

Minutes  
Gaming Study Commission  
Meeting: Tuesday, April 20, 2010

Commissioners present: Andy Lietz, Chair; Joe Foster, Vice Chair; Jim Craig, Tom Ferrini, Bob Odell, David Bailey, Lew Feldstein, Maggie Pritchard, Karen Pollard, Mark MacKenzie, David Babson, Mary Heath, Ned Densmore, Michelline Dufort, Bonnie Newman (via teleconference)

Staff Present: Gail Wolek

Commission Chair Andy Lietz called the meeting to order at 1:05 p.m.

Chairman Lietz asked Gail Wolek to conduct the roll call. A quorum being present, Chairman Lietz asked for a motion to approve the minutes of the March 16, 2010 meeting. Commissioner Pritchard motioned for the minutes to be approved, seconded by Commissioner MacKenzie. Chair Lietz called for a vote to approve the minutes. The minutes were unanimously approved.

Dr. Andrew Smith of the University of New Hampshire Survey Center provided (see separate PowerPoint presentation) a summary of the Spring 2010 Granite State Poll Findings. Major conclusions include:

- There is modest awareness of proposed gaming-related legislation.
- There is moderate support for expanded gaming at existing tracks and new resort casinos.
- Stated preference of local control for towns affected by development to include approval of the proposed development and percentage of revenues generated returned for local impact mitigation.
- General uncertainty about adequacy of current and need for strengthened regulatory structure.
- Gaming/gambling viewed as a divisive political issue.

Commissioner MacKenzie asked whether higher than usual levels of unemployment had an affect on peoples' opinion. Dr. Smith said that when the economy is bad, people have other issues to worry about and are not as inclined to be concerned about policy issues. Commissioner MacKenzie also asked if the perception shifts when people lower their expectations. Dr. Smith said in most peoples' eyes, a job is a job, and they are probably not as concerned as to whether it is defined as a "good job" or not.

Dr. Charlie French, Extension Associate Professor of Community and Economic Development; Martha Parker, doctoral student in educational policy and leadership; and Michele Holt-Shannon, Administrative Director for Discovery (General Education); all from the University of New Hampshire, presented a summary of findings from the "What's At Stake" deliberative dialogue process conducted in February, 2010. (Both the report and the summary have been posted to the Commission's website.) Common themes that emerged from the sessions held around the state as noted in the summary include:

- Broad recognition that the state needs alternative revenue sources.
- Peoples' views on the benefits and risks of expanded gambling were influenced by the perceived need for economic development in certain parts of the state.
- Broad recognition that development of expanded gambling facilities could significantly impact local community infrastructure and the need for a mechanism that addresses those impacts.
- Degree of consensus that expanded gambling could impact rate of pathological behaviors, though with disagreement as to who should be held responsible for addressing these problems.
- Decision to expand gambling must be consistent with NH values, particularly respect for personal choice.
- Recognition of need for the public to have objective information on the effects of expanded gambling on state/local revenues, economic development, infrastructure impacts, social services and pathological behaviors, crime, etc. in order to consider the benefits and costs at the local and state level.

- Three particular priorities emerged from the discussion that must be important in the decision-making process: 1) maintaining good jobs; 2) maintaining NH's quality of life; and 3) supporting a vital economy.
- The online forum mirrored the face-to-face meeting results.

Chairman Lietz reiterated the value of the deliberative dialogue process and stated again the Commission's gratitude to UNH/Carsey Institute for conducting and reporting on these local discussion sessions with citizens from throughout New Hampshire. Chairman Lietz also emphasized the importance of the participants' willingness to commit their time and interest in attending these sessions. He asked that the minutes reflect the Commission's appreciation for the public input and the participants' efforts in support of the Commission's work. Commissioner Lietz noted that the Commission has been well-served by NH's academic institutions notably UNH and Dartmouth, as well as having two commissioners representing NH academia: Commissioner Dufort from New England College and Commissioner Heath from Southern New Hampshire University.

Steve Norton, Executive Director of the NH Center for Public Policy Studies, provided a presentation of the expanded gaming models studied at the Commission's request (see separate PowerPoint presentation). Summary notes for the study include:

- Simulating the impact of gambling is difficult. The models studied provide information on the relationships among various factors but are not designed to provide precise estimates.
- There is a significant difference between the 'business case' for expanded gambling and a calculation which adds a measure of the degree to which social and regulatory costs impact the benefits of economic development and increased revenues.
- Expanded gambling will result in additional economic wealth; however that increase remains small relative to the state's overall economic activity and it declines over time.
- Economic impacts would be larger for the northern part of the state where there is less economic activity and smaller in the southern part of the state where the bulk of NH's economic activity takes place.
- Smaller facilities are less likely to result in a net benefit to the state (when defined in terms of revenues and social costs only).
- The farther away it is from high population centers, the less likely a facility will result in a net benefit.
- Southern NH models in this study are significantly more likely to have a net benefit due to the fact that social costs associated with non-NH residents are not included in the analysis.

