it. The size and functions of all corporations should be so limited and regulated as to prohibit fictitious capitalization and provision should be made for the supervision in government thereof. I'm not sure New Hampshire is going to be able to govern this kind of monopoly and they shouldn't have monopolies in any case. Thank you.

VICE-CHAIRMAN FOSTER: Thank you. Any questions? Seeing none, you're off the hook. Representative Ingersoll.

PAUL INGERSOLL, State Representative, Coos County, District #04: Thank you, Mr. Chairman. Ladies and gentlemen, Chief, how are you?

COMMISSIONER BAILEY: Good.

REP. INGERSOLL: My name is Paul Ingersoll. I reside in Berlin, New Hampshire. I'm a

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Representative of Berlin, Milan, and the other incorporated Town of Success in Coos District 4. And we have people that are interested in putting a casino in Berlin. We've had a study in the city, and we had the city council come out and the mayor come out in favor, actually sent letters to the Governor, and I can provide you with those letters, if you'd like, saying that the City of Berlin is in support of a casino in Berlin. There is a group of individuals at the present time looking at a downtown facility that's been vacant for years to renovate. It's been an old movie theater. Beautiful architect to it and this type of thing. But the City of Berlin right now has nothing.

The City of Berlin had a population at one time of over 30,000 people and I can remember walking up and down Main Street bumper to bumper, elbow to elbow. Now you can walk up and down Main Street and probably not see someone walking with you. The thing is we are down to almost 9,000 people and it's still a city. And the greatest news we received this week is the mill laid off 200 guys. So the thing is we have nothing up north. And we have investors that want to invest their money, no taxpayer money whatsoever, they want to come into Berlin area and build a resort casino. We're trying to diversify. We have ATV trails that go right straight through the City of Berlin. In fact, the City of Berlin enacted an ordinance you can drive your ATV on the streets if it's registered and you are licensed and that way you can get from one trail system to another and same with snowmobiles. So this resort casino that they're talking about building is right beside the city hall. The next block. And you can drive your snowmobile there, your four-wheeler there. And as a resort casino, you could come there and participate in snowmobiling. Your wife could go to the casino or to the show or whatever there was going on there.

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But the biggest thing I want to point out to the folks here is about 500 people a week leave the city -- the State of New Hampshire to go to Foxwoods and Mohegan Sun to gamble. I, too, went down, nosey, and I'm a co-sponsor of this bill and I wanted to see what's going on and I went down and poked around at both places and I said to this guy mowing the lawn, I says -- started talking to him and I says, by the way, what do you get an hour for mowing the lawn? He says I get \$15. I says where can I sign up, 'cause \$15 an hour is pretty good wage, especially if you're from Berlin area. The thing is that they pay good wages.

We just had a charitable gaming thing for the United Way. And on Friday night, Saturday, and Sunday, we gave United Way over \$6,000 for three days. Their share of the pot. They didn't have to do anything except have people there. It was blackjack and Texas Hold'em and roulette and this type of thing. And I stayed there the three days. Why? I'm nosey. To find out what's going on. Being an old police officer like myself, like the chief, you want to know what's going on and find out what's going on. So you hang around and see what's going on. And I say to people coming, where you from? We had people from Sherbet, Quebec, there. They came over 120 miles to play cards at a place where they figure they could play cards legally. And you all know, you can go into your back rooms of your different places in your own vicinities and there's probably a bunch of ones or twenties on the table that somebody's already got a card game. We are not getting any revenues from that now.

