

NEW HAMPSHIRE GAMING STUDY COMMISSION

Final Report of Findings

May 18, 2010

Andrew E. Lietz, Chairman
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www.nh.gov/gsc/

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Data, presentations, reports, meeting minutes, and other documents and information used to help inform the Commission and this report are available on the Commission website: nh.gov/gsc.

New Hampshire Gaming Study Commission

May 18, 2010

The Honorable John H. Lynch
Governor, State of New Hampshire
State House
Concord, NH 03301

Dear Governor Lynch:

Your July 16, 2009, Executive Order that created the New Hampshire Gaming Study Commission urged it to conduct “a thorough and comprehensive review of various models for expanded gaming and their potential to generate state revenues, as well as an assessment of the social, economic and public safety impacts of gaming options on the quality of life in New Hampshire.” When the Commission first met in the fall of 2009, lawmakers were actively weighing proposals to expand legalized gaming. This was neither the first nor likely the last biennium to consider gaming bills, which means the work of this Commission carries importance and relevance beyond any legislative calendar. This Commission sought to look beyond immediate economic conditions in order to provide findings aimed at long-term policy considerations.

Recognizing that gaming debates often are clouded by competing and often unsubstantiated claims by all sides, the Commission sought, as much as possible, to consider the issue of expanded legalized gaming as a business case: Expansion would generate fiscal and economic benefits to the state, but associated costs must also be weighed in order to produce a complete and accurate analysis. The expansion of legalized gaming, however, is about more than hard data analyzing benefits and costs. It involves other moving parts, such as the effects on communities around new gaming facilities and possible impact on the state’s image and its tourism “brand.” To that end, the Commission worked at several levels.

The New Hampshire Center for Public Policy developed a set of models to help policy makers better understand the effects of expansion in New Hampshire. Over the last nine months, commissioners also heard from a range of experts, including gaming industry proponents and critics, academics, lawmakers, and public officials from this and other states. The Commission studied extensive data and other materials and viewed hundreds of Power Point slides from presenters. Commissioners visited out-of-state gaming facilities to learn more about operations, regulatory structures, community impacts, and other factors. To maximize public input and to further put a New Hampshire stamp on its efforts, all Commission deliberations were open and all materials provided to the commissioners have been made available on its web site (nh.gov/gsc). The Commission held public hearings of its own and worked with a UNH team that conducted a series of daylong “community conversations” with citizens across the state on Feb. 13.

Something that emerged from those sessions applies to this Commission as well. As participants in those community meetings learned more about gaming, some began to change or moderate their views. Similarly, members of this commission, some of whom may have initially had views one way or the other, evolved toward the consensus reflected in these findings. Commissioners leave this process more thoughtful and, in some instances, more aware of certain issues than when they began. As policy makers continue to face an issue that will remain on the New Hampshire public agenda, the Commission hopes that its work helps achieve a similar result.

Sincerely,

Andrew E. Lietz
Commission Chairman

CERTIFICATION OF APPROVAL
FINAL REPORT OF THE
COMMISSION TO STUDY GAMING IN NEW HAMPSHIRE

In accordance with Executive Order 2009-2, signed by Governor John H. Lynch on July 16, 2009, the attached final report of the NH Gaming Study Commission was approved by a majority vote of the Commissioners on May 18, 2010.


Andrew E. Lietz, Commission Chairman


David Babson, Commissioner


David Bailey, Commissioner


James Craig, Commissioner


Ned Densmore, Commissioner


Michelline Dufort, Commissioner



Lewis Feldstein, Commissioner


Thomas G. Ferrini, Commissioner


Joseph A. Foster, Commission Vice Chair



Mary S. Heath, Commissioner


Mark MacKenzie, Commissioner


J. Bonnie Newman, Commissioner


Robert P. Odell, Jr., Commissioner


Karen Pollard, Commissioner


Margaret M. Pritchard, Commissioner

About this report

This report contains two major components. The first offers a summary and discussion of the Commission's major findings. This section is intended to provide policy makers and others with enough information to understand the basic considerations behind each finding, without having to pore through all of the extensive data, presentations, and other materials used by the Commission in reaching them.

The second component of this report provides some of that detail and analysis. It begins with the New Hampshire Center for Public Policy's report, "The Impact of Expanded Gambling in New Hampshire," which, among other things, analyzes the New Hampshire gaming market and includes simulations of the revenue and economic effects of a range of expanded gaming scenarios for New Hampshire.

While the Center's report is data-driven, the section that follows it in this report is, by intent, opinion-driven. It is the final report of the University of New Hampshire's "What's At Stake" project team, which, as the report says, "collected citizen input to help inform the policy question of whether or not to expand legalized gambling" in New Hampshire. The report summarizes the wide range of topics and themes raised by people, both for and against expansion, who attended the Feb. 13 sessions.

To provide some indication of how the Commission reached its findings, the next section of this report summarizes all Commission meetings, including presenters who appeared at the sessions. The Appendix contains additional materials.

Introduction

Some people asked a perfectly reasonable question when this commission began its work last fall: With legalized gaming already an established fact of life all across New Hampshire, why does the state even need to study the issue? After all, sales from New Hampshire Lottery games totaled \$262 million in 2008. Poker events, bingo nights, Lucky-7 ticket sales, and other charitable gaming generated another \$128 million, and pari-mutuel wagering at the state's race tracks totaled nearly \$224.6 million, mostly through simulcast betting. That's about \$615 million collected in legalized gaming in New Hampshire in just 2008. New Hampshire residents also spend about \$80 million a year at Connecticut casinos, according to one survey. Even as the first state in the nation to introduce lottery games as a revenue source, New Hampshire is still debating the issue of whether gaming itself is good or bad.

However, recent proposals to expand gaming in New Hampshire are significantly different in both type and scale than current gaming activities. And to reach the levels of gaming revenues as suggested by some proponents would mean expanding gaming far beyond current levels. Expansion would also mean the introduction to the state of new forms of gaming, particularly VLT/slot machines, raising issues that must be fully considered. That is why this commission was created and why one focus of its work was on the special implications – social, fiscal, and economic -- of introducing VLT/slot machines and full-scale casino gaming to New Hampshire.

In reaching its findings, the Commission was driven more by long-term implications for the state and its citizens than by immediate fiscal and economic needs and other pressures, such as action by Massachusetts or other states, that often fuel gaming debates. This commission was not charged with supporting or opposing expansion. However, if policy makers do decide to expand legalized gaming, what matters is how carefully they do it -- not how quickly.

Executive summary

I. Major findings

(Materials and other information used to support the findings and other work of the Commission can be found at nh.gov/gsc.)

- 1. Expanded gaming would generate additional revenues and economic activity, but it would also generate additional societal and economic costs. A fully informed decision about expansion requires a business model analysis that accounts for both benefits and costs. Such an analysis should center on the state's long-term interests, not just short-term financial or other needs.*

Even as its deliberations began, the Commission learned that proponents of expanded gaming often talk mainly about benefits while opponents often talk mainly about costs. Both must be considered to produce a full picture of the net impact of expansion to New Hampshire. On the benefit side, licensing fees and new taxes from gaming create revenues, though that revenue stream will not be immediate or predictable as it is subject to economic, market, and other conditions. Expansion will also create jobs, including short-term construction jobs and longer term employment at gaming facilities. On the cost side, expanded gaming adds to social costs associated with problem gambling and carries regulatory expenses and costs for improved infrastructure and other community impacts. New gaming facilities will also displace existing economic activity. Another factor in a business model analysis of expanded gaming is potential market saturation: At some point, expansion of gaming sites in New Hampshire and bordering states will impact both operations and revenue streams. Compounding this problem is the possibility that Internet gaming will be legalized at the federal level. Because of these and other factors, any decision to expand gaming must be based on solid analysis, rather than immediate fiscal, political, or other pressures.

2. *Though reliable data on social costs is limited, expansion will increase the number of problem gamblers. The costs associated with problem gambling will be greatest in communities within relatively short drives of gaming facilities.*

Just as new gaming facilities will draw people, they will also increase social costs due to problem gaming and other addictive behaviors. Studies show that “near-win” and other technologies used in VLT/slot machines can especially affect the incidence and scope of problem gaming. While the direct costs for treatment programs for those who seek help (who represent only a small percentage of the affected population) will likely be covered by payments from gaming operators, the public and private sectors will bear additional social costs, such as law enforcement expenses and lost wages. Expansion will likely also reduce funds to charities that depend upon charitable gaming to cover the costs of programs that might instead have to be borne by the state or other entities. If gaming is expanded, the state should include continual measurement of social impacts *after* new facilities open.

3. *Proliferation of gaming is a concern, but one with no clear solution.*

Once established, legalized gaming is highly unlikely to be repealed. If anything, the dependence on revenues from gaming tends to make states respond to industry requests for lower tax rates in order to remain competitive. But absent a constitutional amendment, it may not be possible to prevent proliferation once casino gaming is legalized. Legislative efforts and intent to limit expansion, for example, could be undone by the actions of a future biennium. During a down economy, the Legislature itself would likely seek to help balance the budget through steps such as permitting additional gaming sites or expanding the types and numbers of devices used in existing operations.

4. *New Hampshire needs to review its regulation of gaming, with or without an expansion of legalized gaming. To insure integrity and public confidence, this review should be completed and necessary changes implemented before any expansion is enacted.*

The state should support an independent review of its current gaming regulations and systems to determine both their current effectiveness and their capacity to handle an expansion of both scale and type of gaming activity. Given the dollars and extent of gaming activity that already occurs across the state, mainly through Lottery and charitable gaming (bingo, poker and other table games), such a review is needed to assure that the interests of the state and its citizens are being protected now. Structures must also be examined to determine their capacity to properly monitor and control expanded gaming, which would involve a much greater scale of activity and games and devices, such as VLTs, that are not currently covered and which raise special issues of regulation and enforcement.

Building on best practices developed in other jurisdictions, this review of current regulatory systems should encompass an analysis of provisions that the state should include in its gaming regulation, including taxation policies and such licensing issues as whether gaming licenses should be awarded or subject to a bidding process.

5. A data-driven, proactive analysis about the impact of expanded legalized **gaming on the state's image and brand is needed in order to better determine** and manage potential risks and opportunities.

Expanded gaming will affect the state's brand, though it is uncertain just how. Though experts told the Commission that the brand will be impacted (though without study, they could not say if the impact would be positive or negative), the Commission was unable to obtain substantial data or other specific information from state agencies or others about the extent to which expanded gaming would affect the state's image and tourism, which is the state's second most important export-based employer. If gaming is expanded, the state must monitor the actual impact of major advertising campaigns by New Hampshire gaming operators in order to determine whether casino advertising is drowning out broader tourism promotion and themes.

Discussion of major findings

1. *Expanded gaming would generate additional revenues and economic activity, but it would also generate additional societal and economic costs. A fully informed decision about expansion requires a business model analysis that accounts for both benefits and costs. Such an analysis should center on the state's long-term interests, not just short-term financial or other needs.*

As much as possible, this Commission sought to develop findings based on substantiated data and documented research. That approach is especially important when analyzing the issue that often drives much of the debate over whether to expand legalized gaming in New Hampshire: How significant are the economic and fiscal benefits?

In many cases, both sides of the gaming debate make overstated claims, misrepresenting both the positive and negative impacts of legalized gaming. The Commission sought instead to consider the issue as a business case, calculating as best as possible the costs and the benefits of expansion for the state and its communities. In addition to hearing testimony and reviewing reports and other materials, the Commission requested the New Hampshire Center for Public Policy to develop a set of models to simulate the effects of expansion in New Hampshire. (The Center's report, "The Impact of Expanded Gambling in New Hampshire," appears in full later in this report).

The Commission finds that New Hampshire will support a market for people who want to gamble, especially at facilities located in the southern part of the state. The extent of economic and fiscal benefits from expansion depends upon a range of variables, including the location and size of the gaming facility and whether Massachusetts legalizes VLTs at its race tracks and permits one or more casinos. Benefits will also vary over both time and location; beyond up-front licensing fees, revenues will not be instant and economic development implications are greatest near gaming facilities. Expansion also comes with costs, including displacement of existing business activity, infrastructure improvements, and other expenses borne by state and local governments. Any business model must also include additional and significant social costs that will follow expanded gaming.

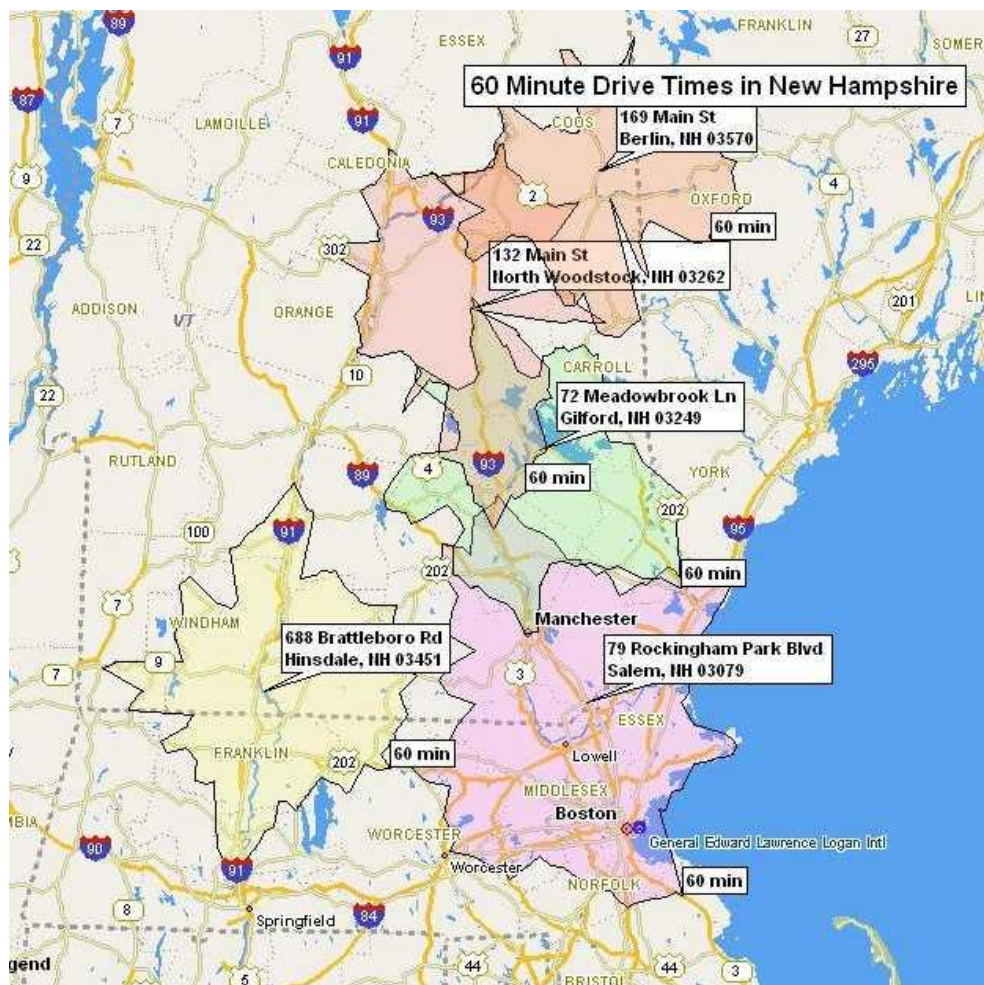
Claims of economic and fiscal benefits from expanded gaming often depend upon what factors are included (and excluded) and the assumptions made in the analysis. As the Center notes in its study:

Conducting an analysis of the positive and negative consequences of expanded gambling requires assumptions about population, capital investment, the policy decisions of other states and the federal government, the length of time for a facility to be constructed, and whether the expansion will be phased in over time, among others ... Policymakers need to look carefully at the assumptions regarding cost-benefit when making policy decisions. Net benefits to the state are critically

dependent on where the facility is constructed, the facility's size and amenities, and the assumed offset by increased regulatory and social costs.

While recognizing, as did the Center, the challenge of doing so, the Commission felt policy makers needed an independent, peer-reviewed study of the benefits to New Hampshire from expanded gaming. The Center's report offers such an analysis and complements the work and findings of this commission.

Central to the Center's findings is the conclusion that location truly matters. Simply adding new gaming facilities in New Hampshire will increase the total number of people who gamble, and they are more likely to go to facilities that are within an hour's drive. To better understand the link between proximity and the New Hampshire gaming market, the Center produced the map below, which divides the state into five hypothetical, non-overlapping gaming markets, each of which is accessible within less than an hour's drive:



MAP 1. (Source: NHCPPS drive time analysis).

This map helps set the context for these key findings of the Center:

- Gaming facilities built along the Massachusetts border would generate the greatest revenue for New Hampshire;
- Economic development benefits from expansion would largely accrue to the locality where the facility is sited;
- The economic development implications of gaming facilities decline the further north they are located.

The map also helps demonstrate another key point of the Center's analysis: Should Massachusetts approve VLTs at its race tracks and two full casinos – as currently proposed -- gaming revenues to New Hampshire would decline by as much as one-third. Take, for example, what the Center finds would be the state's best gaming revenue generator: a facility in the southern part of the state. Such a gaming operation could produce \$219 million in annual revenues, but if Massachusetts acts, that figure falls to \$149 million. The southern New Hampshire facility Center would also generate \$60 million in private and public social costs, thus reducing the net benefit to the state to \$89 million, according to the Center's study.