Discussion notes from the presentation include:

- All models include Massachusetts responding if/when New Hampshire moves to expand gaming.
- Assumed development of a relative large VLT/table games facility located at Suffolk Downs.
- "Abused dollars" social costs exceed all others cumulatively but are difficult to quantify specifically and are not included in the social cost estimates used in the model.
- Larger investment results in significant increases in the number of jobs created.
- Tips have not been included in salary estimates. It is important to note that NH law allows an employer to pay at 45% the minimum wage rate; tips are viewed as an offset to the minimum wage.
- Mitigation of pathological behavior problems include limiting access to gambling facilities, limiting or eliminating alcoholic beverages at gambling facilities, and controlled access to cash dispensing machines.
- There is no current data available on how many people are currently in treatment for pathological gaming problems in NH; probably included in co-morbidities where there are overlapping mental health issues.
- According to Barrows, 1.6% of the population has a mental health profile that includes pathological gaming behavior.

- Timing is an important and significant issue. The results presented in this report assume all activity occurs right now. However, a net-present-value assessment would create an analysis of the revenue-cost estimates over time. Would need more specific development criteria to perform this type of analysis.
- Important to note that existing data indicate that state spending increases at a greater rate than personal income.
- Potential impacts of Internet gambling and expansion of current lottery games have not been included in this study.

Chairman Lietz thanked Steve and his staff at the Center for Public Policy Studies for their hard work on behalf of the Commission. He concluded this part of the agenda by listing three follow-up items from the presentation: 1) Center will develop a saturation model; 2) double check the report numbers to assure accuracy for the published version; and 3) support conclusion that there is a net economic benefit of expanded gambling but it depends on where the facility is located, what tax rate is imposed, and consensus around the concept of what social costs need to be included and calculated.

After a short break, Chairman Lietz led the commissioners' roundtable discussion of the DRAFT summary report of findings provided by Phil Primack. Notes from this discussion include:

#### I) Stronger Regulatory Structure

- Context of current situation and what's happened over the preceding 12 years.
- Commissioner Odell said he believes the industry would support a regulatory structure that conforms with "best practices".
- Whether expanded gambling comes or not, Commissioner Odell said also that he believes there is a need for a new gaming regulatory regime in NH that addresses law enforcement capacity, is separate from and independent of other government agencies, and that much of what has been included in current proposed legislation should be vetted and decided through this separate regulatory structure and not by the legislature.
- Commissioner Bailey indicated his conclusion that any strengthened regulatory structure should be built on what is already in place.
- Commissioner Densmore said he was strongly in favor of a "Gaming Control Board" to centralize authority over and regulation of all gaming/gambling-related activities in NH.
- Commissioner Foster said that he did not think NH was ready or prepared yet to take on a very large new industry like this without a strengthened regulatory structure.
- Commissioner Craig, responding to Commissioner Feldstein's question about whether or not the Commission should weigh in on the regulatory structure without appearing to be taking a position, said that if the Commission agrees with the finding of a stronger regulatory structure then it certainly has the credibility to weigh in on the form of that structure. In Commissioner Craig's view, it would be irresponsible of the Commission not to make a recommendation given the importance of this finding.
- Commissioner Ferrini noted that in his view sufficient regulation includes nothing less than a high degree of professionalism in both structure and staff for strengthened oversight.

Chairman Lietz asked Commissioners Craig and Odell to help develop a set of findings around the issue of a stronger regulatory structure. Commissioner MacKenzie recommended that the findings be "scalable". Commissioner Newman said it was important to keep in mind how jurisdiction is defined, particularly in terms of content of the business activity noting that different venues drive different types of behaviors (i.e. backroom advantages for high-rollers and celebrities).

#### II) Claims By Both Sides Overstated

- Commissioner Feldstein said all conclusions must be supported by the modeling results.
- Commissioner Densmore disagreed saying that he thinks the social cost data will be misleading and suggests eliminating the "private"-related data.

- Commissioner Newman asked if there could be consideration of local “specialized” tax rates creating a special zone assessment.
- Commissioner Craig asked if the Center’s numbers are comparable to estimates received from other reports and presentations (i.e. is it an apples-to-apples comparison)? Steve Norton said there are many subtleties and assumptions but the Center’s models reflect results specific to the requests it received from commissioners.
- Commissioner MacKenzie recommended that the Commission accept the models as presented by the Center in order to continue the discussion. Chairman Lietz polled the commissioners individually to determine if there was any significant disagreement on the models as presented. Consensus among commissioners was to accept the models as presented in the Center’s report.
- Commissioner MacKenzie said he needed a comfort level around regional economic impacts. Steve Norton said that the current model does not simulate costs for sewers, bridges, roads, schools, etc. He couldn’t think of a way to simulate local needs in the model because, as Commissioner Pollard pointed out, local needs are very specific and it would be very difficult to isolate and simulate those specific development aspects without knowing exactly where and what type of a facility might eventually be located.

Chairman Lietz quickly reviewed the remaining findings provided in Mr. Primack’s summary:

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

IV) Potential impact on the state’s “brand” is directly linked to proliferation.

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

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

Chairman Lietz advised the commissioners that he would be talking with them further on these issues and their thoughts between now and the next meeting. The results of these discussions will be included in the revised DRAFT of the findings summary and provided for their review prior to the next meeting.

Chairman Lietz thanked the commissioners for the thoughtful discussion and noted his objective that this part of the process would conclude at the end of the commission’s next meeting in two weeks.

The meeting was adjourned at 4:00 p.m.

**NEXT MEETING: TUESDAY, May 4, 2010, 1:00 P.M., NHHEAF**

Respectfully submitted: Gail A. Wolek, Executive Director