Let's turnaround, smarten up, and say these folks are willing to invest their own money to build a casino in the North Country. We have two spots. Hopefully, one in Lincoln. Hopefully, one

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in Berlin. And there's investors already looking at that and want to build there. They want to come there if we have a law. And also we have the Hinsdale and Rockingham. So the thing is, our state's hurting for money and I don't see any way we can make money and this casino, if you look at the bill and analyze the bill, everybody gets a piece of the pie. The host city gets a cut. The county gets a cut. And the -- and it keeps going down. Right down to addiction again, where again, I went to -- I utter the same word as my good representative from Lincoln, I went up and spent some time with the chief of police in Bangor and walked around the streets and asked questions. The businesses picked up because there's more people in town. So I can sell a little more stuff in my shop. The casino's doing very well and they've had no problems. The police chief said we've been up there and he told me at that time, he was up there one time and I can't remember what it was for, and Edmond said that -- Representative Gionet said he talked to him and said it was alcohol related. But one time. Excuse me. You know, Concord Police Department or your police departments spend more time on drunks than anybody else that's around.

So folks, I want to tell you one thing. There was earlier talk about tribal Indians coming in and setting up. There's no tribal lands. There's no sanctioned Indians in the State of New Hampshire. Nothing's registered at all. So we don't have to worry about the old Indians coming in and taking over.

So the other thing is the process is long. It's a bid process and the one who has the money puts it up. And again, it's none of our money. It's all money brought in by investors from out-of-state or in state in our case in Berlin area, two of the people live within the state that want to invest,

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and they have the money to put it up. So the thing is, you know, I'd like you to stand down here Trailways bus and see how many people get on the bus to go to Foxwoods or Mohegan Sun. New business starting up in Conway. Guy bought a bus. He retired. He bought an old bus. He's going to run two days. One to Foxwoods, one to Bangor. You know, and he put an ad in the paper, for his first trip, it's already full. Fifty-five seat bus. He's charging 75 bucks to go. Excuse me. And when he gets there, he gets his free meal, plus he gets 20 or something dollars in tokens he can play himself if he wants. Maybe become a winner and don't have to drive the bus. But the thing is, the casinos in our state would work 'cause we're not -- the taxpayers aren't paying a penny towards it and the investors are. So other than that, I know you've had a long day and I'm not going to continue on. If you have any questions, I'll be glad to answer them.

VICE-CHAIRMAN FOSTER: Any questions? Thank you, Representative. Oh, I'm sorry.

REP. INGERSOLL: You had a question.

VICE-CHAIRMAN FOSTER: Fast on the trigger.

COMMISSIONER DUFORT: I had a quick question. The ATV trails, I remember that --

REP. INGERSOLL: Yes.

COMMISSIONER DUFORT: -- was there a lot of promotion of those and did a lot of people come and use those? Did you see a boost in the economy of those coming through?

REP. INGERSOLL: Yes, we have. We have seen a sizeable boost in the economy and we haven't

advertised it as much as we could. We are having a big ATV festival at Jericho Park. It's in July the 10th and 11th. It's a Saturday and Sunday and that will be advertised. We have an advertisement company working with us. In fact, tomorrow night I have to drive back to Berlin to a meeting and then come back down here the next day. Only 125 miles. Who cares, you know. But people will go where there's a casino. If you build a casino in a darkest cave in Africa and you promoted it and put a road to it, people would go there. Bottom line.

COMMISSIONER DUFORT: Thank you.

VICE-CHAIRMAN FOSTER: Further questions? Thank you very much.

REP. INGERSOLL: Thank you for letting me speak to you folks.

VICE-CHAIRMAN FOSTER: Representative Kurk.

NEAL KURK, State Representative, Hillsborough County, District #07: Thank you, Mr. Chairman. Good afternoon to you and to Members of the Committee. I'm Neal Kurk representing the towns of Goffstown and Weare, Hillsborough District 5 -- 7 rather. I come here to express a concern I have, and it has to do with the effect of gambling on the legislature. Any time there's a lot of money controlled by a few individuals or a few organizations, that money takes on a magnified impact. Forty, 50 years ago when the railroads dominated this state, a significant proportion of the legislators either were direct employees of the railroads or some relative family member who was an employee of the railroads. The railroads to a large extent got whatever they wanted from the State legislature because everybody was receptive, not necessarily corrupt. Receptive.