Some believe the impact of Massachusetts action could be greater. For example, Millennium Gaming, the owner and proposed developer of Rockingham Park, said revenues to New Hampshire could fall by nearly half if Massachusetts approved expanded gambling.

Because of the importance of the Massachusetts factor, some backers of expansion told the Commission that the state should act to gain "first mover" advantage over other states. Indeed, if Massachusetts expands gaming and New Hampshire does not, New Hampshire could see declines in its Lottery sales and meals and room tax receipts and increases in social costs run up by New Hampshire residents who gamble out-of-state but bring their social problems home. Between lost revenues and additional in-state social costs, the Center found that expansion by Massachusetts but *not* New Hampshire would cost New Hampshire \$68.5 million.

However, simply being first does not necessarily recapture the gambling market. That's because studies also find that even more important to a gaming facility's success is its "gravity," or its size, quality, attractiveness, and range of amenities. So if New Hampshire built a \$100 million facility first, it would still likely lose business to a \$500 million facility in Massachusetts. As has been seen in other parts of the country, the race to be first or biggest often exacerbates the risk that the overall gaming market will become saturated, a point discussed elsewhere in this report.

The following sections are based on work by the Center as well as other studies, presentations, and testimony reviewed by the Commission. They summarize key economic and fiscal considerations from expanded gaming. After this general discussion, some results from the Center's simulation of the outcomes of a southern New Hampshire casino are presented. Simulations for gaming possibilities in other New Hampshire locations can be found in the full Center report that follows.

Economic considerations

Job creation

Depending upon their size, location, and level of attractiveness, new legalized gaming facilities will create jobs in New Hampshire. Temporary jobs in construction and more permanent building trade and other jobs connected to the maintenance of gaming facilities will be relatively high wage. Permanent jobs at new gaming facilities will generally pay wages that are lower than in other economic sectors of the state, such as financial services, life sciences, and manufacturing. In addition to direct employment, economic activity generated by gaming facilities will create indirect employment. The number of permanent jobs that will be created is directly linked to the type of gaming facility: A full casino with slots, table games, and a full range of amenities will be a much more significant employer and offer some higher paying jobs than a facility with only VLT or slot machines. The greater the “gravity” of a gaming facility – its size and level of amenities – the more jobs it will create. Whatever the actual number of direct and indirect jobs created, they will not necessarily all go to New Hampshire residents.

Substitution effect

Some jobs and other economic activity created by the expansion of legalized gaming will come at the expense of non-gaming businesses, including local restaurants and other entertainment venues. This substitution effect (also known as cannibalization) will be especially pronounced if the gaming operation attracts customers mainly from within the state. If a facility is close to the state border, the substitution effect will lessen. At the same time, the substitution effect means that one section of the state may benefit economically at the expense of another. Economic benefits are maximized to the extent that gaming facilities attract out-of-state visitors and to the extent that they keep New Hampshire residents from leaving the state to spend their gaming dollars elsewhere. The substitution effect can also apply to out-of-state visitors if they spend money at casinos that they would otherwise spend on other entertainment or tourism activity in the state. At the same time, gaming facilities can lead to new visitors and additional spending.

It is important to keep the economics of expansion in proper context: even under the most generous assumptions, economic activity from expanded legalized gaming would at best represent less than one percent of the state’s overall economic activity.

Market saturation

Potential market saturation can lead to reduced economic activity and revenues. Because gaming facilities draw most of their business from within relatively short drive times, they are most successful economically when sited in major population centers. For that reason, facilities in northern New Hampshire will generate far less economic and fiscal return to the state than facilities located in the southern part of the state. Even in southern New Hampshire, expansion beyond one or two new facilities may maximize how much new revenue the state would generate from expanded gaming.

In other states, increased gaming market competition has led to either reductions in gaming revenues or has triggered requests from gaming operators for lower tax rates, which also can reduce revenue to the state from gaming activities. Competition has also been cited in other states as the reason to permit operators to expand the number of facilities and types of games they offer (e.g., adding table games to VLT facilities). The legalization of Internet gaming at the federal level is also a factor when considering market saturation, though quantifying that potential impact is difficult.

Revenue considerations

The expansion of legalized gaming will increase revenues to the state. But it will not do so immediately or consistently. Some new revenue will come in the form of up-front licensing fees. Beyond that limited, often one-time infusion of licensing fees, revenues from gaming tend to be uneven, rising and falling with economic and other conditions, according to testimony given to the Commission on October 6, 2009, by Robert Ward, Director of Fiscal Studies for the Nelson A. Rockefeller Institute of Government. A current example of the unpredictability of revenues from gaming can be found in New Hampshire, where lottery revenues have fallen by 16 percent over the last two years. However, gaming revenues are significant to the state budget. If expanded gaming led to the addition of \$100 million a year to the state's revenue stream, overall gaming revenues (including Lottery and racing revenues) would account for about 7.8 percent of all unrestricted funds.

As is often true with economic activity, some revenue generated by gaming may represent a shift, rather than net growth. While gaming facilities may in some cases increase hotel, meals, and other tax revenues, they could also reduce spending and thus taxes from such activities, especially if expanded gaming draws away discretionary spending by New Hampshire residents or tourists visiting the state. New gaming facilities will also result in decreased sales of Lottery tickets. And unless arrangements are made with new gaming operators, charitable gaming revenues and the social service and other programs they help support will also be adversely affected.

Areas around some proposed gaming sites will face added fiscal pressures due to a range of community impacts, including housing, schools, and other infrastructure requirements, due to the possible influx of workers to staff the facilities. Such impacts will add to already severe pressures on state and local budgets, though additional revenues from gaming could help mitigate such pressures. While host communities to a gaming facility may see the greatest positive economic impact, communities surrounding the facility will receive less economic benefit while bearing additional law enforcement and other costs. Many localities and regions of the state currently lack sufficient planning capacity to anticipate and handle the potential costs of such development impacts. While the state requires affected communities to be notified about “projects of regional impact,” surrounding communities are not necessarily given a seat at the table to discuss impacts or a share of the revenues to help offset impacts.

Modeling by the Center

At the request of the Commission, the Center modeled five hypothetical gaming sites in the state (as shown in Map 1), at capital investment levels of \$100 million and \$500 million. The Center also modeled scenarios under which Massachusetts, but not New Hampshire, expands legalized gaming. The Center found that the biggest generator of economic and revenue activity would be a \$500 million gaming facility in southern New Hampshire, mainly because of its size and proximity to major population centers and Massachusetts (see the Center’s report for the results for other hypothetical gaming sites in the state). Among other findings, the Center found these impacts from such a \$500 million gaming facility in southern New Hampshire:

- **Jobs**

The operation would create 2,215 new jobs, directly and indirectly. Though some would pay less and others more, most of these permanent jobs would pay between \$8 and \$12 an hour, excluding tips (in New Hampshire, employers are permitted to pay tipped employees only 45 percent of the minimum wage). Construction jobs would provide higher wages, but these would be temporary, except for ongoing jobs to maintain the facilities.

- **Revenue**

Assuming a 39 percent tax rate, the southern New Hampshire facility would generate \$219 million in annual revenues for the state. However, the state would also lose some Lottery and meals and room tax revenues as a result of the new gaming facility. Revenues to the state from the southern New Hampshire gaming operation would significantly decline if neighboring Massachusetts legalizes VLTs and casino gaming. These two factors -- lost Lottery and meals and room tax revenues and action by Massachusetts -- reduce the \$219 million revenue figure to \$149 million, according to the Center. (These figures exclude licensing fees.).

- Social costs

The southern New Hampshire facility would induce additional social costs of \$60.1 million statewide, which, when combined with the two factors above -- lost Lottery and meals and room tax revenues and action by Massachusetts -- reduces net revenue to the state to \$89 million. According to the Center's analysis, \$22.4 million of the \$60.1 in social costs would be borne by the government in the form of additional unemployment, welfare payments and law enforcement expenses. The rest would be borne by families, employers and other private parties.

The Center cautions that among other things, its model does not account for the potential impact, negative or positive, that major new gaming operations might have on the state's tourism industry. That issue is discussed in more detail in the discussion about "branding."

2. *Though reliable data on social costs is limited, expansion will increase the number of problem gamblers. The costs associated with problem gambling will be greatest in communities within relatively short drives of gaming facilities.*

Social science research has established that for certain people, normal gaming behavior can develop into problem or pathological gaming. This Commission finds that because legalized gaming will increase the number of pathological and problem gamblers in New Hampshire, government structures will need to address this increase of pathological behavior, just as they support the prevention and treatment of alcohol and substance abuse. Like others who have sought to understand the social cost issue, this commission also finds that while the gambling and mental health literature provides solid evidence to estimate pathological behavior, the research is far less conclusive when it comes to estimating the costs to government and society associated with those behaviors.

In the next section of this report, the Center, as part of its effort to model the impacts of expanded gaming, quantified social costs, which are the personal, family, community, and other costs directly or indirectly caused by problem and pathological gamblers. In approaching this issue, the premise of both the Center and the Commission is basic: If the goal of expansion is to attract additional people and gaming activity, it only follows that additional social costs will be generated. It is also true that expanded gaming will generate a funding source from gaming revenues that could be used to finance treatment programs for problem gamblers. Currently, New Hampshire provides no public funds to support such efforts. It is also important to note that according to testimony given to the Commission, most problem gamblers do not seek treatment through such programs.

Geographic proximity to a gambling venue has a major impact on the prevalence of problem gambling. According to the National Gambling Impact and Behavior Study conducted by the National Opinion Research Center (NORC) in 1999, the risk of problem and pathological gambling doubles when a person lives within 50 miles of a gambling facility. Placement of major population centers also affects the prevalence of social problems. The Center used that NORC study, which remains the most comprehensive and well-vetted model for estimating social costs, to estimate the marginal increase in problem gambling, based on drive time to large casinos with VLTs and table games in different parts of the state. Statewide, the low estimate was that 12,841 additional people would become problem or pathological gamblers due to such casinos; the high estimate was 26,191 people. Because of the proximity factor, the number of people with induced gambling problems declined sharply beyond a 60-minute drive time.

Like the Center, the Commission found it difficult to clearly define, let alone measure, what constitutes a social cost. The presence of a casino also increases crime, especially in the area where it is located, though the reasons for such an increase are widely debated. However, based on what it calls “the most detailed attempt to associate casinos and crimes to date” (Grinols and Mustard, 2006), the Center estimates that a southern New Hampshire gaming facility would result in more than 1,200 additional, FBI-classified Index I crimes, most of them related to money or property, such as auto theft, burglary, and larceny.

Some social costs generated by problem gaming – such as treatment programs, welfare, and law enforcement -- are directly borne by government. Other studies count a broader range of social costs, including bankruptcy, mental illness, and “lifetime” costs, such as unpaid debts and divorce. An example of how researchers differ on what to count as a social cost is the category of “abused dollars,” a term for money that is acquired from family, employers or friends to be used for gambling. Some analysts contend that since family members or others from whom the money came no longer have it for purchases or other economic activity, “abused dollars” represent a cost to the overall economy. Other researchers believe that abused dollars simply represent a transfer of, not a reduction in, overall wealth and that, in any case, the cost is borne by the private, not the public, sector. Because of the uncertainty of the literature, the Center chose not to include abused dollars as part of its calculations.

Using the more conservative NORC model, the Center calculated social costs to be \$2,486 per problem gambler and \$5,143 per pathological gambler. In order to quantify social costs, the Center multiplied those numbers by the number of people who are likely to become problem or pathological gamblers due to full casinos in New Hampshire. That is how the Center calculated that additional social costs due to a full casino in southern New Hampshire would be as high as \$60.1 million, of which \$22.4 million would be borne by government.

According to several studies and testimony given to the Commission, just as slot and VLT machines are a primary source of gaming activity and revenue, they are also a major driver of social costs. Dr. Kevin Harrigan, Research Associate Professor at the University of Waterloo and founder and lead researcher of the University of Waterloo's problem gambling research team, described to the Commission on November 17, 2009, how technology enables VLTs to be designed in ways that "contribute to faulty cognitions and addictiveness." According to Harrigan, such design features include "near miss" technology, by which losers at VLTs think they almost won. In some cases, losses can be disguised as wins.

Because of such technology and design issues, and in view of the especially addictive aspects of VLT/slot machines, this Commission finds that the state should consider regulating – through licensing standards and enforcement – methods and technologies that have been identified as exacerbating addictive behaviors in the use of VLT machines. Besides regulating VLT technology, the Commission heard testimony about other steps that can help reduce certain social costs attributed to problem gamblers. One such approach is to prohibit the serving of complimentary alcoholic beverages at gaming operations, which could help reduce the incidence of DUI and other criminal activity linked to drinking and gambling. Other possible regulatory moves include setting the permissible age of entry to a gaming facility to 21, which is the policy of some states with gaming, and establishing "lock-out" systems to deny entry to problem gamblers. The Commission finds that the state should consider these and other steps to help mitigate social costs attributed to problem gaming.

The Commission was also told that few, if any, states systematically monitor and calculate social costs *after* gaming is legalized or expanded. This exacerbates ongoing uncertainty about the extent and nature of social costs. The Commission finds that if New Hampshire expands legalized gaming, the state should develop and implement procedures to continually measure social impacts after new facilities open. Such analyses could impact policy makers' decisions in such areas as further expansion and treatment programs.

Other considerations

Though it is not issuing any findings about them, other concerns were suggested in testimony to the Commission. One involves undue influence on the political process. Any business that becomes a major generator of revenue or jobs has the ability to influence the political process. Most gaming operators interested in New Hampshire are based out of state and the gaming industry tends to spend heavily on lobbying, advertising, and other activities that can influence both public opinion and the decision-making process. Though the unique structure of New Hampshire's politics -- its 424-member volunteer Legislature -- may help to insulate the state from inappropriate lobbying, major gaming interests and operations could affect the state's political system and climate.

Another non-economic implication of expanded gaming is potential damage to the state's "social capital" infrastructure, which includes civic involvement, voluntarism, and participation in secular and non-secular activities that benefit individuals, families, and communities. Though such studies are limited, some analysts find a correlation between expanded gaming and reduced social capital activity. Again, while the Commission makes no finding on this issue, it agrees that it is a factor in any ongoing conversation about expanded gaming.

3. Proliferation of gaming is a deep concern, but one with no clear solution.

Throughout their deliberations, commissioners heard and expressed concerns about the danger that once legalized, VLT and casino-style gaming could proliferate across the state beyond even the intent of initial proponents. Based on the experience of other states and even that of New Hampshire, which has regularly expanded its Lottery games and other gaming activity – the Commission finds that gaming proliferation is not only possible, it is likely. In Pennsylvania, for example, gaming was originally limited to slot machines. Last year, that state’s gaming control board allowed five casinos to also operate up to 250 table games. In Connecticut, both the Mohegan and Foxwoods casinos have expanded their facilities.

According to testimony given to the commission, once established, the tendency is for gaming to grow in a state. The effects of such proliferation can be both economic and societal. Too much expansion, for example, can dilute the gaming market and thus affect economic and revenue returns. “The proliferation of gaming in so many areas is a reason for the decline of Atlantic City, which is losing market share on a monthly basis,” G. Mickey Brown, former CEO of Foxwoods and a former New Jersey casino regulator, told the Commission on October 6, 2009.

While acknowledging concerns about proliferation, some gaming industry experts who appeared before the Commission suggested that the market is a natural limit to expansion. “There would be no need to build 5000 [VLT machines at Rockingham Park] if they are not going to be used,” William Wortman, co-founder of the Millennium Management Group, which is a 20 percent owner of Rockingham Park, told the Commission on October 20, 2009. He expressed confidence that the New Hampshire and regional gaming markets would support such growth.

Beyond market saturation, which is a factor that should be included in any business model analysis of gaming, the Commission had a less data-driven concern about proliferation: Its potential impact on the state’s image and quality of life. The Commission was struck by the extent to which gaming has expanded in West Virginia, as described in a March 16 presentation by Steve Burton, CEO of First Choice Health Systems, Inc. in West Virginia. That state first permitted slot machines at racetracks in 1994 and then, seven years later, allowed the installation of 9,000 video poker machines in more than 7000 bars and restaurants across the state. In 2007, the state legalized table games at its race tracks, all four of which now have full casinos. With just 37,000 people, Logan County alone, a low-income area, has 37 mini-casinos, each operating with five to 10 slot machines.

Though no one is suggesting such a scale of gaming in New Hampshire, commissioners saw no clear way to prevent it from occurring, especially if the state becomes increasingly dependent upon revenues from expanded gaming. Indeed, the gaming bill passed by the New Hampshire Senate but rejected by the House in 2010 would have greatly increased both the number of locations and slot machines compared to legislation that was proposed just one biennium earlier.

The concern about proliferation was matched by uncertainty about how to prevent it. Even if the Legislature were to approve only a limited number of gaming facilities, action by a future biennium could reverse that action. Similarly, licensing or other regulations that seek to cap gaming expansion could be subsequently changed. Even if the state were determined to maintain limits on gaming, it could still face unsought or unwanted proliferation due to, for example, legal actions brought by gaming operators seeking entry to the New Hampshire gaming market. The Commission concluded that the only assured way to prevent proliferation would be through an amendment to the New Hampshire Constitution, a move seen as unlikely.

