

Testimony in New Hampshire

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In the United States, gaming is regulated at the state level. Legislatures are free to select their own regulatory and tax policies, and pursue their own goals as to what gaming is supposed to accomplish in their respective states.

Despite such independence, however, gaming in the United States has a high level of interdependence between states. Like a chain, the regulation of gaming is only as strong as its weakest link – and there can be no weak links when it comes to maintaining and ensuring the integrity of the casino industry.

Maintaining the integrity of gaming is not just an empty homily that policymakers vow to pursue when they legalize gaming. Maintaining the integrity of gaming is the key ingredient that leads to public confidence in gaming, and also helps ensure that financial sources have sufficient confidence as well, which allows operators to attract affordable capital investment. In short, integrity is the lynchpin of gaming.

The challenge for government is to put into place effective controls to oversee gaming and to maintain the will to regulate the industry for the public benefit.

The ability to issue and revoke licenses is the most powerful tool in the hands of regulators. The goal of licensing is to ensure that only those companies and individuals who meet the standards of the particular jurisdiction actually receive a gaming license, that organized criminal elements are kept out of the ownership and operation of the casino industry and vendors that service casinos, and that otherwise unqualified companies and individuals do not receive a casino license. Additionally, from an operational perspective, the goal of casino regulation is to ensure that all monies are accounted for, the casinos are not used to launder money, and that the games are operated fairly.

We suggest the following universal public policy goals behind the development of a regulatory system:

- 1) Casinos require strict regulation, including detailed provisions pertaining to licensure, ongoing regulation and taxation;
- 2) The granting of a casino license should be framed as a privilege that can be revoked by the government if circumstances so warrant rather than as a right or entitlement.
- 3) An independent agency should oversee gaming activity. Alternatively, the oversight of gaming should be placed in an agency or cabinet department with sufficient authority to

effectively regulate gaming activity. In either event, the regulatory agency should have law enforcement powers.

- 4) Regulatory agencies should be reasonably and effectively insulated from political and public pressures. Regulators should have fixed terms, without legislative or executive veto over licensing decisions, and should be free to make such decisions without any fear of political or other personal consequences.
- 5) Individuals and companies who want to participate in gaming must recognize that they have an all-encompassing and continual obligation to disclose information to the appropriate regulatory agency.
- 6) Those companies and individuals applying for a casino or vendor license should be required to pay for all costs associated with the conduct of their background investigations. This requirement allows the regulatory agency to undertake what are often complex and multi-faceted entity and other investigations without having the taxpayers of the state pay for these types of investigations.
- 7) Regulatory agencies and senior government officials should operate under a strict code of ethics so that actual and perceived conflicts of interest can be avoided and the regulatory decisions can be made on the basis of merit.
- 8) Regulations should start off with a focus on being strict and comprehensive. As the industry evolves, and regulators gain greater levels of comfort, requirements can be streamlined as appropriate. Based on political realities, it would be nearly impossible to move in the opposite direction.

All of these major goals – along with any other regulatory requirements – point to one critical, over-arching goal: Effective regulation is the surest path to building a successful gaming industry, which can lead to numerous goals – from creating jobs and generating revenue, to attracting capital investment.