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I'm very concerned that if private organizations have licenses to operate gambling facilities in the state they will spend inordinate amounts of money to make sure that pro-gambling people are elected, anti-gambling people are not elected, and when they need additional slot machines to enhance their profits, the legislature will oblige. Now, of course, the legislature will oblige that kind of request simply because the legislature is in very big need of money that has been said. So there's that natural tendency to say yes to someone who comes down and says I have another 20 million or \$50 million to help you balance your budget. I'm not suggesting that this will result in bribery. That's not what I'm suggesting. What I am suggesting is that significant money will be spent to influence election campaigns. And that instead of making decisions in the best interest of the state, those elected representatives will make decisions based on the reasons that got them elected. In other words, we will have a bought legislature.

This would not be the case, in my opinion, if gambling were controlled by the state. Because in that case while there would be an enormous amount of pressure on the legislature to increase the number of machines or the number of sites or whatever was necessary in order to increase revenue, in the same way that we urge our Liquor Commission to sell more liquor and raise the amount of money that they provide to the State Treasury, the motive for acting will not be influenced by those who stand to gain from that. It will be based on the general sense that, yes, it's better to expand the state-owned facility to get the extra revenue despite whatever costs there might be with respect to that. It will -- the decision will be made on a less influenced playing field. So I would

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ask as you go forward you consider the impact on the legislature from an excessive concentration of money in a small number of organizations or individuals who need state permission to become wealthier. That is a situation which practically calls for untoward influence. Thank you, Mr. Chairman.

VICE-CHAIRMAN FOSTER: Thank you, Representative Kurk. I'll let you know we are hearing from representatives of the Ontario Liquor and Gaming Commission in a couple of weeks where, in fact, the province owns the casinos, although they don't operate them. They contract that out to a private operator because we are considering those types of issues.

REP. KURK: Thank you so much.

VICE-CHAIRMAN FOSTER: Thank you. Representative Sullivan, is he here? No. Representative Walz.

MARY BETH WALZ, State Representative, Merrimack County, District #13: Thank you, Mr. Chairman. For the record, I'm Representative Mary Beth Walz from Merrimack County, District 13, the towns of Bow and Dunbarton, and I am Chairman of the Local and Regulated Revenues Committee, which is why you see me haunting all of your Committee meetings because my Committee is the Committee in the House that has jurisdiction over gambling. I know I've been more regular attendee than some of the commissioners actually. So I've got a pretty good idea what you heard and I want to go there on what you've heard. I want to talk about some of the things that I'm concerned that you haven't yet addressed. And so that's where I'm trying to go.

I also want to say, by the way, I'm really jealous of you guys. You have an incredible budget.

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You've had incredible opportunities to bring people in. I know Representative Hamm testified she wished we were doing more in the Committee, but we don't have the resources you have. And I think it's wonderful what you're doing and I think that the Committee will rely very heavily on your work because you have the luxury of time and money and resources that we will never have, no matter what we do in that legislature.

You have heard today from a lot of proponents of gambling and I want to preface my remarks by saying don't be swayed and think that that's necessarily representative of the House. Because if you look at every vote that's happened in the House, the House has opposed expanded gambling. And I just wanted to put that upfront. That I know that you heard it from a disproportionate number of the supporters. Most of the opponents don't feel passionately enough to be here today. They just know when the vote comes up they're going to vote no because they're not comfortable with it. I want to sort of throw that out there. In terms of if you're trying to gauge what this does today, it's certainly representation of some thoughts but it's not a -- I don't think it's an accurate representation of the balance within the House of where the support is or is not for expanded gambling.