4. *New Hampshire needs to review its regulation of gaming, with or without an expansion of legalized gaming. To insure integrity and public confidence, this review should be completed and necessary changes implemented before any expansion is enacted.*

Before considering any expansion of legalized gaming, the Commission sought to better understand the current status of legalized gaming, which is already a significant activity in New Hampshire. This commission finds that a full, independent review should determine whether current legal gaming in the state is being regulated in an efficient and effective way and, if so, whether current regulation is scalable to properly control expanded gaming.

In 2008, a total of about \$614 million was collected in lottery sales, poker tournaments, and other gaming activities regulated by the New Hampshire Lottery Commission and the Racing and Charitable Gaming Commission, according to those agencies. In its report, the Center notes a survey that concludes that New Hampshire residents spend an additional \$80 million a year at gambling facilities in New England, primarily at the Foxwoods and Mohegan Sun casinos in Connecticut. Together, legal in-state and out-of-state gaming by New Hampshire residents thus totals nearly \$700 million.

Gaming occurs in all parts of the state, often with great frequency. In calendar 2008, the Racing and Charitable Gaming Bureau reported that 305 charities sponsored 3,050 “Games of Chance” events. Nearly 5,100 Bingo events took place across the state that year. Many of these charitable gaming events draw significant numbers of people. For example, the Commission was told that the charitable gaming facility at Rockingham Park in Salem, which can accommodate about 60 table games, typically draws between 400 and 700 players for poker tournaments.

Gaming regulation is currently divided between the Lottery Commission and the Racing and Charitable Gaming Commission. That divided structure, as well the staffing level of each agency in view of current gaming activity, raise issues about whether the state's current structures are adequate to properly regulate current, let alone expanded, gaming. Even if New Hampshire does not authorize slot machines or full casinos, the current level of legal gaming is likely to further increase through new Lottery games and in other ways, if for no other reason than that the state has come to rely upon the revenue gaming activity generates.

As Spectrum Gaming Group Managing Director Michael Pollock told the Commission, "Integrity is the linchpin of gaming." He continued:

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 ... The challenge for government is to oversee gaming and to maintain the will to regulate the industry for the public benefit.

Some commissioners were concerned that by calling for the review and establishment of proper regulation, this Commission would in essence be paving the way for expanded gaming. However, rather than an endorsement for or against expansion, this finding is simply good and necessary policy: If gaming does not expand, a review of current regulation is appropriate; if gaming does expand, it is even more essential that the state be prepared to properly manage it.

In reviewing New Hampshire's regulatory system, the state should review effective models of regulation and enforcement used by other jurisdictions. Several people testifying before the Commission cited the state of New Jersey as one example, noting that the state's regulatory system has been tested and proven over several decades of experience. As New Hampshire considers regulatory needs for current and future gaming activity, it must consider a wide range of issues, many of which were detailed in a submission to the Commission from Spectrum Gaming. Categories of issues that should be analyzed as the state reviews its regulatory and enforcement systems include:

- *Structure:* The analysis of whether current regulations and regulatory bodies are properly designed and operated in a way that protects the public interest while allowing gaming operations to function effectively should examine two basic possibilities: 1. Stay with the current structure of gaming regulation, assuming that with additional staffing and other resources, agencies can adequately regulate both existing and expanded gaming, including new forms of gaming, such as slot machines. 2. Move toward a new regulatory system, such as a Gaming Control Board, under which current and future gaming activities and regulation would be centralized.

- *Independence and accountability:* The public must have confidence that regulation of gaming is independent, that the regulators are insulated from both industry and political pressures. To achieve such independence, the state should consider appointing regulators for fixed terms and give them autonomy to make licensing and other decisions. Regulators, who should be chosen on the basis of professional qualifications and experience, should be employed on a full-time basis and be paid accordingly for the important task with which they will be charged. Such staffing will of course require a budget that is greater than that used in current gaming enforcement. As stated below, those and other costs of regulation will come from gaming industry revenues. A related issue is to whom gaming regulators should be accountable -- the legislative branch, governor, attorney general, or other entity.
- *Functions and powers:* Just as the structure of a regulatory system for gaming in New Hampshire needs to be reviewed, so too should what is regulated and how. Often, the granting of a gaming license gives a state its most significant -- and sometimes only -- opportunity for leverage over gaming operators to assure that the interests of the public are being protected as much as possible. According to Spectrum Gaming, powers typically granted to regulatory agencies include:
 - o Investigation of the qualifications of casino applicants
 - o Issuance of casino licenses and permits
 - o Promulgation of regulations
 - o Investigations of violations of the gaming act and regulations
 - o Initiation of regulatory compliance actions
 - o Continuing reviews of casino operations
 - o Financial and operational audits of casino operations
 - o Hearings and adjudication of licensing and other cases
 - o Collection of fees and penalties

Each of these categories -- and there are others, such as provisions for revocation of gaming licenses -- has a subset of important issues to be examined. For example, when it comes to granting gaming licenses, some presenters to the Commission suggested that an open bidding process be used; others suggested that the state designate gaming operators for set fees. Other issues in licensing include length and fee of licenses, gaming tax structures, and provisions for what to do if a licensee seeks to or must transfer an operating license due to financial or other problems.

No matter how a license is awarded, regulators are responsible for carefully reviewing all license applicants and operators. This raises a related issue of whether law enforcement powers should be given to gaming regulators, which is the case in some but not all gaming states. Some experts appearing before the Commission said it is important that the regulatory authority have police powers, even if those powers are contracted out to the state police or other law enforcement entities. Also related, of course, is how to pay for the costs of regulation. In most gaming states, license applicants and gaming operators, not taxpayers, pay out of gaming revenues for costs associated with the licensing phase, such as background investigations, as well as for ongoing enforcement.

As will be discussed below, most jurisdictions also require licensees to finance programs to treat problem gamblers. But in setting license requirements, the state could require payments for other associated costs to expanded gaming, such as infrastructure improvements and other expenses borne by both the facility's host community and surrounding towns.

Another element to be considered as part of any licensing requirements is specific regulation of the kinds of technology that can be used in VLT/slot machines. The Commission heard testimony about how advanced technology has enabled machine manufacturers to use a range of techniques, such as "Near Miss" displays, that serve to encourage additional play. The state could choose to limit such slot machine practices in New Hampshire.

Local option: While most regulatory issues are state-based, other issues are more local. The views and requirements of local citizens must be considered, possibly by making approval of new gaming facilities subject to local – and possibly regional – referenda.

5. A data-driven, proactive analysis about the impact of expanded legalized **gaming on the state's image and brand is needed in order to better determine and manage potential risks and opportunities.**

Given the economic and other stakes involved, the Commission sought to determine the impact, if any, of expanded legalized gaming on the state's image and "brand," which helps shape the tourism industry, which is the state's second most important export-based employer. The Commission heard testimony both ways. From Great NH Restaurants, Inc. CEO and owner Thomas Boucher, a past chairman of the NH Lodging and Restaurant Association and a board member of the Granite State Coalition against Expanded Gambling, the Commission heard that expanded gaming could cannibalize the state's tourism base. But the Commission also heard from others, such as proponents of the proposed Sagamore Crossing Golf Resort and Convention in Hudson, that gaming operations would draw additional people to spend not only on gaming, but on other tourism and entertainment activities in the state. Most testimony heard by the Commission about branding was mainly anecdotal.

To help determine the impact of gaming on tourism, the New Hampshire Division of Travel and Tourism Development conducted a survey among about 100 members of its Travel Advisory Council this past spring, asking how two different kinds gambling scenarios might “affect their perception of New Hampshire as a vacation destination and affect the number of trips they make to New Hampshire.” The survey generally found that expanded gaming would have a more negative than positive effect about their perception, with slot machines in a number of hotels viewed more negatively than full destination casinos. Though the survey was not scientific and had a very small sample size, it indicates the need to explore such attitudes further.

The Commission finds that the state must undertake a serious, data-driven study of **how expansion would affect New Hampshire’s current image and “brand” and attractiveness** as a visitor destination. If expansion does occur, further study will be needed to measure the ongoing impact on tourism.

Even harder to quantify – but nonetheless a deep concern – is the potential impact of expanded gaming on New Hampshire’s quality of life. As the University of New Hampshire’s What’s At Stake project team reported in its April 20 final report to the Commission about the community meetings it conducted across the state:

Both opponents and supporters of expanded gambling raised quality of life issues, from different perspectives of course. But across all sites, the special qualities that make New Hampshire a desirable place to live and work were discussed. New or expanded gambling facilities should ‘fit’ with the natural and social environments of the state, should enhance rather than detract from community life, should help to address the social needs of residents, and should be sufficiently regulated to guard against over-development as well as the perceived increase in crime associated with gambling (even as it was acknowledged that the available data are unclear on how much this would actually occur).

Another indication of public awareness – and mixed attitudes -- about how expanded gaming might affect the state can be seen in the Granite State Poll conducted for the Commission during the spring. Respondents were asked about the “impact of legal gambling on New Hampshire” on tourism, the state’s quality of life, and its image. Interestingly, a powerful 80 percent said the impact on tourism would be very or somewhat positive; only 9 percent said it would be very or somewhat negative. But when asked about the impact on the state’s quality of life, the “positive or very positive” response fell by nearly half, to 41 percent, and very or somewhat negative rose to 34 percent. When asked about the impact of legal gambling on New Hampshire’s image, the greatest single response (39 percent) was that it would have no impact. Other respondents were almost evenly split about whether gaming would have a very or somewhat positive (26 percent) or a very or somewhat negative one (25 percent) on the state’s image.

Any impact on the state's image can, of course, be affected by advertising. The state's resources are limited when it comes to promoting New Hampshire tourism. According to state budget documents, the amount appropriated for tourism promotion and marketing was \$5.7 million for FY 2010 and FY 2011 (prior to any reductions associated with the state's recent budget woes). Commissioners, who were told that Connecticut's two casinos each have spent \$30 million a year on advertising, expressed concern that promotion of the state's recreational, natural, and other attractions could be overwhelmed by the advertising campaigns of gaming companies promoting their facilities in New Hampshire.

The Commission heard some suggestions about how to limit any potentially negative impact on tourism. Some gaming proposals for New Hampshire set aside a small share of revenues (one percent) for state tourism promotion. The Commission also heard testimony that licensing requirements could include limits on advertising. At the same time, such limits could hinder the success of gaming operations, which in turn could limit their economic and fiscal benefits to the state.

Part II

New Hampshire Center for Public Policy:

The Impact of Expanded Gambling in New Hampshire

FINAL REPORT

To the Governor's Study Commission on Expanded Gaming

May 18, 2010

*“...to raise new ideas
and improve policy
debates through quality
information and analysis
on issues shaping New
Hampshire’s future.”*

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About this paper

The purpose of this project was to provide the Governor's Gaming Study Commission with a model of expanded gambling in New Hampshire that could be used to provide an objective, data-based analysis of the impact of expanded gambling on New Hampshire. It was produced in part with funding from the New Hampshire Lottery Commission.

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The Impact of Expanded Gambling in New Hampshire

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Executive Summary

In the summer of 2009, Governor John Lynch established the New Hampshire Gaming Study Commission. The Commission was tasked with undertaking a “thorough and comprehensive review of various models for expanded gaming”¹ in New Hampshire.

The Commission retained the New Hampshire Center for Public Policy Studies to conduct technical research and analysis for its review. Our first report, *A Brief Report on Gambling in New Hampshire*, was published in December, 2009.² In this second report, the Center documents the development of a series of inter-related models that analyze the impacts of expanded gambling in New Hampshire.

The Commission requested that we develop a model that supports a “prudent calculation” of the costs and benefits of expanded gambling. Any models were to be based on an understanding of the variation in geography, size and type of expansion, and its impact on state revenues, substitution, economic development, crime, and any offsetting expenditures associated with the social or behavioral implications of expanded gambling.

Our models are based on balanced assumptions about the amount of capital investment, the size and type of facility, facility location, population and income levels, and the potential action of other states (i.e. Massachusetts) to produce a series of estimates of the revenues to the state, economic development implications, and the financial costs of social impacts associated with gambling.

Any simulation of a complex issue, such as this one, requires significant assumptions. Whether looking at the research on market size, economic development, or problem gambling, the literature on gambling is relatively immature. Because the expansion of gambling outside of Las Vegas or Atlantic City did not occur until the mid-1990s, sufficient data to support the development of a conclusive body of evidence on expanded gambling does not exist.

As a result, those providing estimates of the impact of expanded gambling need to acknowledge uncertainty and to explicitly note that these simulations are just as much an art as a science. Our primary goal in this work is to demonstrate the relationship between policy decisions and the potential cost-benefit of the expansion of gambling, under a set of transparent assumptions.

Our models are based on four major assumptions. These are:

- The placement of a casino in New Hampshire (or closer to New Hampshire) will increase the number of people that gamble.
- The farther individuals have to travel, the less likely they are to go to a casino in New Hampshire and vice versa.

¹ Executive Order 2009-2. <http://www.governor.nh.gov/orders/documents/2009-02.pdf>

² “A Brief Report on Gambling in New Hampshire.” The New Hampshire Center for Public Policy Studies. December 2009. Available at www.nhpolicy.org.

- The attractiveness, size and amenities – the gravity of a facility – and competition in the market affects gambling behavior.
- For a small share of the population, exposure to gambling results in pathological behavior that creates a set of social issues which – if they can be quantified -- are offsets to the potential benefits of expanded gambling.

In modeling many of these major assumptions, we used a drive time model – often used in site location – adjusted to reflect the unique characteristics of New Hampshire and neighboring states. These drive time models assume that unless you are a destination like Orlando or Las Vegas, most of your visitations will occur as a result of population within 30, 60, and 90 minutes, with the highest probability of visitation within the 30 minute drive time and the least within 90 minutes.

The following map (Figure 1) shows the 30, 60 and 90 minutes drive time for two hypothetical facilities: Berlin and Seabrook, New Hampshire. Within each driving zone, we can estimate several important demographic variables, including population, households, and income – each of which are important to understanding how many potential visitors for expanded gambling opportunities may exist and therefore generate revenue. Using this same data on visitation, we use a public health risk exposure model to understand the share of new visitors whose gambling might result in pathological behavior associated with an increased exposure to gambling in close proximity.

This map highlights the critical role that placement of a facility will play in whether or not the state is importing gamblers from other states, one critical determinant of the ability of an enterprise to generate revenue for the state.

Major Findings

The major finding of our research is that predicting the impact of expanded gambling is exceedingly difficult. Policy makers would be wise to take this into account when considering anyone's ability to precisely understand the impact of expanded gambling.

Conducting an analysis of the positive and negative consequences of expanded gambling requires assumptions about population, capital investment, the policy decisions of other states and the federal government, the length of time for a facility to be constructed, and whether the expansion will be phased in over time, among other things.

These assumptions have a *very* large impact on estimates of the benefits (revenues) and costs (social or otherwise) and have an impact on how and when these benefits and costs would accrue to local communities and the state.

Major Findings (continued ...)

Having noted these cautions, our modeling suggests that there is a significant market for expanded legalized gambling in New Hampshire. Our modeling of the northern New England market suggests that casinos established in New Hampshire would have access to a \$577 to \$687 million market for casino gambling, and 1.7 million visitors annually. The range is a function of our modeling a market which experiences a 16% reduction, consistent with the reduction in gambling expenditures that occurred in the New Hampshire lottery between 2008 and 2010.

The size and geographic placement of a facility are the primary drivers of state revenues that might be gained by the operation of a facility.

- As a result of the proximity to the population of Massachusetts, our models suggest that facilities in the southern part of the state would bring in the largest amount of revenue to the state.
- The larger the facility, the greater the potential revenue. A small facility, especially one with little attractiveness relative to competitors, would not draw significant visitation and, therefore, would be less likely to bring in significant revenues to the state.

Depending on these assumptions about the nature of expanded gambling, revenues to the state in our models vary from a net loss to the state (the case where regulatory and government paid social costs are greater than revenues) to almost \$150 million per year under the most generous assumptions, including that spending on gambling will return to pre-recession levels.

Another major finding from our work is that revenue estimates alone are not a good proxy measure for the potential benefit to the state from expanded gambling. Depending on the geographic relationship and size of the gambling facilities Massachusetts might approve, revenues to the state from a New Hampshire facility could decline by as much as one-third depending on where the facilities were. Including measures of displacement and social costs could reduce revenues by another 10-20% depending on the site.

