

***This document is based on interviews with each member of the Gaming Study Commission conducted in March and April. The commissioners were asked to identify preliminary findings and conclusions they had reached after more than six months of hearings, testimony, site visits, and other information gathering efforts by the Commission.***

## **Summary of preliminary findings**

### ***I. NH needs stronger regulation of gaming, with or without expansion of legalized gaming (ELG).***

- A full, independent review of existing structures and recommendations to better review and monitor gaming must be in place before legalized gaming can be contemplated. Regulations can be based upon effective regulatory models developed in other states.
  - Better regulation of current gaming activities in New Hampshire, including charitable gaming is needed if there is no immediate expansion of legalized gaming (ELG). Appropriate regulatory structures and rules should be put in place to anticipate future expansion.
  - Better and clearer regulation would protect the public interest and establish standards and requirements upon which investors can make value judgments.
- Some commissioners felt regulation should fall under a Gaming Control Board or similar new entity that could possibly incorporate functions now handled by existing agencies. Other commissioners felt that existing agencies could handle the added regulation of ELG, although that would require enhancements to those agencies.
- A related issue is to whom gaming regulatory agencies should be accountable -- the legislative branch, governor, attorney general, or other entity.
- Though regulation could eventually be funded from gaming revenues, a mechanism will be needed to cover upfront costs to fund either enhance current regulators or to fund new regulatory operations.

***II. Claims by both sides in the debate are overstated or misleading.***

**REVENUE FACTORS:**

- ELG is likely to generate some additional revenues, especially from the infusion of licensing fees in the first year.
- Many commissioners worry that current fiscal stress may lead to immediate decisions with longer term consequences. However, some commissioners feel ANY new revenue is critical.
- While gaining new revenue, infrastructure and other costs driven by ELG may require unanticipated spending by the state and localities, reducing the net revenue stream.
- Experience in other states show gaming revenues to be neither stable nor reliable. In addition to overall economic conditions, they are susceptible to market conditions, including gaming in nearby states and, potentially, legalized Internet gaming.
- If set too high, licensing fees and gaming taxes can jeopardize investment in quality facilities. Over time, operators often seek and obtain more favorable tax rates and fees in order to remain competitive.
- While new gaming activity may in some cases increase hotel, meals and other tax revenues, it could also reduce spending and thus taxes from such activities as expanded gaming reduces discretionary spending by New Hampshire residents.

- The potential impact on funds raised by charities through current charitable gaming should be considered as part of any ELG.

### **ECONOMIC FACTORS:**

- Short-term: New facilities will mean well-paying and needed jobs in construction, though the number of FTE construction jobs suggested by some proponents appears inflated.
- Longer term: Permanent jobs due to ELG appear to be overstated both in numbers and wage levels. Slots-only facilities generally offer the fewest numbers and lowest wage levels; full-scale casinos offer more and better employment possibilities, though still not at high wages.
- Some economic activity from ELG will come at the expense of non-gaming businesses, including local restaurants and other entertainment venues.
- Economic benefits are maximized to the extent that gaming facilities attract out-of-state visitors and to the extent that they reduce outmigration of gaming dollars.
- Both the host community and other localities surrounding proposed gaming sites will face a range of community impacts, including pressure on housing, schools, and other social and physical infrastructure due to a possible influx of workers to staff the facilities. Such impacts add to pressures on state and local budgets.
- Many localities and regions of the state currently lack sufficient planning capacity to anticipate and handle such impacts.

### **III. *Proliferation is a deep concern, but one with no clear solution.***

- Once established, legalized gaming is rarely (if ever) repealed. Absent a constitutional amendment, it may not be possible to prevent proliferation. Legislative efforts and intent to limit expansion, for example, could be undone in a future biennium.

- A state's need to maintain gaming revenues and the ability of operators to succeed in order to supply those revenues while maintaining profit margins can combine to create pressures to expand gaming beyond initial intents. Similarly, though a regulatory body could seek to limit expansion through license fees and other regulations, such as minimum capital investment requirements, such rules could also be changed in the future.
- In addition to proliferation, some commissioners wondered about potential saturation of the state and regional gaming market, though some said gaming operators would not seek to build facilities if they cannot make money.

**IV. *Potential impact on the state's "brand" is directly linked to proliferation.***

- Even if they support some ELG, commissioners agreed that too much gaming could threaten the state's tourism "brand" and undermine its quality of life. However, it is unclear where the "too much" line is.
- State agencies need to better analyze the possible impact of gaming on the state's brand and its tourism industry and need to develop systems to monitor the actual impact of major advertising campaigns by New Hampshire gaming operators to determine whether too much casino advertising might "drown out" broader tourism promotion and themes.
- Some commissioners said casinos could benefit the state's tourism market by offering a new entertainment option.

***V. Expanded gaming is likely to create additional problem gamblers, but it could also generate revenue for treatment programs.***

- Lottery, charitable and other gaming activities in New Hampshire already create associated social costs, including problem and pathological gaming. However, the introduction of expanded gaming, especially VLT/slot machines, can affect the incidence and scope of problem gaming.
- Though solid, reliable data on social costs is difficult to obtain, ELG will increase the number of problem gamblers, especially among people living close to new gaming facilities.
- To the extent that New Hampshire gaming facilities attract out-of-state players, any social costs due to those patrons will be exported to their home states and will not be incurred in New Hampshire. Similarly, if a bordering state authorizes gaming near the border, it will attract New Hampshire visitors in greater numbers and those problems will be brought back to New Hampshire.

- VLT/slot machines have been shown to be especially addictive. The state should consider regulating activities that have been identified as exacerbating addictive behaviors, such as “near miss” VLT technology, comp drinks, and other marketing techniques.
- Some increase in crime, especially DUI and “sleepy driver” incidents near gaming facilities, is likely, though manageable with additional law enforcement resources.
- Proper treatment programs for problem gamblers, supported by gaming funds, can be effective.
- Any program to address problem gaming should include continual measurement of social impacts *after* new gaming facilities open.

**VI. *ELG could have social and political impacts beyond problem gaming.***

- Any major industry and revenue generator has the ability to aggressively influence the political process. Most gaming operators interested in New Hampshire are from out of state and the gaming industry tends to spend heavily on lobbying and other activities.
- According to some analyses, a correlation exists between increases in gaming and decreases in “social capital” infrastructure, which includes community involvement, volunteering, and participation in church activities and civic activities.