In terms of areas that you haven't addressed to a large extent in the commission, I am concerned about market saturation. And I know you have been looking at that and I've seen all the maps that you've seen about where the casinos are. But over and over again it seems that the conclusion is that for expanded gambling to work in New Hampshire, it only works if you rely heavily on people from Massachusetts coming. That it's virtually -- I don't want to say the North Country can't work, but

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it's perhaps too much of a cannibalization of local revenues in the North Country. You're not going to be attracting outside people particularly. What you're really looking at to make this work, it seems to me, is a southern strategy. And with the southern strategy, what you're doing, to use a play on words, is you're gambling on what Massachusetts is going to do.

I have a sister who's a Chairman of the Education Committee in the Massachusetts House, so not surprisingly we talk. And I can tell you that what's going on in Massachusetts is most definitely influx. When the new speaker came in I learned that he had both Suffolk Downs and Wonderland in his district and he wanted slots in his district. The Governor shifted there. The whole landscape down there is shifting and to do another play on words, I think all bets are off down there. I don't think we can really right now predict what's going to happen in Massachusetts, given the difference between the House and the Governor down there along the way. There's traditionally been opposition in the House down there. I can't say there is now. I think gambling could potentially pass there. I don't think the Governor would necessarily let it go through. I just think the dangerous gamble for us to say, oh, we can do this because Massachusetts will or won't expand gambling, I don't think we can predict whether Massachusetts is going to expand gambling or not, the end point I'm trying to get to. I think it's too much of an unknown.

I also think that you have to look at when you look at market saturation, I have the luxury of getting the *New York Times* delivered to my driveway every morning and there have been a whole series of articles in the *New York Times* talking about market saturation and gambling and how the revenues are

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down, not just because of the economy but because of the market saturation. The most recent article, I think, was this past Saturday. I think Governor Patterson just approved a casino in Queens at Aqueduct. A racino, not a casino. They called it a casino, but it's truly just a racino with nothing but slots at Aqueduct. They're even talking in the article about that, about a cannibalizing nearby, stuff on Yonkers or elsewhere. Anything they're approving now is just cannibalizing other existing facilities. And I have concerns that we'd be cannibalizing other businesses in this state. So it's very -- and let me just take one step -- the next step.

I'm concerned about the cost that I don't think this Commission has really examined yet. And by cost, I don't necessarily just mean money. There are three things that I'm concerned about. Talking about the concern of social cost which we all know are very hard to gauge and I'm not sure how you go there. It's something my Committee has struggled with repeatedly. How do you gauge the social cost this will bring to the state? We know it's 1 or 2 percent problem gamblers, but what does that mean? And how far does it go? And to what extent does that create a cost?

The effect on the New Hampshire brand. I know you guys have looked very carefully at that. I don't know how you gauge that. How is that perceived and do we have the tools to do that and is the Department of Tourism going to be able to give you adequate data to gauge that? I don't know that we have the answer to that. And if we bring gambling in, if you look at the map, Vermont seems to be the state that's not considering gambling. And do we recede to Vermont then that pristine northern New England, anti-gambling, family-friendly state? You know, does Vermont then

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be able to take that -- that view over from New Hampshire? I don't know the answer to that. But I think it's something that you need to look at very carefully in your findings along the way. And the third one is back to the cannibalization of businesses. And that is how do you measure that? How do you measure what's going to happen if we bring gambling and how much of the New Hampshire dollars spent at a casino or racino are New Hampshire dollars that are then not spent at another business in the state?

You know, I wrote an op-ed piece which is out there on the Internet last year saying that we know that people only have so much money to spend on recreation. Right now they might go skiing. They might go bowling. They might go to a restaurant or a bar or a show or whatever they choose to do. But they still have a finite amount of money for recreation. If they start spending that money at a casino, that's money they're not spending in other businesses. How do you gauge that cannibalization? How much of what New Hampshire citizens spend in a casino that they're then not spending somewhere else? The problem is, well, you say we're a revenue state. We'll still get the revenues if they eat at a restaurant in the casino or a restaurant here. We are still getting meals and rooms tax.