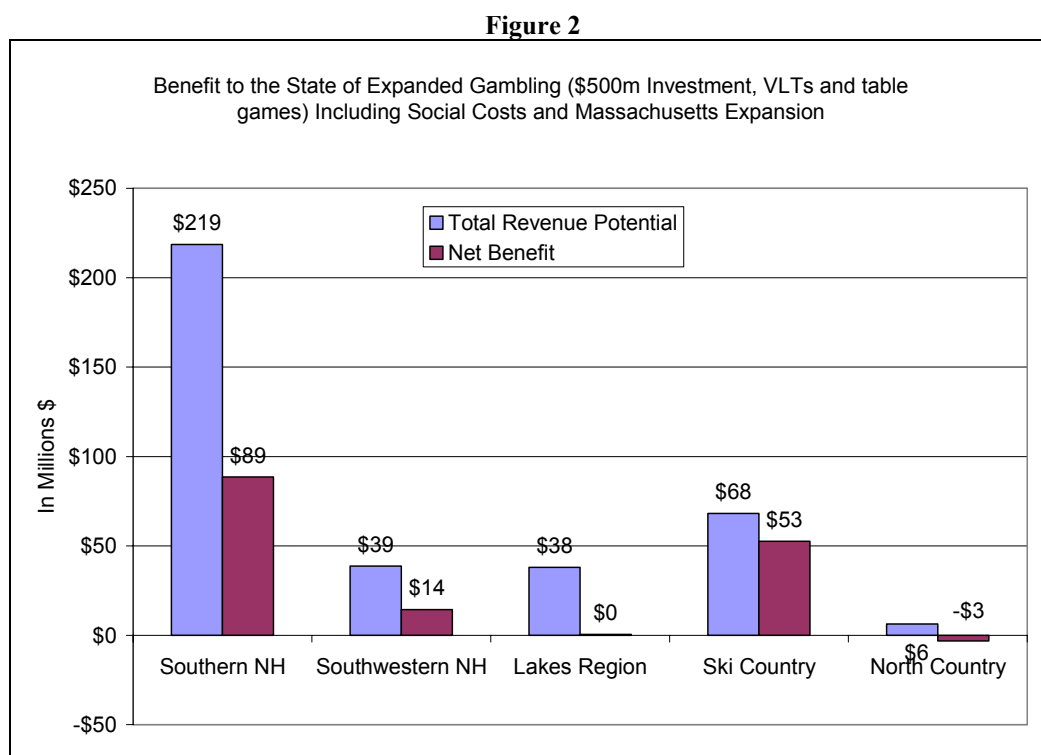
Economic development benefits from expanded gambling accrue largely to the local community where a gambling facility would be located. For all simulated communities in our models, the implementation of a large casino would result in slightly less than a 3% increase in gross domestic product of the county in which the facility was located. The further north a facility is sited, the larger its local economic development implications due to the relative size of economies in northern New Hampshire. It is, however, unlikely that a large casino would be located in northern New Hampshire because it would be further away from higher income and population areas, necessary for such a facility to be feasible.

Pathological gambling and the social costs that come with it are the primary (though not the only) problems associated with expanded gambling. Although the precision of estimates around social costs leave much to be desired, our estimates, which vary

substantially across markets and facility types, suggest that social costs will reduce the benefit of expanded gambling. While we acknowledge that expanded gambling would impact New Hampshire's brand in some fashion, have an impact on the political landscape and affect social capital³ it was not possible to include these impacts in our simulation models.

Under certain assumptions – including that the state would tax gross gambling receipts at 39% -- our analysis suggests that there may be a benefit to the state from expanded gambling, but the size of that benefit is critically dependent on how expanded gambling is implemented. And policymakers need to look carefully at the assumptions regarding costs and benefits when making policy decisions.

Figure 2 below – included as Figure 12 and discussed in more depth in Chapter 5 – shows the Center's estimates of the impact on the state only of a \$500 million dollar investment in a facility with 5,000 Video Lottery Terminals (VLTs)⁴ and table games in each of five sites identified by the Commission. In this graph, total revenue potential shows the amount of revenue that might accrue to the state at a 39% tax rate if each site were implemented independently. In other words, summing the potential revenue across the sites is not appropriate, given that that would likely over-estimate revenues, given the overlap in markets.



³ Griswold and Nichols. "Social Capital and Casino Gambling in US Communities." *Social Indicators Research*. 206: 77. pp369-374.

⁴ There is an important difference between mechanical slot machines and video lottery terminals. In this report, we do not make a distinction between the two.

To estimate benefit to the state, our model adjusts for the impact of expanded gambling on meals and rooms tax revenue, the Lottery, assumes that Massachusetts implements expanded gambling in the current proposed form, and accounts for a conservative estimate of government-specific and societal social costs for New Hampshire residents only. We stress that there is uncertainty in the data and assumptions, but the information does provide policy makers with a relative sense of the impact of geography and the inclusion of factors beyond simple revenue estimates in the calculation of benefits to the state.

Ignoring for a moment whether or not any organization would develop a \$500 million dollar facility in each of the areas identified above, this graph clearly highlights two findings. First, creating significant revenue benefit to the state is a function of placement. Our model suggests that facilities with access to the population centers in Massachusetts or to high volume tourist areas are more likely to bring significant revenues to the state than those that don't.

Second, our models suggest that revenue estimates need to be tempered by other factors – including the action of Massachusetts, decisions about the concept of social costs, and the impact of the recession – which can clearly affect the potential revenue benefit to the state. These other factors can significantly reduce the benefit to the state and any prudent calculation of the benefit to the state of expanded gambling should consider these. In our modeling of expanding gambling in southwestern NH, for example, the benefit to the state of a \$500 million, 5,000 slot facility drops from \$39 million to \$14 million when including these other factors.

An equally important consideration is the impact of the current recession on gambling revenues. Our estimates presented in the figure above are based on data prior to the recent recession. Therefore, our revenue estimates are likely to be high relative to the existing experience. Gambling revenues in Nevada fell 10.4 percent in 2009, the largest single-year decline in state history. The 2009 decline follows a 9.7 percent decrease in 2008 when statewide gambling revenues totaled \$11.6 billion.⁵ Mohegan Sun's revenues have declined by 10% in the last two years.⁶ New Hampshire State Lottery revenue has declined by 16% over the last two years.

For simplicities sake, and to given policy makers a sense of the relative impact of assumptions about expanded gambling, we have assumed that all the benefits and costs of expanded gambling accrue to the state (and to local communities) immediately. As will be discussed later and is shown in Figure 3, however, only license fees and the economic development implications of construction activities would be experienced immediately. The economic development revenue implications of the operations of a facility would depend critically on how long construction took, how quickly the facility was ramped up to a particular size. The potential social costs implications would be staggered as well.

⁵ <http://www.lvrj.com/news/gaming-revenues-fall-by-biggest-percentage-ever-84117117.html>

⁶ GSC visit to Mohegan Sun, interview with Jeff Hartmann, 12/14/09

Figure 3: The Impact of Time on Costs and Benefits

Hypothetical Description of Time's Role in Understanding Impact of Gambling											
		Year 1	Year 2	Year 3	Year 4	Year 5					
Economic Development											
	Construction (18 Months)										
	Operations										
Revenues											
	License Fees										
	Net State (Gambling, M&R, Lottery)										
Social Costs											
	Net Benefit to Lowered Unemployment										
	Pathological Gambling Behavior										
	Impact of Pathological Gambling										

Complex cost-benefit models are difficult enough to estimate with precision when rigorous data and methodologies are available. They are even more difficult when data is scarce and researchers have yet to agree on the best methods for constructing a model, such as the case with expanded gambling.

The Center has strived to be as transparent as possible with regards to assumptions in our model and urge readers not to have a false sense of precision with the model presented here or *any* model of the costs or benefits of expanded gambling. On the other hand, we believe that the relative magnitudes of positive and negative flows among type, size and location of a facility are a reasonable portrait of the effects of expanded gambling. Moreover, they present a consistent set of analyses on which to debate the economic pluses and minuses of expanded gambling in New Hampshire.

In summary, our modeling suggests that if the state is interested in expanding gambling, and if the state is interested in maximizing economic benefit to the state and local communities, expanded gambling would be best implemented in the southern part of the state (with access to large population centers) with significant capital investment requirements (and therefore local economic benefits), and a set of public policies that are designed to limit the potential for pathological and problem gambling. Such public policies would include the acknowledgement that the local economic benefits are experienced very locally, while the potential costs are born more broadly, geographically speaking.

Our Approach to Modeling the Impacts of Expanded Gambling in New Hampshire

Despite an exponential growth in the casino industry during the last decade of the twentieth century, the literature regarding the impact of gambling on local communities has grown slowly. Despite a significant number of articles looking at various impacts of the expansion of gambling, about the only point that is agreed on by all is that the impacts – both positive and negative – accrue locally and decline the farther one is from that

facility.⁷ In fact, in our literature review, there was only one published study in a non-gambling journal that attempted to estimate a full cost-benefit model of the impact of expanded gambling.⁸

The most comprehensive (and most effectively vetted) analysis of gambling to date was made by the National Gambling Impact Study Commission (NGISC 1999), which was designed to assess the social and economic implications of gambling in the United States. Their final conclusion was telling; it is unclear what the net benefit of expanded gambling was. The NGISC called for more appropriate measurements of both benefits and costs and the implementation of regional pilots attempting to estimate the costs and benefits. While there have been many studies conducted since then, this call to arms did not result in a strong consensus on the data or methods for assessing the benefits and costs of expanded gambling.

Based on our review of the literature, our models are based on four fundamental assumptions.

These are:

- 1) The placement of a casino in New Hampshire (or closer to New Hampshire) will increase the number of people that gamble.
- 2) The closer one is to a casino, the more likely they are to visit to a casino. Conversely, the farther individuals have to travel, the less likely they are to visit to a casino in New Hampshire.
- 3) The gravity of a facility – attractiveness, size, and amenities – and the competition in the market affects the gambling behavior of area residents.
- 4) For a small share of the population, increased access to gambling results in pathological or problem behaviors which creates a set of social issues that, although often difficult to quantify, offset potential benefits.

The Center has developed a series of inter-related models that provide a transparent look at the assumptions necessary to simulate the economic and social impacts of expanded gambling for New Hampshire. These models take as inputs assumptions about the amount of capital investment, the size and type of facility, geography, population and income levels, and the potential action of other states (i.e. Massachusetts). The model design is shown in Figure 4 below.

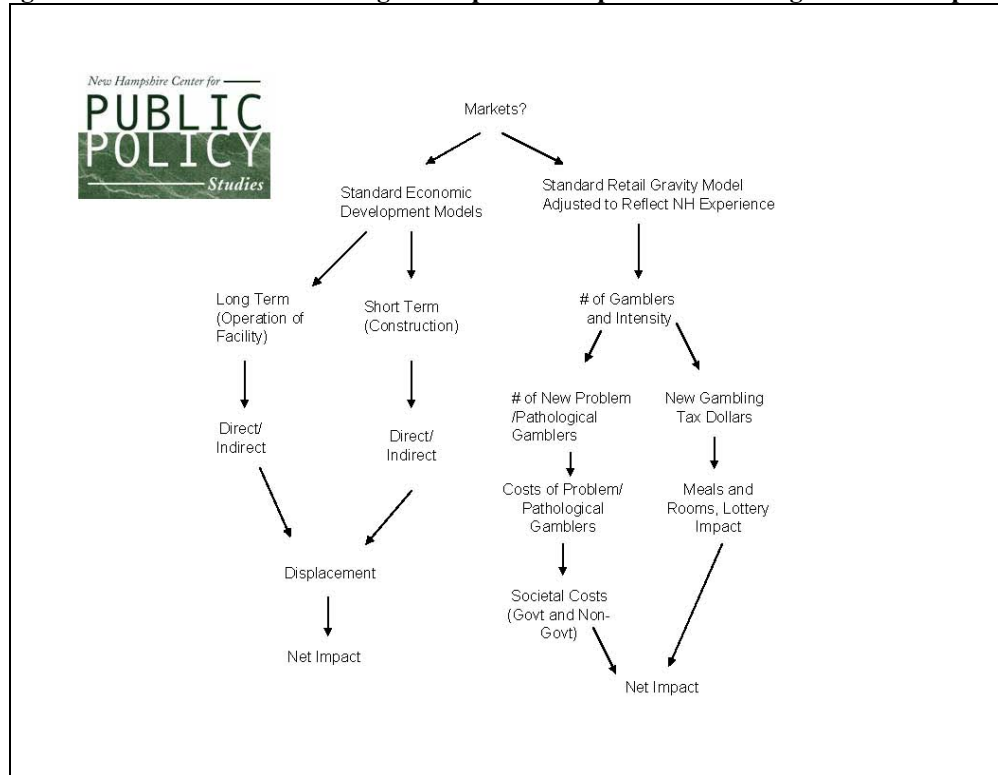
In this model, we develop a gravity model to produce estimates of the number of individuals and income that might be spent on gambling. These estimates are used to drive our simulation of the economic impact of construction (short-term) and operations

⁷ Smith, Hodgins, and Williams. (eds) Petry and Weinstock. "Research and Management Issues in Gambling Studies." 2007

⁸ Chhabra, Deepak. "Estimating Benefits and Costs of Casino Gambling in Iowa, United States." *Journal of Travel Research*, Vol. 46, November 2007, 173-182.

(long-term) of a gambling facility, the revenues created, the displacement of existing economic activity, and the social costs.

Figure 4: The Basics of Simulating the Impacts of Expanded Gambling in New Hampshire



At the request of the Gaming Study Commission, the Center identified five sites in New Hampshire to represent diverse areas of the state and to model gambling impacts in separate regions. The study areas were defined as Southern New Hampshire, Southwestern New Hampshire, the Lakes Region, Ski Country, and the Great North Woods. These regions follow county boundaries and the main tourism regions of New Hampshire.

In the following pages we will present the model used to estimate the costs and benefits to expanded legalized gambling in New Hampshire. The first step includes an estimate of the size of the casino market, including potential revenue and number of visitors to these facilities. The second step estimates additional benefits to the state, beyond the potential increase in state revenue and includes the economic development impact of a new industry in the state. The third step estimates social costs, both public and private, which are linked to the number of gambling visitors.

Finally, in Chapter 5, the benefits and costs of expanded legalized gambling are brought together to provide policy makers with a sense of the relative size of the costs and benefits of expanded gambling and the factors which drive those estimates of benefits and costs.

Chapter 1: The Market for Gambling in New Hampshire and State Revenues

At the core of the Center's work on estimating the impact of expanded gambling in New Hampshire are the estimates of individuals who would participate in gambling, the amount of wagering that would occur, and the potential impact of increased competition on the total amount of wagering. The model developed takes as inputs the size of the facility (including capital investment), the type of facility (including Video Lottery Terminals [VLTs] only versus VLTs and table games), the location of the facility, the type and quality of competing facilities, and the income of the population within a potential market area. The relationship between these factors and the total estimated market are based on the experience of the other gambling activities in the northeast.

Estimating New Gambling Visitors

The first step in the Center's work was to develop measures of the counts of individuals who might gamble at a facility in New Hampshire. To this end, the Center developed a simple "gravity" model, which is a special drive time model that defines markets based on the relative attractiveness of facility relative to others, based on the size and amenities provided at the gambling site. This model provides us with a method for estimating the number of people that might participate at a new gambling venue depending on where the facility was placed. This approach is one used in site selection efforts in retail industries and in the gambling industry itself.

In our model, we use drive time analysis to create three zones around a location that may be driven within a specified time (30, 60, and 90 minutes). We then aggregate demographic data by each zone to estimate the number of visitors and the amount likely to be spent on gambling.

As an example, the following map (Figure 5) shows the area and estimated drive times within a 30, 60, and 90 minute drive of downtown Concord, New Hampshire. Note that a drive time in excess of 60 minutes from Concord will include portions of other states in New England. Within each zone shown, we can estimate several important demographic variables, including population, households, and income – each of which are important to understanding how many potential visitors for expanded gambling opportunities may exist.

To develop estimates of the number of visitors, population estimates are multiplied by the population's participation in gambling activities, which vary depending on distance to the facility. That is, individuals living closer to a casino are assumed to be more likely to gamble than those farther away from the facility's location. The population participation rates used in this analysis are based on casino participation rate data from the Harrah's

2003 Casino profile and studies by other consultants that identified propensity to visit a casino based on distance from that facility.⁹

Figure 5: Example of Drive Time Areas – Concord, NH



The Center has also calculated the portion of the population in each zone residing in New Hampshire. Participation rates by each drive time are presented in Table 1.

⁹ Slot Machines (Or Video Lottery Terminals) At the Four Race Tracks of Massachusetts: An Opportunity for More Jobs And Tax Revenues, Cummings Associates, 2006; Market Feasibility, Economic, & Fiscal Impact Analysis For Sagamore Crossing Golf Resort & Convention Center Hudson, New Hampshire, 2009

Table 1

Assumed Propensity on Income and Population 100 N Main Street, Concord, NH 03301			
Zone	Drive Time	Adult Participation Rate	Portion in New Hampshire
Zone 1	30 minutes	48%	100%
Zone 2	60 minutes	30%	36%
Zone 3	90 minutes	20%	17%

The estimates of propensity to gamble are based on a review of gambling literature and interviews with industry experts. First, the literature on gambling, both pro and con, is unanimous on two points: First, the presence of a casino in a geographic area will increase the propensity of that population to visit a casino; second, the propensity to visit a casino declines with the distance from the casino location.¹⁰ For example, Cummings Associates¹¹ uses visitor days per thousand adults versus distance from casinos to construct a “distance factor” for casino visitation.