The other piece to that is crucial is that when you spend money on those New Hampshire businesses now you go to, you know, some of the ski spots or you go to Funspot or wherever you go, those are New Hampshire-owned businesses. So that money is staying in New Hampshire. Any casino that's going to be here is a non-New Hampshire owned business and that money is going to head out to Nevada or wherever they're based. Most likely Nevada. So there is a cannibalization not of businesses but then that money actually leaving the state and I

think that's an important consideration that I haven't heard discussed in this commission.

Let's see what else I've got. I -- I want to go to one place that you did have testimony on it and that is where Representative Kurk just testified. When the gentleman from Common Cause came in and testified about what happened in Pennsylvania and elsewhere with people effectively buying legislative seats with those seats being bought and the consequences of any illegal activity and donations not occurring until after people had been sworn into office and been able to act in that office, I found that incredibly alarming. Because the reality is, is that we sit here in New Hampshire with a very large legislature, where people run on very small amounts of money, and it would be very easy for people to come and start buying this legislature. And so that concerns me. And it would be something that you consider but you consider it only minimally and I would ask you to give that a bit more thought. Because I think typically in light of this court decision where corporations can spend what they want, that would be a significant danger here in New Hampshire. And I think we can't take that lightly.

With that, I want to thank you for your time. I finally get a chance to talk after sitting there for all those weeks nice and quiet and say I just want you to remember this is a long-term change you're making on this state that if New Hampshire expands gambling, there will be no unwinding the clock. When it's done, it's done, and we will be forever changed. So just as I feel a heavy responsibility about that, I hope each of you do as well. That whatever we make we are changing the state forever. And before I go there, you'll see I signed in as neutral, before I go there, I want to be darn sure that we know what we're doing and we

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understand what we're doing and we understand the long-term implications. Thank you.

COMMISSIONER FERRINI: Thank you. Thank you, Representative. Question about the cannibalization of businesses that you mentioned four or five times. Do you have and have you analyzed any of the data models that exist that inform your concern or is that something that you feel we should do? In particular, looking at, for example, Bangor, or those kinds of options may be analogous to Berlin in some ways? You talked about the phenomenon, but has your Committee had an opportunity to look at economic modeling in that regard?

REP. WALZ: They have. We don't begin to have the resources to do something like that.

COMMISSIONER FERRINI: I can understand that. The next question would be what is it that gives rise to that? Is there other data of which you're aware that gives rise to that concern in terms of it being a phenomenon for us to consider and perhaps look at?

REP. WALZ: Not surprisingly, since I became chairman of this Committee I read an extraordinary amount of information on gambling and I can tell you that my concern comes from things I've read, but I can't tell you where. At this point, I've been kind of like a sponge just trying to take it all in listening to everything you listen to, listening to all your presentations, and I'm sorry I can't point to something specific.

COMMISSIONER FERRINI: Thanks.

VICE-CHAIRMAN FOSTER: Questions? If not, thank you very much, Representative Walz.

REP. WALZ: Thank you.

VICE-CHAIRMAN FOSTER: Welcome you at our future meetings. Representative Hess. Representative Baroody and Candace Bouchard left. Anybody else who wishes to speak who has not signed up.

DAVID HESS, State Representative, Merrimack County, District #09: Thank you very much, Mr. Chairman -- excuse me -- fellow members of the Commission. I don't want to repeat what you have heard and what I have heard in the last 15 minutes since I've been here. You probably all know my position historically has been in opposition to casino style gambling. I maintain that position. I want to hit a couple of highlights and perhaps respond to some concerns.