In addition, data from the Harrah’s 2003 Casino profile of the U.S. Casino Gambler shows that states with casino gambling have higher casino visitation rates than states without casino gambling.¹² For example, the 2002 casino participation rate in the Mobile/Pensacola metro area was 40% and 92% of the visits were to nearby Mississippi Gulf Coast casinos. By comparison, the casino participation rate for New Hampshire was estimated to be 21%, with 70% of those visits to the Connecticut tribal casinos – more than an hour and a half drive from the New Hampshire border.

Interviews with industry experts confirm that proximity to a casino increases the propensity to visit a casino. According to Innovation Group, Inc., 60% of the adults in Las Vegas and the Gulf Coast play slot machines, and the adult participation rate around most casinos is 48%.

The Center used the 48% propensity estimate within a 30 minute drive time, and reduced the propensity estimate to 30% in the 30 to 60 minute drive zone, and to 20% in the 60 to 90 minute drive zone, in order to be consistent with the “distance factor” estimates in other studies.

Estimating Gross Receipts for Gambling in New Hampshire

The primary benefit to the state of implementing gambling is new revenues generated. In order to estimate potential tax receipts, the Center had to estimate the total gross receipts available to be taxed. We look at two different models to simulate the total available baseline market in the Northeast.

¹⁰ Hinch and Walker, “Casino Patrons, Travel Behaviour, Place Attachment, and Motivations: A Study of Alberta Residents”, Alberta Gaming Research Institute, 2003.

¹¹ Analysis of Current Markets for Casino Gaming in Iowa, with Projections for the Revenues and Impacts of Potential New Facilities, Cummings Associates, October 2003. Also study by Cummings Associates for South Dakota in 2004.

¹² Harrah’s Surveys in 2002 and 2006; “Profile of the American Gambler”

In the first model, we use an approach based on the relationship between personal income and gambling behavior. In the second, we develop estimates based on the number of individuals within a given market, their propensity to gamble, and an estimate of total gross receipts. In our final analysis, these two different models are averaged and their predictive ability was tested against the actual experience of gambling activities in other markets in the northeast.

Model 1

Our first model relies on estimates of the number of individuals within 30, 60, and 90 minutes drive of a gambling facility, measures of the propensity to gamble, and an estimate of gross receipts per individual to produce estimates of gross receipts. Estimates of the number of individuals within 30, 60 and 90 minutes were developed based on the Center's drive time analysis discussed above.

Estimates of the propensity to gamble factors were based on Harrah's 2003 study of gambling behavior which showed how the propensity to gamble declined with increasing distance from a casino¹³. The gambling propensity for adults in each time zone declines with distance from the casino – 48% of adults have a propensity in the 30 minute zone, 30% of the adults in the 30 to 60 minute zone, and 20% of the adults in the 60 to 90 minute zone.

Estimates of the gross receipts per individual were based on a Meckza Market research study in Eastern Texas, adjusting for inflation.¹⁴ The weighted average gross receipts per gambler per year in the Northeast market was \$406. Both the propensity to gamble factors and the gross receipts per individual were adjusted to ensure that the models effectively replicated the outcomes in the gambling markets in the northeast, as discussed below.

Model 2

To estimate total gross receipts in this second model, the Center produced estimates of total market (wagering) based on the drive time market definition and income. Estimates of the total income for individuals within 30, 60 and 90 minutes were developed based on the Center's drive time analysis discussed above. The total personal income within each of the drive time zones was multiplied by a rate of discretionary gambling spending based on work conducted by Barrow.¹⁵

Allowing for Variation in Market Based on Size and Type of Facility

Because the Commission and others are interested in understanding gross receipts for facilities of different size and in different competitive relationships, the Center needed to adjust market potential to reflect the impact of size and amenities of a given facility. To

¹³ Harrah's Survey 2002, "Profile of the American Gambler"

¹⁴ Meckza Marketing and Klebanow Consulting, with University of Houston, "Gaming Market Size Estimate, Greater Dallas/Fort Worth Metroplex", May 2004

¹⁵ Market Feasibility, Economic, & Fiscal Impact Analysis For Sagamore Crossing Golf Resort & Convention Center Hudson, New Hampshire, 2009

accomplish this, we developed “gravity” factors. Any “new” gamblers in a region would only come from tourists coming into the region from outside or from an increased propensity to gamble by current residents. Both factors are influenced by where the facility is placed and by the gravity of the facility. Like gravity defined in physics, a larger body will have greater attraction. The ability of an entertainment facility to attract business will depend on its size and amenities. That is to say, a larger gambling facility with more slot machines, table games, entertainment, and hotel rooms will attract more gamblers – and more tourists. Gravity models have been used in retail market analysis to define a trade area based on its attractiveness relative to other trade areas.

The gravity estimates are used to help define the market area in the operations phase of the facility. The gravity model calculation is represented by the following equation:

$$BP = \frac{d}{1 + \sqrt{p_1/p_2}}$$

Equation 1

A plain verbal translation would be that the balance or Break Point (BP) is equal to the Distance (d) between two places, divided by the Unity or Total (1) plus the Square Root of, the size of Place One (p1) divided by the size of Place Two (p2). For our use in measuring the break point between two casinos, (d) would be the driving time between two casinos, while (p1) is a measure of attractiveness for the first casino and (p2) is a measure of attractiveness for the second casino.

For example, the driving distance between Mohegan Sun casino in Connecticut and Twin Rivers racino in Rhode Island is about 75 minutes. Mohegan Sun has a gravity factor of 315, while Twin Rivers has a gravity factor of 81. Substituting into the equation above, where d is the driving distance in minutes and p1 and p2 are the gravity factors, the estimated break point would be 26 minutes. In other words, even if a potential visitor were only a 26 minute drive from Twin Rivers, they would be more likely to drive to Mohegan Sun, at 49 minutes away.

In order to estimate gravity factors, analysts must identify the relative importance of amenities to individuals’ decisions about where to gamble as well as the impact of the size. Lacking any other information, the Center relied on estimates by Barrow, on the relative importance of amenities, and used information about the size (measured by gambling space, number of VLTs, hotel rooms and convention space) from a variety of sources to create the gravity factors identified in Table 2 below. In other terms, a super casino (represented by Mohegan Sun) would be slightly more than three times as attractive as the average casino.

Table 2: Gravity Factors Used in Our Analysis

Attractiveness Calculations		Mohegan Sun				
		Super Casino	Las Vegas Casino	Small Casino	Large Racino	Small Racino
Gaming space		344,000	100,000	40,000	95,000	30,000
Number of slots/VLTs		6,800	2,000	1,000	4,000	1,000
Tables		400	200	25	0	0
Hotel Rooms		1,200	1,000	300	0	0
Convention space		100,000	40,000	4,500	10,000	5,000
Parking		13,000	5,000	2,250	5,000	2,000
Weights						
Gaming space	10%	34,400	10,000	4,000	9,500	3,000
Number of slots/VLTs	40%	2,720	800	400	1,600	400
Tables	20%	80	40	5	0	0
Hotel Rooms	15%	180	150	45	0	0
Convention space	10%	10,000	4,000	450	1,000	500
Parking	5%	650	250	113	250	100
	100%	48,030	15,240	5,013	12,350	4,000
Ratio (compared to Las Vegas casino)		315%	100%	33%	81%	26%

Testing the Model

The idea behind the development of these models was to ensure that we accurately predicted the possible market size, wagering, and gross receipts in New Hampshire. To test these models, we used the average of our two models and tested the results against the experience of other markets of the northeast. Our models produced estimates within 2% of the total market gross receipts associated with several northeastern gambling markets, including the areas around Twin Rivers (RI), Charlestown (WV), Bangor (ME), Saratoga Springs (NY), Batavia Downs (NY), Chester Downs (PA), Dover Downs (DE), and the Meadows (PA). These markets were chosen as comparisons based on the fact that they were northeastern U.S. markets and, in theory, similar to New Hampshire's potential experience.¹⁶

Adjusting for Tourism

We know that the underlying population in New Hampshire and other areas is not always the best basis for estimating markets given the high level of tourism in the state. To adjust, we include a tourism multiplier to account for the fact that actual population in New Hampshire increases considerably as a result of tourism activities. This tourism multiplier – discussed below – may over-estimate the impact of tourism on gambling, but no better model was available.¹⁷

Travel and tourism spending is disproportionately important in New Hampshire. In New Hampshire in comparison with traveler spending nationally is almost twice as large as the state's share of the national population.¹⁸ New Hampshire ranked seventh nationally in

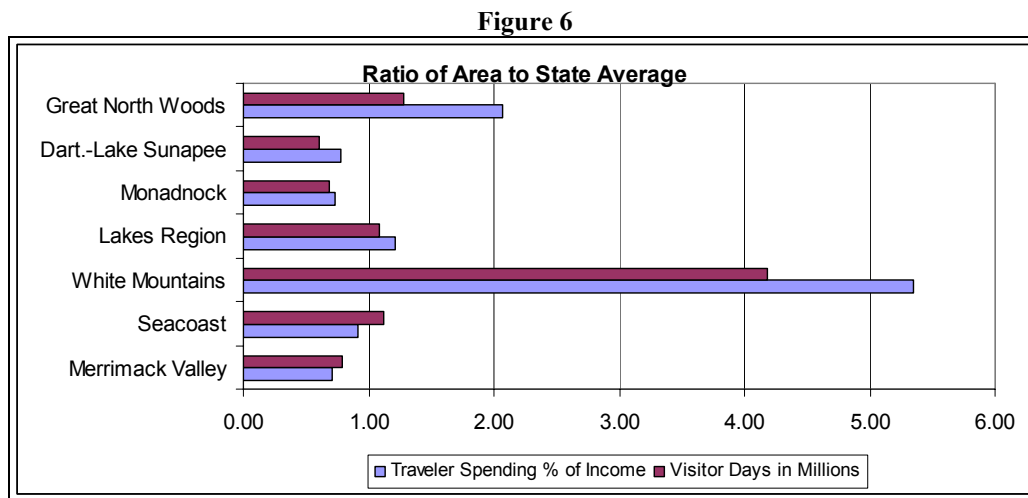
¹⁶ The Center will provide those other models at request. The Center struggled with how to articulate the precision of these estimates. Due to the relatively small number of test opportunities, standard measures of statistical precision were potentially inappropriate.

¹⁷ This may over-estimate the impact of tourism due to the fact that we assume the tourism impact is year round and due to the fact that some visitors to the area will come from within a 90 drive which could result in some double counting of visitation or expenditures.

¹⁸ New Hampshire Fiscal Year 2008 Tourism Satellite Account, Laurence E. Goss, June 2009

the number of alpine skier and boarder days during the 2007-8 winter season and third nationally in the proportional importance of skiing as a recreational activity on the state's economy.¹⁹ Travel and tourism is the second most important export industry in terms of employment size for the state's economy.

Tourism is particularly important in the White Mountains, Lakes Region, and Great North Woods regions of New Hampshire.²⁰ In the White Mountains, tourism spending as a portion of personal income is five times the state average and visitor days per area resident is four times the state average. The ratios for the major tourism regions in New Hampshire are shown in Figure 6.



The Center has used a tourism multiplier applied to the revenue and visitation models to account for the likelihood that a model based on resident population and personal income might undercount the market size in a high traffic tourism area. The multipliers used in our analysis are shown in Table 3 below.

Table 3: Tourism Multipliers Used in Market Estimations

Toursim Area	Multiplier
Southern NH	1.0
Southwestern	1.0
Lakes Region	1.0
Ski Country	4.5
Great North Woods	1.5

These were calculated based on the ratios shown above. For example, the multiplier for the ski country market area is the average of traveler spending as a percent of income and visitor days per resident, estimated at 4.5.

¹⁹ Ibid.

²⁰ Okrant, Mark, "The BALSAMS Grand Resort Hotel: Survey of Guests, Past Guests, and Past Inquirers", Summer of 2000.

The Impact of Massachusetts

In our previous work we noted that both Massachusetts and Maine have been exploring expanded gambling in various areas.²¹ The decisions of these states materially impact the calculations necessary to compute the number of individuals who would gamble at any facility and ultimately the wagering that would occur. Obviously, because of the size of the population and the proximity to potential southern New Hampshire sites, Massachusetts' decision-making will materially impact the New Hampshire market for expanded gambling.

If Massachusetts were to legalize expanded gambling, it is very likely that fewer Massachusetts residents would be visiting New Hampshire to gamble. However, there are a number of reasons why Massachusetts visits to New Hampshire would not disappear entirely.

First, the potential loss of Massachusetts gambling business in New Hampshire will depend upon the location and attractiveness, or the gravity, of the facilities in both states. For example, a VLT-only facility in the Boston area may attract gamblers who would otherwise have traveled to New Hampshire, but that will in turn depend on the distance traveled, the location of each facility and the amenities at each facility. Retail gravity analysis suggests that customers will travel farther to a more attractive facility, even if a less attractive facility is close by.

Figure 7: Potential Casino Sites in Massachusetts



²¹ For a description of recent casino/racino proposals in Massachusetts, see “DeLeo goes to bat for casinos, slots”, Boston Globe, March 5, 2010, www.boston.com, and “Casino pitched for Fall River”, Boston Globe, May 18, 2010, www.boston.com. Full casinos have been proposed in Palmer and Fall River, with limited slots (750 each) at the Wonderland, Suffolk Downs, Plainridge and Raynham race tracks.

Second, the expansion of gambling in Massachusetts may actually increase the gambling market in the Massachusetts/Southern New Hampshire area, creating more customers for both facilities. Several studies have found that the gambling market expands with the introduction of new casinos and gambling facilities in neighboring states.²² Further proof of this phenomenon can be found in the 2002 casino participation rate data published by Harrah's – the casino participation rate is 35% in the Providence/New Bedford portion of Massachusetts (closer to the Twin Rivers racino) while the casino participation rate in metropolitan Boston is 27%.

Proponents of expanded gambling in New Hampshire have estimated that their New Hampshire business could be reduced significantly if Massachusetts were also to legalize expanded gambling. This would have an important impact on revenue as well. Information provided by Millenium Gaming – the owner and proposed developer of Rockingham Park – suggested that revenues to the state could be lowered by almost 31% if Massachusetts moved forward with expanded gambling. Sagamore Crossing is a proposed casino and golf resort development in Hudson, New Hampshire. Using data in their feasibility analysis of the Green Meadow golf club (Barrow, 2009), the Center estimated that the resort gambling revenues would decline by approximately 20% if slot machines were allowed at a refurbished Suffolk Downs.

The Center produced its own estimates of the potential impact of an expansion in Massachusetts on gambling activities in New Hampshire. In order to estimate the loss at one facility to expanded gambling at another location, it is necessary to estimate the potential common market area served by both facilities. The following table shows the population served, by county, in a 30 mile radius of Rockingham Park, NH and Suffolk Downs, MA.²³

Table 4: Population Overlap between Rockingham Park (Salem, NH) and Suffolk Downs (East Boston, MA) Market Areas

<u>Common Areas at 30 miles</u>	<u>Rockingham Park</u>	<u>Suffolk Downs</u>	<u>Total Population by County</u>	<u>Assumed Common area</u>
Middlesex MA	1,137,843	1,416,175	1,487,636	1,137,843
Hillsborough NH	343,282	10,914	404,074	
Essex MA	715,652	675,815	737,365	675,815
Suffolk MA	82,363	689,807	742,724	82,363
Worcester MA	15,382	35,580	799,343	
Norfolk MA	0	634,994	661,359	
Merrimack NH	32,825	0	148,979	
Rockingham NH	276,350	0	298,330	
Total in Each Area	2,603,697	3,463,285	5,279,810	1,896,021
Mass	1,951,240	3,452,371	4,428,427	1,896,021
NH	652,457	10,914	851,383	0

The total population within a 30 mile radius of Rockingham Park is 2.6 million. Approximately 1.9 million of those people live in an area within a 30 mile radius of

²² For example, Richard McGowan in "The Competition for Gambling Revenue: Pennsylvania and New Jersey" (2009) found that the Pennsylvania/New Jersey gambling market expanded significantly with the introduction of VLTs at Pennsylvania racetracks.

²³ Data from Circular Area Profiles, Missouri Census Data Center, <http://mcdc2.missouri.edu/websas/caps.html>

Suffolk Downs, and all of those people live in Massachusetts. The common area for both facilities is estimated to be in Middlesex, Essex, and Suffolk counties in Massachusetts, comprising 1.9 million people.

Assuming that half of the gambling population in the 1.9 million would now visit Suffolk Downs instead of Rockingham Park, the Rockingham Park market would be reduced by 36%, as in the following equations:²⁴

Original Rockingham Park Market =	2.6 million
Common area for both Rockingham and Suffolk Downs =	1.9 million
Rockingham area not in common with Suffolk Downs =	0.7 million
New Rockingham Park Market $(1.9/2)+0.7 =$	1.65 million
Potential Market Reduction $(1.65/2.6) =$	36%

The Center estimates that this would be the maximum market loss sustained by Rockingham Park, assuming a similar size facility were to open at Suffolk Downs. A more attractive facility in Rockingham Park, as compared to Suffolk Downs, would lower the above percentage loss.

The Center used a similar approach to determine the potential market loss of each area in our analysis assuming Massachusetts adopts expanded gambling (see Table 5). Areas of New Hampshire further north and west of Rockingham Park would be less likely to be impacted by expanded gambling in Massachusetts. The population centers for the northern market areas would be too far to be influenced by a casino built in Massachusetts so far south.

Table 5

Market Area	Market Loss if Massachusetts Adopts Expanded Gambling
Southern NH	31%
Southwestern	20%
Lakes Region	10%
Ski Country	0%
Great North Woods	0%

²⁴ Rockingham Park and Suffolk Downs are within a 40 minute drive of each other. Gravity analysis suggests that the break point for equally attractive casinos would be 20 minutes. However Suffolk Downs, is over one mile from the closest highway to New Hampshire (I-93), which requires payment of a toll to access the highway, and requires traveling through Logan International Airport, with all associated traffic. Rockingham Park is located less than one mile from a major highway (I-93) and is easy to access from the highway, requiring only one turn to access the Rockingham Park Racetrack with less traffic congestion than being located near the airport of a major metropolitan area. Therefore, we believe a 50/50 split is conservative.

Estimating State and Local Revenues

Estimating revenue to the state from expanded gambling is not as simple as multiplying the gross receipts at the casino times the tax rate. Revenue estimates require an assessment of the potential impact of gambling on lottery activities and meals and rooms taxes, among other factors. The complexity of the situation makes estimating revenue to the state more of an art than a science.

The problem of estimating gambling revenue is illustrated in the following chart (Figure 8), taken from work by McGowan.²⁵ Potential expanded gambling revenue would come from three sources: 1) in-state residents who are now gambling in other states; 2) state residents who do not gamble now (except on the lottery) but would gamble at a new facility; and 3) non state residents (tourists). Gamblers in the first and third groups would represent a net gambling revenue gain because these gamblers represent potential revenue not now captured in New Hampshire. These groups might also spend money in local restaurants (subject to the meals and rooms tax). The second group might represent a smaller gain or a potential loss of revenue because these gamblers would be spending discretionary income on gambling that is now spent in New Hampshire on other forms of entertainment or lottery. For example, meals and rooms revenue from this group would decline, since discretionary income devoted to gambling would reduce expenditures on other items.

Our model of taxation begins with an overall tax on gambling gross receipts of 39%. We chose 39% given current legislation that requires that tax rate.²⁶ It is important to note that tax rates vary considerably across the country and can change over time.²⁷

In addition, our model of taxation attempts to take into account three additional factors: 1) the degree to which the expansion of gambling impacts lottery revenues; 2) the degree to which spending on expanded gambling replaces existing discretionary spending on meals and rooms (and therefore meals and rooms taxes); and 3) the degree to which expanded gambling could result in additional meals and rooms spending based on an increase in the number of travelers to New Hampshire. The Center's efforts to model the impact of expanded gambling on the lottery and on meals and rooms tax receipts are discussed below.

²⁵ "The Gambling Debate", R.A. McGowan, 2008

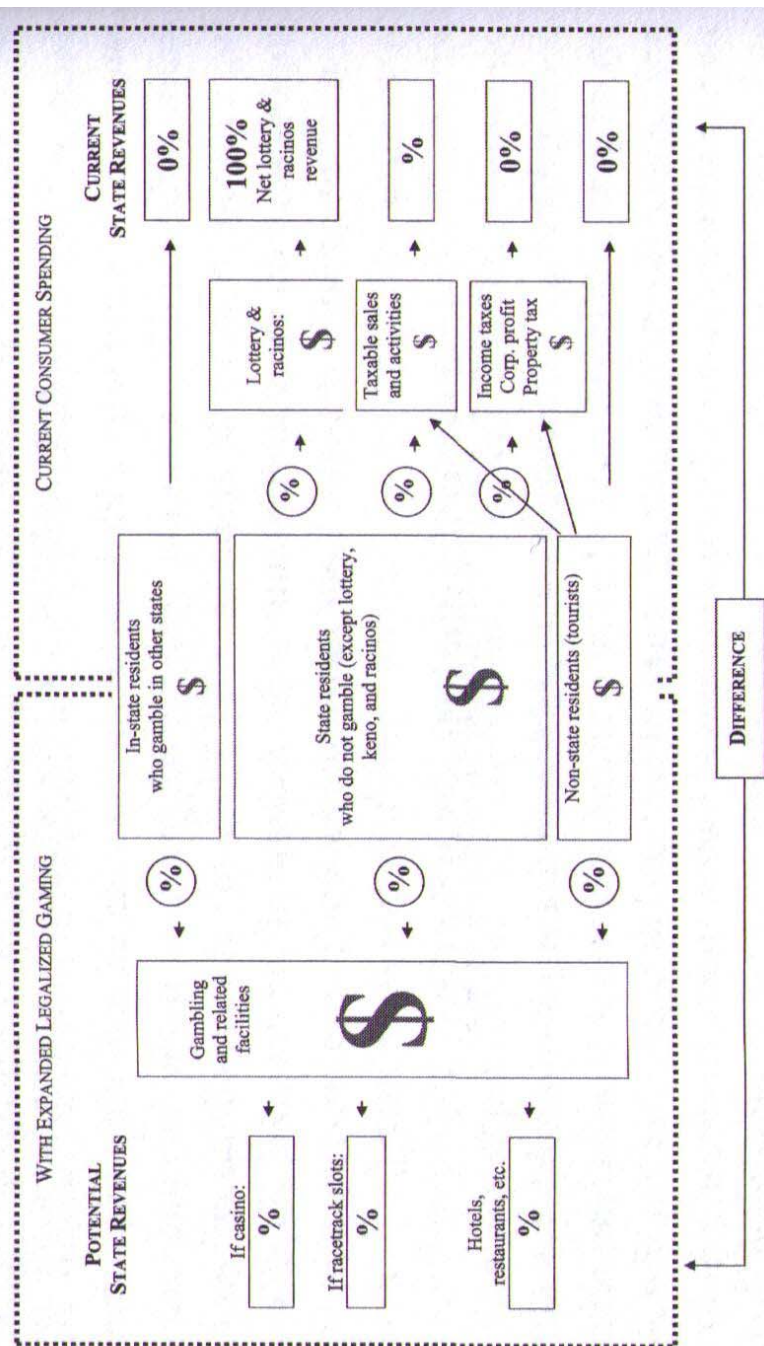
²⁶ SB 489-FN-A-LOCAL – AS AMENDED BY THE SENATE,
<http://www.gencourt.state.nh.us/legislation/2010/SB0489.html>

²⁷ These tax rates can also have a significant impact on the willingness of firms to invest in capital infrastructure during the beginning of an expanded gambling construction project.

Figure 8

Gambling Revenue Forecasts: Where Would the Money Come From?

1. Reality check on revenue predictions.
2. Estimates of likely revenue outcomes based on different casino/racino scenarios



Substitution between Casinos and State Lottery Sales

Any prudent assessment of the revenue impacts of expanded gambling needs to account for the potential impact of expanded gambling on existing gambling activities. Casino gambling will not only encounter competition from other states, but also from different types of gambling within the state. Specifically, slot machines and lotteries may compete for the same customers, causing a substitution effect from one type of gambling to another.²⁸ It is important to understand how the revenue of these two major types of gambling – casinos and lotteries – displaces each other.

Walker and McGowan have both published literature reviews and have observed a substitution between casinos and lotteries.²⁹ However, the size of the cross-price elasticity remains in question. In the end, the Center relied on an average estimate of cross-price elasticity to understand the relationship between the lottery and casinos. To create this estimate, we relied on two studies – by Sieglel and Anders, and Rork and Fink. In Siegel and Anders (2001),³⁰ the authors estimated that a 10% increase in slot machines was associated with a 3.8% decline in lottery revenues. In Rork and Fink (2003),³¹ the authors reported that a \$1 increase in casino tax revenues resulted in a \$0.56 decrease in lottery tax revenues.

In our model, we have assumed the Rork and Fink (2003) estimates of a casino lottery substitution factor.³² That is, our model assumes that for every dollar in gross receipts from New Hampshire residents at a casino slot machine, 56 cents less will be spent on New Hampshire Lottery tickets. This result is then multiplied by the effective NH Lottery tax rate of 39%³³ to estimate the overall reduction in New Hampshire Lottery sales due to casino gambling.

Meals and Rooms Tax Impacts

Expanded gambling could have either a positive or a negative impact on meals and rooms sales receipts. Money spent gambling by New Hampshire residents could mean less money available for other discretionary spending, including on dining out and hotel rooms. On the other hand, tourists coming into New Hampshire to gamble would also likely spend money on meals and hotel stays.

²⁸ Walker and Jackson, “The Effect of Legalized Gambling on State Government Revenue,” Contemporary Economic Policy, 2009; and “Do U.S. Gambling Industries Cannibalize Each Other?,” Public Finance Review, 2008

²⁹ “The Gambling Debate,” Richard McGowan, 2008, page 90 to 91; “The Economic Effects of Casino Gambling, A Perspective from the US,” Douglas Walker presentation at the Macao Global Gaming Management Series, October 2009.

³⁰ Siegel and Anders, “The Impact Of Indian Casinos On State Lotteries: A Case Study Of Arizona” (Public Finance Review, March 2001)

³¹ Rork and Fink, “The Importance of Self-Selection in Casino Cannibalization of State Lotteries”(2003)

³² Adoption of the Rork and Fink results

³³ The effective tax rate varies over time. For this analysis we have assumed the rate to be 39% which is approximately what the state experienced in 2009. Of the \$239.9 spent on the NH Lottery games in 2009, \$142.1 million was returned to players, for an effective tax rate of 39.7%.

In our model, we assumed that the total revenues lost to the state would be a function of the share of the total market that would potentially be from New Hampshire, and therefore would be spending money on gambling that would have otherwise gone to other recreational activities. To estimate the amount of resources that would be diverted away from these other recreational activities we relied on an estimate from Goss³⁴ that showed that 40% of visitor spending was on meals and rooms. Mathematically then, the potential loss on meals and rooms was estimated as the amount of gross receipts from New Hampshire residents, times 40%, times the meals and rooms tax rate of 9%.

We also assumed the possibility that revenues from the meals and rooms tax would likely increase as a result of new discretionary spending, particularly in those facilities that were capable of drawing individuals from out of state. Thus, estimates of the potential increase in meals and rooms were based on the share of the population coming from outside of New Hampshire. We also relied on Nevada gambling commission data, which showed that 25% of out of state spending was associated with meals and rooms.³⁵ Mathematically, the potential increase in meals and rooms tax revenue was estimated as the amount of gross gambling receipts from non-New Hampshire residents, times 25%, times the meals and rooms tax rate of 9%.

Property Tax Impact

Another source of additional revenue is the local property tax. This is a local effect, which will depend on the property tax rate for the geographic location.³⁶ Property tax impacts of a new gambling venue would be experienced largely at the local level. There is some evidence that the development of a casino has a positive impact on property values,³⁷ though the impact is not well understood. This positive effect on property values is not unlike the effects found for other large entertainment venues, such as sports stadiums.³⁸

Revenue Estimates

Table 6 below shows the impact of our simulations of the development of a large casino with approximately \$500 million investment in a facility with 5,000 VLTs and table games. The table shows the estimated level of gross receipts based on our market analysis identified in Chapter 1, assuming that the sites were implemented without others existing in the state. That is, interested parties cannot add up the amount of revenue from each site to get a sense of how much would be brought to each community as there are important overlaps of the market areas. This table also highlights the total amount of

³⁴ New Hampshire Fiscal Year 2008 Tourism Satellite Account, Laurence E. Goss, June 2009

³⁵ Nevada Gaming Commission 2008 statistics, available online.

³⁶ Increasing the total assessed value would also impact the statewide property tax.

³⁷ "Casinos are found to have a significantly positive influence on retail property values", "Casino Revenues and Retail Property Values: The Detroit Case" Jonathan A. Wiley & Douglas M. Walker Springer Science + Business Media, LLC 2009

³⁸ One major study performed by Xia Feng and Brad Humphreys examined the economic impact on residential housing values. The results show that sports facilities have a "significant positive effect on the value of surrounding houses and this positive effect decreases as the distance from the facilities increases." See Feng, X. and Humphreys, B. R. (2008, August). Assessing the Economic Impact of Sports Facilities on Residential Property Values: A Spatial Hedonic Approach. North American Association of Sports Economists.

revenue to the state associated with each site, and the impact of changes in revenues associated with changes in lottery and meals and rooms spending, and the impact of Massachusetts's expanded gambling decisions.

Table 6: Revenue Impact of a \$500 million Investment in a Casino at Various NH Sites

Revenue Summary - VLTs and table games, large size facility (\$500m)					
Data in Millions of Dollars	Southern	Southwestern	Lakes	Ski	Great North
	NH	NH	Region	Country	Woods
Gross Receipts (2 Model Average)	\$597.8	\$104.3	\$119.2	\$178.9	\$18.3
State Gambling Revenue Estimates	\$233.1	\$40.7	\$46.5	\$69.8	\$7.1
Impact on Lottery Revenues	-\$21.7	-\$3.3	-\$8.6	-\$4.4	-\$0.9
Impact on Meals and Rooms Revenues	\$7.2	\$1.4	\$0.2	\$2.8	\$0.1
Impact of Massachusetts Decision	-\$68.6	-\$7.8	-\$3.8	\$0.0	\$0.0
Property Tax Impact (local)	\$7.0	\$13.2	\$8.7	\$7.8	\$14.9
Net State Revenue (not incl Prop Tax)	\$150.1	\$31.0	\$34.3	\$68.1	\$6.4

What becomes immediately apparent is the fact that access to the high population centers in the southern part of the state are a primary driver of the total revenues that might accrue to the state. At the same time, those areas are the most likely to be affected by a decision on the part of Massachusetts to expand gambling. Although, for example, the development of a large casino in southern New Hampshire might generate as much as \$233 million in revenues, these would be offset by the impact of increased casino gambling on lottery sales, and by almost one-third in the event that Massachusetts were to develop its own large casino across the New Hampshire border.³⁹

Another finding is that the other single largest source of revenue for the state would result from the placement of a casino in ski country. This is primarily due to the fact that tourism is significantly higher in that part of the state than in any other part of New Hampshire, and our market model significantly increases the total amount of gross receipts, and therefore potential revenues, based on that fact.

Table 7: Revenue Impact of a \$100 million Investment in a Casino at Various NH Sites

Revenue Summary - VLTs and table games, small size facility (\$100m)					
Data in Millions of Dollars	Southern	Southwestern	Lakes	Ski	Great North
	NH	NH	Region	Country	Woods
Gross Receipts (2 Model Average)	\$197.3	\$34.4	\$39.3	\$59.0	\$6.0
State Gambling Revenue Estimates	\$76.9	\$13.4	\$15.3	\$23.0	\$2.4
Impact on Lottery Revenues	-\$7.1	-\$1.1	-\$2.8	-\$1.4	-\$0.3
Impact on Meals and Rooms Revenues	\$2.4	\$0.5	\$0.1	\$0.9	\$0.0
Impact of Massachusetts Decision	-\$22.6	-\$2.6	-\$1.3	\$0.0	\$0.0
Property Tax Impact (local)	\$1.4	\$2.6	\$1.7	\$1.6	\$3.0
Net State Revenue (not incl Prop Tax)	\$49.5	\$10.2	\$11.3	\$22.5	\$2.1

The development of a smaller casino with \$100 million investment and 2,000 VLTs results in a similar pattern with respect to the magnitude of revenues generated by geographic area, again reflecting the fact that much of the population that might gamble is in the southern part of the state (see Table 7).

³⁹ As will be shown later in the calculation of benefit to the state, in this example revenue benefit to the state would be calculated as \$233m minus the impact of expanded gambling on lottery revenues plus the net increase in meals and rooms revenues.

Growth in Revenue over Time

Once established, growth in state revenues associated with expanded gambling will be tied to changes in discretionary spending or to increases in the size and amenities of a facility, or expansion in the number of facilities. Discretionary spending, as measured by the annual average increase in the state's meals and rooms revenues, increased by 4.3% annually in the non-recession years 2002 to 2007 according to the state's consolidated financial reports.

Chapter 2: Economic Development

Economists have examined expanded gambling as an economic development strategy as well as a state revenue generator. The research suggests that the success of expanded gambling in creating net economic growth depends on whether the activity can attract new visitors to the region. The strategy seems to be more successful in sparsely populated areas, without major attractions, than in densely populated areas that already have significant tourist traffic. For larger economic areas in which new visitors are not attracted, it is questionable whether gambling is a net job creator, since gambling will substitute for other entertainment activities paid for with existing discretionary income. A review of the literature suggests the following major findings regarding the economic impact of the development of expanded gambling.

First, a casino benefit or harm to a local economy hinges on whether the casino is likely to attract tourists to the region.⁴⁰ Destination casinos, such as those in Las Vegas, essentially export casino services to tourists bringing in new dollars to the local economy. A dollar spent by a tourist in a destination casino may fund a local supplier providing food and beverages to the casino, which then spends that income on other goods and services in the local economy, thus multiplying the effect of the first dollar spent. The tourist, however, does not generally spend much in the communities surrounding a resort-style casino.

Casinos that cater to a local market generally do not bring outside money into the economy through the spending of their patrons. In fact, such casinos may have no net ancillary economic impacts; residents patronizing such casinos may simply substitute gambling for other goods and services. The secondary impacts of spending on the foregone goods and services would therefore be lost, offsetting any ancillary benefits from gambling expenditures at the casino. However, if a casino attracts gamblers who otherwise would be gambling out of state, it can have net positive ancillary economic effects.