The issue of the New Hampshire brand. I think that is a critical issue that deserves to be looked at and it has to be looked at not only objectively but subjectively. The equivalent of the New Hampshire brand is a business goodwill. And we really don't know objectively how to measure that or what impact it will have until after the fact. We have the brand of a wholesome state with the White Mountains, the blue lakes, the green, town meeting houses, et cetera. Locating one or two casinos won't change that in terms of reality, but it will change it in terms of appearances. And the difference between casinos going in to Atlantic City and casinos coming to New Hampshire, I submit, are two entirely different image situations. Casinos going in Atlantic City, the response is, well, what do you expect of New Jersey? Casinos coming in New Hampshire creates an entirely different aura, impression, indication of what kind of state we are and what kind of lifestyle and quality of life that we are representing. I think that's very important to consider and I hope you

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weigh it carefully.

Saturation and market share. I am firmly convinced and I think you should be very skeptical of claims from interests in casino gambling that want to locate in the southern tier that says, oh, we are going to get 75% of our business from south of the border. But if they put in a picket line of casinos right in Salisbury Beach, Methuen, et cetera, it's only going to impact 25% of our business. The bottom line is I think the information across the country is, is that when you have a commuter type casino which is what is being talked about in Salem, or in Seabrook, okay, people go to the closest casino they can get to. And if you have a casino right across the border in Salisbury, they're going to stop in Salisbury. They're going to stop in Methuen. They're not going to come north any further than they have to.

The one difference in market studies that I am familiar with is when you match a commuter casino with a destination casino and some of that evidence you have in Rhode Island where people drive past Three Rivers in order to go down to Mohegan Sun or the other casino in Connecticut. But keep in mind, a destination casino requires scale. It requires size. You can't get top notch entertainment unless you have thousands of rooms. You can't get four or five elite restaurants unless you have thousands of people that are coming to visit you. And so if you're going to have a destination resort, you have to have that kind of draw and so far no one, no one in the 15 to 20 years that I've been involved in this issue has ever proposed a destination resort of that size and scale that would tend to attract crowds beyond going past the commuter casinos.

And I think another thing you need to look closely at is the impact of competition in terms of

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market saturation. And you have a case study at your fingertips right now. It's Atlantic City. And it's what's happened to Atlantic City since Pennsylvania legalized casinos or near casino gambling and what's happened since Delaware has expanded casino gambling and the information I have had is that Atlantic City has seen a drop of 50 percent or more of its commuter traffic from those neighborhoods into Atlantic City as a result of Pennsylvania creating three, four, five casinos in the Greater Philadelphia Area and in Eastern Pennsylvania. I'm from Bethlehem, Pennsylvania, originally. There's now a Sands Casino on the old Bethlehem Steel grounds. It's attracting thousands of people. And I think if you do market analysis you're going to see a lot of those Eastern Pennsylvania people that used to hop on a bus every morning, drive town to Atlantic City and they don't go down to Atlantic City anymore. Your vacancy rate in Atlantic City is elevated and it's not just as a result of the economic downturn. It's a result of market saturation, loss of market share, and again, the interruption of commuters when they're traveling to and from the closest place they can gamble which is near home.

The last thing I want to mention is just re-enforce something that Representative Kurk said about the potential impact on good government and the legislative process. And I will second everything that he says collaterally. But let me give you an expressed suggestion. And if you want to see what, in particular, casino money does to the process go back to the Mississippi experience. Look closely at what happened in Mississippi. Look at how many legislators in Mississippi took a ride in the middle of the night so that they wouldn't be voting when casinos came up for a vote in the Mississippi legislature. Take a very close look at that. It is a very interesting example of what

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happens when there's a tremendous amount of money involved relative to the size and the economic condition of the people that are making the decisions, political decisions, and perhaps even -- well, I'll leave it at that. I'm not -- I agree whole-heartedly with Representative Kurk. We are not talking about bribery. We are not talking about criminal behavior. We are just talking about a hell of a lot of money having a tremendous amount of influence over the legislative process when there's a lot of money to be made. Pure and simple. Thank you for your time. I'd be happy to answer any questions.

VICE-CHAIRMAN FOSTER: Mr. Bailey.

COMMISSIONER BAILEY: The Mississippi experience you talk about, what would I Google to it?

REP. HESS: You know, I can't tell you. I collected that information. I'm a paper collector. I'm a rip and read kind of guy. I don't -- I can't tell you what it is. But I can tell you if you go back to the time frame, and I think it was about 15 years ago, I may be wrong, when Mississippi was voting to legalize the river boat gambling, which of course, river boats without water, river boats without paddle wheels, et cetera, there will be a series of -- you should encounter a lot of stories about Senators taking off, you know, just nefarious, very disturbing anecdotal discussion.

COMMISSIONER BAILEY: Thank you.

REP. HESS: I'll try to find that for you. I'm sure other people will be able to find it for you. I will try to give you some direction in that regard.

VICE-CHAIRMAN FOSTER: Any other questions of

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the commissioners? Seeing none.

REP. HESS: Thank you for your time.

VICE-CHAIRMAN FOSTER: Representative Baroody, you'll probably have the last word 'cause I'll do a hard stop at four as I promised.

BENJAMIN BAROODY, State Representative, Hillsborough County, District #13: Then I'll try to be brief. Anyway, thank you, Mr. Chairman, Members of the Commission. I didn't really prepare anything because I could probably sit here and talk to you for a couple of days if you would let me. Just a few things that I heard.

I've been around here for about 18 years, and this has been come up, come up, come up, come up and come up. And we've never gotten anywhere. But as a former -- the other representative said, this is all about the money. I spent 14, 16 years on the Labor Committee. We happen to be about 7% unemployment around here. My main mission at one time was to make sure we had jobs. Good jobs, good paying jobs with benefits. That's something a casino would offer. Our unemployment rate would be helped quite a bit. Entertainment. We don't need rooms for entertainment. Fenway Park doesn't have rooms. Gillette Stadium doesn't have rooms. The Boston Garden doesn't have rooms. If we had a good concert, people would come up. If we had a good boxing match, people would go. Whatever we had, they would come to see a good show of whatever venue we wanted to put on. And it is all about the money.

Now I'm on the Finance Committee, and we are looking for pennies. For a billion dollar budget we are looking for pennies and here we have a chance, with good jobs, construction money, people back to

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work, people circulating money around, and believe me, people leave New Hampshire everyday to take their money to Connecticut, everyday bus loads of people, that's money leaving the state. I don't care if somebody else in another state owns a casino. Our people are making money. They're working. And if there's any profit, God bless them. Let them take it. But we are going to circulate a lot of money right here in our state. We are going to bring some money in from other states, too. I could go on and on for days and talk about my experience in casinos and everything, and I've been on the Mississippi River. They have a good program there. You get on the river boat, once you leave, you don't get back because when you get on the boat, they give you a ticket to get on the boat. That's a boat cruise down the Mississippi, and I don't care if it ever leaves the dock. But if you ever get off, you don't come back on that boat for four hours. It's a four hour cruise. They have a lot of good points about Mississippi. I'm sorry.

But anyway, I'm pro-gambling as everybody should know by now and I just think there is too much money to be made for our citizens and for the people who don't like gambling, don't want to gamble, they can stay home. If you don't smoke, you don't pay the cigarette tax. If you don't drive, you don't pay the gas tax. If you don't want to gamble, keep that money in your pocket. This is the only thing that we can get our citizens to take a dollar bill out of their pocket and throw it away if they want to. But they did it willingly. And we don't have to pass any taxes and mandate that every time they buy something, or do something, that they're being taxed. They are taking a dollar out of their pocket with their own free hand and if they want to throw it away, let them throw it away. But we're not forcing anyone to do anything. Thank you. I'd love questions if you want to throw them

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at me.

VICE-CHAIRMAN FOSTER: Questions for Representative Baroody? Seeing none, thank you very much. And I am going to close our hearing.

(Concluded 4:01 p.m.)

C E R T I F I C A T I O N

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask, LSR, RMR, CRR
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