Second, economic development from a new casino is weak but does increase as population density decreases or where communities are economically struggling.^{41,42} Wenz suggested that casinos have no statistically significant net impact on the quality of life in their host counties, though Native American casinos do generate some additional economic activity in the form of increased population, employment, and housing starts. Rephann found that if casino gambling is adopted by economically struggling counties, it can be a successful development strategy. The effects trickle down to other sectors of the economy, including recipients of income maintenance payments. On the downside, local governments and local workers do not appear to reap the majority of benefits because much of the income generated by casinos is dissipated through leakages outside the host county. Research has also stated that some casino types and locations are marginally

⁴⁰ *Economic impact of casino development*, Heather Brome, Policy Analyst, Federal Reserve Bank of Boston, September 2006.

⁴¹ *Matching Estimation, Casino Gambling and the Quality of Life*, Michael Wenz, 2007.

⁴² *Casino Gambling as an Economic Development Strategy*, Terance J. Rephann and Andrew Isserman, 1999.

better than others, but currently these factors are not prominent determinants of casino effects.⁴³ Walker acknowledged the potential economic impact on local areas but assessed the extent to which these local impacts had statewide economic implications. They concluded, based on an analysis of data from 1991 to 2008, that no causal relationship between real casino revenues and real per capita income at the state level existed.⁴⁴

Finally, a significant body of economic development literature holds that new entertainment venues, such as municipal sports stadiums with a professional athletic franchise bring little “new” economic growth to a region.⁴⁵ Sports fans who attend events at these facilities are spending discretionary income that would have been spent on other entertainment in the region creating little, if any, net gain in regional wealth.⁴⁶

Many of these studies point to the substitution effect as an explanation for limited economic benefit. The substitution effect argues that “as sport- and stadium-related activities increase, other spending declines because people substitute spending on sports for other spending.”⁴⁷ Therefore, not all of the spending resulting from the construction of the new facility is new spending. When ignoring the substitution effect, many believe that the economic value of the facility is vastly overstated.⁴⁸

Opponents also argue that the multiplier for sports spending is often substantially less than the multiplier on other entertainment spending.⁴⁹ Most of the revenues generated from sports are used to pay players, managers, coaches and trainers. Unlike the employees of local restaurants, theaters, and stores, many of these players, managers, coaches, and trainers do not live in the city full-time. Therefore, these large salaries are spread into other city and state economies.⁵⁰

Modeling the Economic Development of a New Gambling Facility

Economic development impacts of a new industry in an area are commonly measured using an economic impact model.⁵¹ In determining the economic impact of a new

⁴³ Felsenstein, D. and Freeman, D. “Simulating the Impacts of Gambling in a Tourist Location: Some Evidence from Israel”, *Journal of Travel Research*, Vol. 37, No. 2, 145-155 (1998) and Felsenstein D. and Freeman D. (2002) “Gambling on the Border: Casinos, Tourism Development and the Prisoner's Dilemma”, pp 95-115 in Krakover S. and Gradus Y. (eds). *Tourism in Frontier Areas*, Lexington Books, Maryland.

⁴⁴ *Do Casinos Cause Economic Growth?*, Douglas M. Walker and John D. Jackson, 2007.

⁴⁵ <http://www.washington.edu/alumni/columns/june97/game1.html>

⁴⁶ <http://www.sabernomics.com/sabernomics/index.php/2008/05/sports-stadiums-and-economic-development-a-summary-of-the-economics-literature/>

⁴⁷ Coates, D. and Humphreys, B. (2004, October). Caught Stealing: Debunking the Economic Case for D.C. Baseball. CATO Institute. Retrieved November 29, 2008, from <http://www.cato.org/pubs/briefs/bp89.pdf>

⁴⁸ Ibid.

⁴⁹ <http://thesportdigest.com/article/economic-impact-sports-facilities>

⁵⁰ Coates, D. and Humphreys, B. (2003). Professional Sports Facilities, Franchises and Urban Economic Development. Public Finance and Management. Retrieved, December 7, 2008, from <http://netfiles.uiuc.edu/brh/www/papers/pfm2003.pdf>

⁵¹ The Center reviewed several economic impact studies, many specific to the economic impacts of casino development. These included studies in California, (Hooke), Connecticut (Carstensen), Maryland

industry, several assumptions must be made regarding the nature of the economic impact. If an expanded gambling project has two phases—construction and operation—then the impact of the construction phase should be estimated separately from the impact of the operation phase. The jobs created in the construction phase of a new facility may be high paying, but these jobs will disappear once the construction project is completed. The long term economic impact will be driven by the scope of day to day operations and the degree to which expanded gambling displaces existing expenditures on goods and services.

RIMS II Economic Impact Model

Our model of economic development uses the RIMS II economic impact model and uses as inputs the capital investment associated with the projects, wages and types of jobs associated with the short-term construction and long term operations costs of a new facility. Our model adjusts results to account for the likelihood of displacement, discussed later in this chapter.

Effective planning for public- and private-sector projects and programs at the state and local area levels requires systematic analysis of the economic impacts of the projects and programs on affected regions. In turn, systematic analysis of economic impacts must take into account inter-industry relationships within regions because these relationships largely determine how regional economies are likely to respond to project and program changes. Thus, regional input/output (I-O) multipliers, which account for inter-industry relationships within regions, are useful tools for regional economic impact analysis. Input/output models are based on relationships among industries, based on coefficients calculated by the U.S. Bureau of Economic Analysis, which is the basis of all such models used by all vendors and consultants in the United States.⁵²

In the mid-1970s, the Bureau of Economic Analysis (BEA) developed a method for estimating regional I-O multipliers known as RIMS (Regional Industrial Multiplier System), which was based on the work of Garnick and Drake.⁵³ The input/output model used to estimate the economic impacts of expanded gambling in New Hampshire is a variant of the BEA RIMS II model, which has been used to measure return on investment for the New Hampshire Division of Travel and Tourism.

Economic impact data measured from the RIMS model may take three different forms:

- **Output** is a measurement of product created by an industry. For example, individual firm shipments or sales are a measure of the output created by the firm.

(Econsult), Massachusetts (McGowan, Spectrum), Calhoun County (Erickcek), and Missouri (Garrett, Phares),

⁵² U.S. Department of Commerce, Bureau of Economic Analysis, Regional Input-Output Modeling System (RIMS II): Estimation, Evaluation, and Application of a Disaggregated Regional Impact Model (Washington, DC: U.S. Government Printing Office, 1981). Available from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; order no. PB-82-168-865; price \$26.

⁵³ Daniel H. Garnick, "Differential Regional Multiplier Models," *Journal of Regional Science* 10 (February 1970): 35-47; and Ronald L. Drake, "A Short-Cut to Estimates of Regional Input-Output Multipliers," *International Regional Science Review* 1 (Fall 1976): 1-17

- The output measure can also include capital equipment purchases. Where possible, new construction and capital equipment should be broken out from existing capital equipment.
- **Earnings** are a measure of wages and benefits paid to the firm's employees. This would include the salaries of a firm that relocated or was retained by expanded gambling economic development efforts.
 - **Employment** is a measure of the number of jobs retained or created by expanded gambling.

Economic impacts from a new industry, or decline in an existing industry, in a region also change the local economy in unique ways. Changes to the local economy can be direct, indirect or induced.

- **Direct Employment/Impact:** Employment that can be directly attributed to a particular business, activity or industry.
- **Indirect Employment/Impact:** Employment in “down-stream” industries that result from the presence of a particular business, activity, or industry. Indirect impact is generally generated in industries that supply or provide services to the direct business, activity, or industry. In the case of expanded gambling, this would include spending by the casino to continue operations.
- **Induced Employment:** Employment generated because of expenditures made by individuals employed directly or indirectly by the particular business, activity or industry (i.e. spending by the casino employees).

Construction Phase – Short Term Economic Impacts

Short term economic impacts from a new industry are most likely to be the additional economic activity associated with the construction of a new facility. Estimates of the economic impact of construction are sensitive to several variables – location, construction costs, construction type, and build out period.

The geographic location of a facility will determine the construction impact of that facility. For example, the prevailing wage for all industries, including construction, is generally lower in the North Country than in southern New Hampshire. In addition, the local workforce may not exist for large construction projects, meaning that workers may be imported from outside the region.

The cost (or size of the investment in the project) and type of construction will determine the number of construction jobs created, as well as the secondary economic impacts. Large facilities will create many jobs, while small facilities will create fewer jobs. Also, consideration should be given for construction materials and equipment imported from outside the region. Moreover, although casinos tend to be large commercial facilities with several thousand square feet of space, there is little specialty construction involved in building a casino. Therefore, we use average construction wages for the region to measure economic impacts.

Finally, the length of time to build the casino – or build out period – is critically important to understand when the impacts of gambling would occur. Construction of a

casino, especially a large casino, could take longer than one year, so the build out period must be estimated over the time needed to finish the facility.

Operations Phase – Long Term Economic Impacts

The long term economic impacts of a new industry are associated with the operations of the new facility. These impacts depend upon the type of facility, the types of jobs created, and whether the facility attracts new wealth to the region. In the case of an entertainment facility, the success or failure hinges on whether the facility attracts new tourists to the region.

Operating a casino requires several different types of jobs. Resort destination casinos, which would include hotel space, convention space, and table games, will create more jobs than would a facility with only slot machines. A facility with only coin operated slot machines may produce more revenue per square foot, but it would require fewer employees.

Gambling services workers are found mainly in the traveler accommodation and gambling industries. Most are employed in commercial casinos, including riverboat casinos, casino hotels, and pari-mutuel racetracks with casinos – known as “racinos” – which are legal in 20 states. In addition, there are 29 states with Native American tribal casinos. The largest number of gambling services workers work in casinos in Nevada.

The majority of gambling services workers are employed in casinos. Duties and titles may vary within occupations from one establishment to another. Some positions are associated with oversight and direction, supervision, surveillance, and investigation, while others involve working with the games or patrons themselves by tending slot machines, dealing cards or running games, handling money, writing and running tickets, and other activities. In most gambling jobs, workers interact directly with patrons, and part of their responsibility is to make those interactions enjoyable.

Like nearly every business establishment, casinos have workers who direct and oversee day-to-day operations. Gambling supervisors and gambling managers oversee the gambling operations and personnel in an assigned area. They circulate among the tables and observe the operations to ensure that all of the stations and games are covered for each shift, and that workers and gamblers adhere to the rules of the games. Gambling supervisors and gambling managers often interpret or explain the operating rules of the house to patrons who may have difficulty understanding the rules. Periodically, they address complaints about service. Day to day maintenance operations jobs include maintenance staff managing the facility.

The following table (Table 8) shows the staffing pattern for a typical casino, based on national estimates from the Bureau of Labor Statistics.⁵⁴ The majority of jobs created in casinos have wages averaging less than \$10 per hour. However, data from the Nevada Gaming Commission suggests that tips can be a substantial portion of overall

⁵⁴ Occupational Staffing Patterns at the Four-Digit NAICS Level, Monthly Labor Review, Vol. 117. NAICS - North American Industry Classification System.

Table 8

National Staffing patterns for Establishment in NAICS 7132 Gambling industries				Hourly Median Wage 2008	
SOC code	Occupational Title	staff ratio	NH	US	
39-3011	Gaming Dealers	17.5%	n/a	\$7.84	
41-2012	Gaming Change Persons and Booth Cashiers	6.4%	n/a	\$10.57	
35-3031	Waiters and Waitresses	6.3%	\$7.67		
33-9032	Security Guards	5.2%	\$13.55		
43-3041	Gaming Cage Workers	4.2%	n/a	\$11.97	
39-1011	Gaming Supervisors	3.9%	n/a	\$21.87	
39-3012	Gaming and Sports Book Writers and Runners	3.2%	n/a	\$9.46	
35-3011	Bartenders	3.1%	\$8.53		
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	3.1%	\$11.60		
41-2011	Cashiers	2.8%	\$9.11		
35-2014	Cooks, Restaurant	2.6%	\$11.81		
37-2012	Maids and Housekeeping Cleaners	2.6%	\$10.35		
39-1012	Slot Key Persons	2.1%	n/a	\$12.24	
35-9011	Dining Room and Cafeteria Attendants and Bartender Helpers	2.0%	\$7.70		
49-9091	Coin, Vending, and Amusement Machine Servicers and Repairers	1.9%	\$16.43		
33-9031	Gaming Surveillance Officers and Gaming Investigators	1.7%	n/a	\$13.87	
43-3031	Bookkeeping, Accounting, and Auditing Clerks	1.7%	\$16.04		
39-3019	Gaming Service Workers, All Other	1.6%	n/a	\$11.58	
35-9021	Dishwashers	1.2%	\$9.21		
39-3099	Entertainment Attendants and Related Workers, All Other	1.1%	n/a	\$9.39	
11-9071	Gaming Managers	0.9%	n/a	\$32.83	
	Above Occupations share of Total Industry	75.0%			

Note: Staff ratio is the proportion of occupations typically found in the industry. For example, Gaming Dealers typically represent 17.5% of the jobs in the Gambling Industries sector (NAICS 7132). This industry group comprises establishments (except casino hotels) primarily engaged in operating gambling facilities, such as casinos, bingo halls, and video gaming terminals, or in the provision of gambling services, such as lotteries and off-track betting. Casino hotels are classified in NAICS Industry 72112.

compensation paid to casino employees.⁵⁵ Assuming that tips from patrons would average about 15% of revenue to the casino, then a casino food server could realize tips at about 40% of wages, beverage servers could see tips at about 75% of paid wages, and gambling employees could realize tips at about 135% of paid wages.

Displacement or Substitution

As mentioned, there is a significant body of economic development literature, which holds that new entertainment venues, such as municipal sports stadiums with a professional athletic franchise, bring little “new” economic growth to a region.⁵⁶ In the same way, local residents who would now spend their discretionary income at a casino would be shifting their dollars from other discretionary purchases.^{57 58}

Displacement is accounted for in other economic impact models in the distinction between firm and industry employment. Firm employment represents non-export based employment and thus displaces existing employment in the respective industry sector since it is assumed to compete with local businesses. Industry employment represents export based employment and thus does not displace existing employment in the respective industry sector since it is assumed not to compete with local businesses.

Other studies of gambling specifically have assumed displacement to vary from 20%⁵⁹ to 50%.⁶⁰ One study from Chicago assumed 20-40% displacement of existing riverboat casino revenue, in addition to the assumption that 20% of casino annual gambling revenue would be diverted from current local spending; this resulted in an estimate of between 40% and 60% displacement.

In our work, we developed measures of displacement based on the degree to which our modeling suggested new visitors would be drawn into the market and are based on our drive time model discussed in Chapter 1. As an example, in the southern part of the state along the Massachusetts border, about two-thirds of visits would come from out of state. This represents – potentially – new visitors and “new” discretionary spending assuming these individuals were not already spending money in the southern part of New Hampshire. However, 30% of the visitors would be in-state visitors who might now have less money to spend on comparable amusement opportunities. Displacement would be much higher in other parts of the state where you are not drawing in travelers from out of

⁵⁵ Analysis of staffing patterns and other casino performance indicators from Simon, Steve, “Casino Performance: More Money is a Measure Away”, REDWGaming Auditors and Consultants, 2007

⁵⁶ <http://thesportdigest.com/article/economic-impact-sports-facilities/>; also

<http://www.sabernomics.com/sabernomics/index.php/2008/05/sports-stadiums-and-economic-development-a-summary-of-the-economics-literature/>

⁵⁷ “Our analysis indicates that at the county level – where any positive or negative effects are likely to be concentrated – casino would have only relatively minor effects”, Betting on the Future: The Economic Impact of Legalized Gambling, Rappaport Institute of Greater Boston, January 2005.

⁵⁸ See also Keanry, “The Economic Winners and Losers of Legalized Gambling, Brookings; and Thompson and Gazel, “The Spread of Gambling as a Prisoners Dilemma”, 1997.

⁵⁹ “Chicago Land-Based Casino”, prepared for the City of Chicago Budget & Management Office by REMI, October 2004.

⁶⁰ “Using the REMI Policy Insight to Forecast the Economic & Fiscal Impact of Resort Casinos in Massachusetts”, DGA Economics, LLC, April 2009.

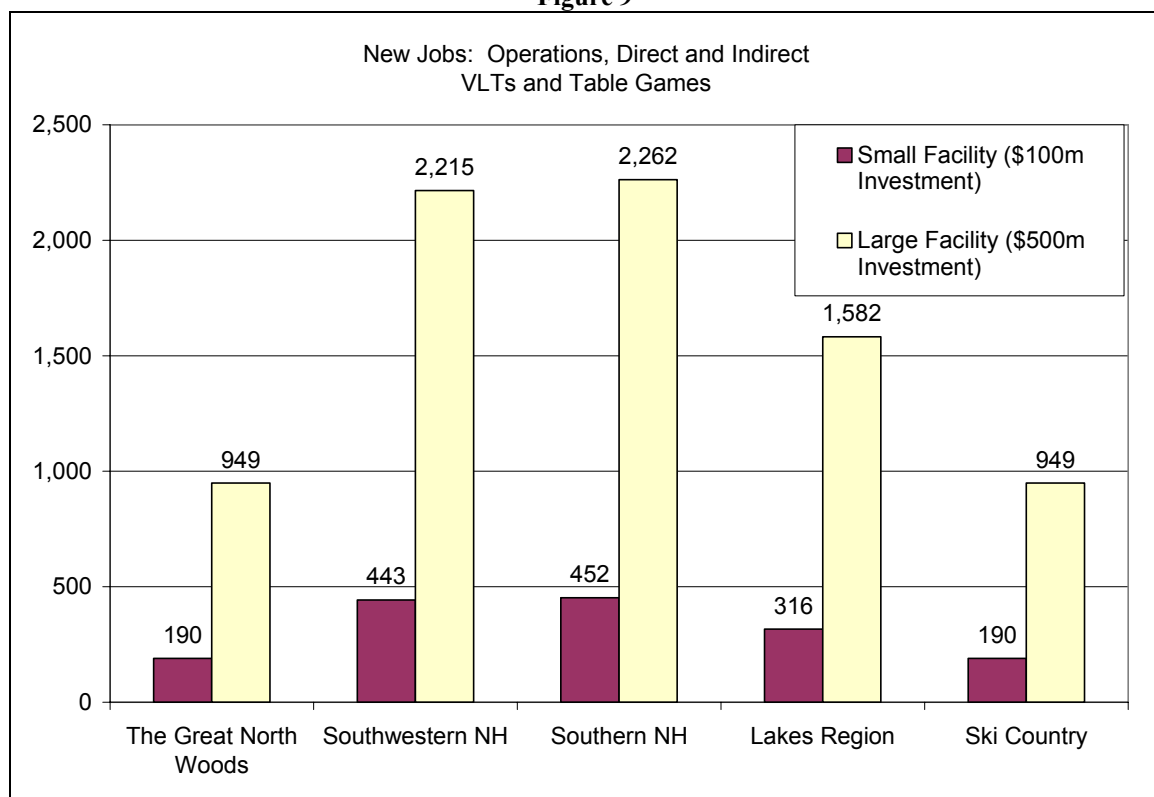
state. In the North Country, for example, there is little expectation that out of state visitors would go to Berlin only to gamble. One could therefore assume that much of the resources that could be spent on gambling would have been spent on other in-state activities.

Economic Development Summary Impacts

Whether looking at the creation of jobs or the impact on gross domestic product (GDP) of expanded gambling, the economic development implications depend critically on the assumptions about the size of investment and type of facility. Detailed results of simulating the economic development implications of expanded gambling in five different sites across the state are included in Appendix A.

One of the implications of our model is that the type of facility developed has a large impact on the ongoing economic development implications of a facility. As shown in Figure 9, in the Lakes Region, for example, the development of a \$100 million facility with 480 jobs would result in an estimated net 316 jobs in the local area. However, the development of a large facility with 2,400 jobs with VLTs and table games in the Lakes Region would result in a net gain of 1,582 jobs.

Figure 9

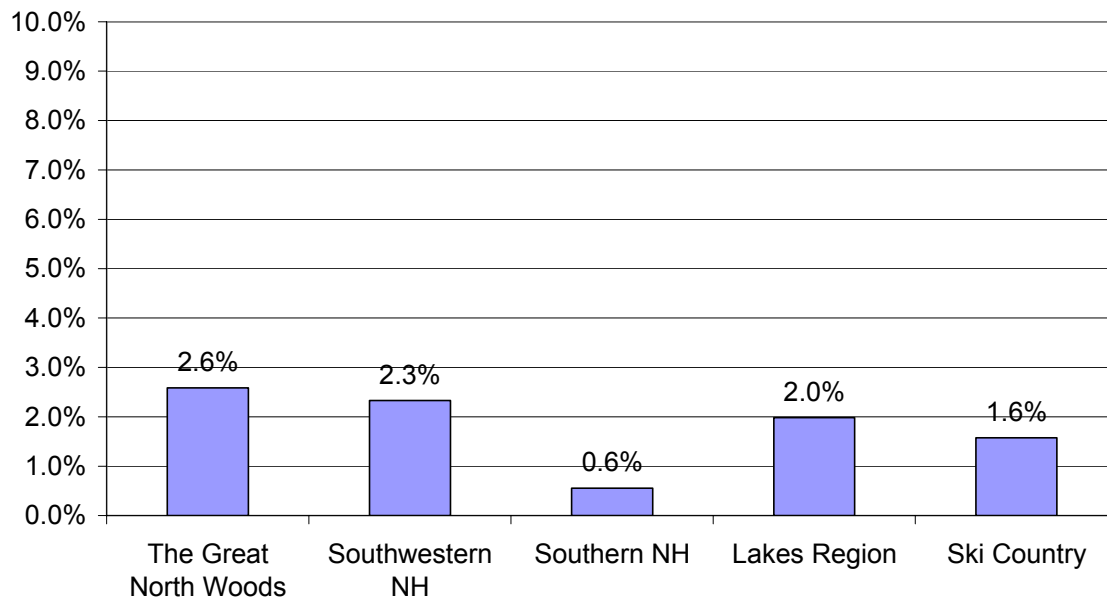


The economic development implications, as measured by the size of the impact on the local economy, vary tremendously in part due to the different sizes of local economies across the state. Figure 10 shows the direct and indirect impacts of the operations of a

large facility with VLTs and table games expressed as a percent of the local county gross domestic product.

Figure 10

Expanded Gambling's Impact on Local Economies:
Development of large facility (\$500m) with 5,000 VLTs and Tables games -
Impact on gross domestic product in the county.



Finally, our model suggests that displacement – or the substitution of existing spending for gambling – could have a big impact on economic development estimates. In our Great North Woods simulation, where relatively few out-of-state gamblers are imported and limited tourism exists relative to the rest of the state, 70% of jobs could be replacing existing jobs with only a limited increase in direct jobs beyond what already exists in the community. However, it is also less likely that a large facility would be located in the North Country because of great distance from potential markets in southern New England.

Testing Our Model: Comparison of RIMS II and REMI models

In order to test the economic development estimates shown in this report, the Center tested the model results from the RIMS II model against a test run from the economic impact model created by Regional Economic Models, Inc. (REMI)⁶¹

The table below compares the results from both models. The assumption in both cases is the construction of a \$500 million casino in Rockingham County, which would create

⁶¹ The Center thanks Annette Nielsen of the New Hampshire Department of Employment Security Economic Labor Market and Information Bureau. The source the model as follows: New Hampshire 10-county, 70 industry sector, REMI PI+® Model.

2,000 construction jobs (1,000 each year for two years). In the operations phase the casino would employ 2,400 people, with the jobs concentrated in “Amusement, gambling, and recreation”, “Accommodation,” and “Food services and drinking places” industry sectors.⁶²

Table 9: Comparison of PRIMS II and REMI Model

Comparison of Models RIMS II and REMI		
Baseline Estimates from the Model for Rockingham County		
	RIMS II	REMI
Employment (jobs) in the county	199,930	192,401
Total Annual Earnings in region (base case)	\$6,855,118,000	\$9,439,494,000
Total Annual GDP in region (base case)	\$17,029,022,000	\$15,248,098,413
Note: RIMS data includes earnings only, does not include employer contributions (insurance, etc.)		
Total Impact on the Rockingham economy from a 2,000 Job Construction Project		
Includes Direct Jobs and Indirect Impacts	RIMS II	REMI
Change in employment (jobs) in the county	3,674	2,839
Change in Total Annual Earnings in region	\$150,319,600	\$147,720,000
Change in Total Annual GDP in region	\$292,722,500	\$133,452,679
Total Impact on the Rockingham economy from a Casino Employing 2,400		
Includes Direct Jobs and Indirect Impacts	RIMS II	REMI
Change in employment (jobs) in the county	3,232	3,044
Change in Total Annual Earnings in region	\$64,508,300	\$94,718,900
Change in Total Annual GDP in region	\$150,315,600	\$138,284,099
Casino Construction Change to the Baseline Estimate		
Change in employment (jobs) in the county	1.8%	1.5%
Change in Total Annual Earnings in region	2.2%	1.6%
Change in Total Annual GDP in region	1.7%	0.9%
Casino Operations Change to the Baseline Estimate		
Change in employment (jobs) in the county	1.6%	1.6%
Change in Total Annual Earnings in region	0.9%	1.0%
Change in Total Annual GDP in region	0.9%	0.9%

The comparison between the two models suggests the results are in most cases very similar, particularly when looking at the total impact of a project on the economy. Simulations of employment and Gross Domestic Product for Rockingham County in both the REMI and RIMS II model are approximately the same. The REMI and RIMS II models are nearly identical in the estimated economic impacts of a casino in the operations phase. For example, both models assume that employment in Rockingham County will increase by 1.6% due to the operation of a casino.

However, there were two differences worth noting. First, base case earnings in the REMI model are substantially higher than in the RIMS II model. This is largely because the REMI model estimate of earnings includes non wage employee compensation, such as employer contributions to health insurance and pension plan. Second, the REMI model

⁶² These are occupational groupings used to analyze employment.

shows a lower construction phase net impact (direct jobs plus indirect and induced jobs) on the local economy than is shown in the RIMS II model. For example, the total job impact on the economy is 1.8% in the RIMS II model, versus 1.5% in the REMI model. We believe the difference comes from the REMI model assuming more “leakage” outside the region in estimating construction impacts. That is, the REMI model assumes that many of the people filling construction jobs will commute into those jobs from outside the region, and thereby creating a smaller economic impact than in the RIMS II model.

In summary, we believe that the use of RIMS II provides a good baseline for assessment of the economic development implications of expanded gambling in New Hampshire, with an understanding that the use of REMI might result in slightly different results, but no difference in the overall policy implications.

Chapter 3: Problem Gambling in New Hampshire

For a portion of adults who gamble, gambling becomes more than just entertainment – it becomes a pathological problem with personal and community impacts. Critics of expanded gambling often point to problem gambling creating social costs to the community that would more than outweigh the potential economic development and state revenue benefits. We offer here a brief discussion of problem gambling and the caveats regarding the current research, and we discuss the scope of potential prevalence of problem and pathological gambling in New Hampshire.

Geographic availability of a gambling venue has a large impact on the prevalence. The National Gambling Impact and Behavior Study report by NORC⁶³ found that the risk of problem and pathological gambling doubles when a person lives within 50 miles of a gambling venue. Currently, none of New Hampshire's residents are within 50 miles of a gambling venue. Also, although most New Hampshire residents have access to pari-mutuel betting and lottery games, not all types of gambling activities pose the same risk to develop pathological behavior. Studies have noted that machine gambling, such as slots and VLTs, are more commonly reported by pathological gamblers as their choice of game (upwards of 70%) over other types of gambling, even if other forms are available in the same venue.⁶⁴

What is Problem Gambling?

The idea of pathological gambling is relatively new compared to other aspects of mental disorder sciences. The diagnostic criteria for pathological gambling was established in the fourth edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) in 1994; whereas, the diagnoses of alcohol or drug addictions were established in the first edition in 1952.

According to the DSM-IV,⁶⁵ problem and pathological gambling are a set of disorders where a person has uncontrollable urges to gamble regardless of any harmful consequences. Gambling disorders are often characterized by the person experiencing harm because of one's gambling behavior beyond the gambling behavior itself. Issues associated with gambling are diagnosed using 10 criteria regarding an individual's gambling behavior (listed below). The NORC study noted that a person with 5 or more of these behaviors meets the definition of a pathological gambler.⁶⁶ A person with 3 to 4 criteria is considered a problem gambler, and a person with 1 to 2 criteria is at-risk for developing a gambling disorder.

⁶³ National Opinion Research Center (NORC). "Gambling Impact and Behavior Study." University of Chicago. 1999.

⁶⁴ Breen and Zimmerman. "Rapid Onset of Pathological Gambling in Machine Gamblers." Journal of Gambling Studies. Vol. 18. No. 1. Spring 2002.

⁶⁵ American Psychiatric Association. "Diagnostic and Statistical Manual of Mental Disorders DSM-IV Fourth Edition." 1994.

⁶⁶ NORC 1999.

1. Preoccupation: The subject has frequent thoughts about gambling experiences, whether past, future, or fantasy, or thinking about ways to get money to gamble.
2. Tolerance: The subject requires larger or more frequent wagers to experience the same "rush".
3. Withdrawal: Restlessness or irritability associated with attempts to cease or reduce gambling.
4. Escape: The subject gambles to improve mood or escape problems.
5. Chasing: The subject tries to win back gambling losses with more gambling.
6. Lying: The subject tries to hide the extent of his or her gambling by lying to family, friends, therapists, or others.
7. Loss of control: The subject has unsuccessfully attempted to reduce gambling.
8. Illegal acts: The subject has committed a crime, such as theft, fraud, forgery, or embezzlement, in order to obtain gambling money or recover gambling losses.
9. Risked significant relationship: The subject, despite risking or losing a relationship, job, or other significant career or educational opportunity, continues to gamble.
10. Bailout: The subject turns to family, friends, or another third party for financial assistance as a result of gambling.

In this analysis, we present estimates of what the impact on the number of problem and pathological gamblers could be if casino style gambling were introduced in New Hampshire. This model uses the population estimates from the market analysis discussed above, with all of the same assumptions. These population estimates are the basis for which the prevalence of problem and pathological gambling are estimated.

Issues in measuring the prevalence of problem gambling

In this report, we examine prevalence estimates for problem gambling and then estimate the potential impact of problem gambling in New Hampshire. However, these estimates are not without caveats. As one examines these numbers, several important factors should be kept in mind, even with the estimates that we present in the sections following.

Instruments to detect problem gambling have been in use since the 1980s, and many have good accuracy with diagnosis. However, several issues have been raised when research has tried to use these instruments to determine the prevalence of problem gambling in the general population. For example, one commonly used instrument was found to have a false-positive rate of 50% when used to measure problem gambling in a general adult population survey.⁶⁷ There are three reasons to be cautious in assessing the prevalence of problem gambling data.

First, many studies examine "lifetime" problems with gambling. Throughout a person's lifetime, he or she may have experienced one or more clinical aspect of problem gambling – and, not all at the same time. These issues may have long resolved before the

⁶⁷ In other words, half of the adults where the survey indicated they had problem gambling, in fact, were misdiagnosed. Stinchfield R. "Reliability, validity, and classification accuracy of the South Oaks Gambling Screen (SOGS)." *Addictive Behaviors*. 27(1) 2002. pp 1-19.

survey was answered. Therefore, this person could be considered a false-positive and lead to an overestimation of the prevalence of problem gambling.

Second, other surveys have asked about a person's behavior for the past 12 months. Although this method would fix the temporality issue when asking about a person's lifetime experience, this method would miss people with a history of problem gambling who no longer report their issues; therefore, possibly undercounting the true prevalence.

Third, research has yet to extensively describe the impacts of co-occurring mental health disorders. Several studies assert that pathological gamblers are more likely to have addiction issues with drugs and/or alcohol or have another mental health disorder, such as depression, mania, or anxiety.⁶⁸ The estimates below do not take into account the impacts that these disorders have on a population at risk for developing problem gambling. Furthermore, casinos most commonly serve complimentary or discounted alcoholic beverages to gamblers. The lack of definitive research raises the question of whether visiting a facility and consuming alcohol could be a significant driver in the development of a gambling disorder.

Fourth, research has yet to conclusively determine the impacts of internet gambling on pathological behaviors. Internet gambling was essentially curtailed in 2006 with the passage of the Unlawful Internet Gambling Enforcement Act, which made it illegal for financial institutions to transfer money to online casinos. However, internet gambling may very well become a regulated industry in the future, giving rise to gambling access virtually everywhere. Although increasing gambling access in such a dramatic way would certainly increase the risk for pathological problems, internet gambling regulations have not been a major part of the policy conversation in New Hampshire. And, therefore, our estimates do not take into consideration what this impact could be.

Finally, one must note that these estimates differ from the estimates the Center published in our previous report.⁶⁹ The estimates provided in that previous report were simple calculations based on the assumption that all residents of the state would have equal access to gambling, which is not modeled here. Nor did they take into account market dynamics, facility "gravity," or adjust for risk across measures of gambling frequency. All of these additional calculations are discussed below.

Estimating Problem Gambling

We restrict our analysis of problem gamblers among the New Hampshire resident population. This is not to discount the social impacts of problem gamblers who live in other states, but, in the context of economic development and state revenue, we assume it is overwhelmingly the social impacts of problem gamblers who are New Hampshire residents that levy a financial burden to the state.

⁶⁸ Petry and Weinstock (2007) from "Research and Management Issues in Gambling Studies."

⁶⁹ "A Brief Report on Gambling in New Hampshire." The New Hampshire Center for Public Policy Studies. December 2009. Available at www.nhpolicy.org.

Estimating Gamblers

First, we begin our model for estimating social costs with the estimates of the number of gamblers. This approach first estimates the number of people that might gamble in a given market area, aggregated by their drive time. These population figures are the same as described in the revenue generation model above, with the same assumptions applicable.

Second, we aggregate each of the population estimates by the number of people thought to currently gamble (at 18% of the adult population) and the increase in the number of gamblers induced by the introduction of a casino. To obtain the increase in the population that gambles, we use the propensity to gamble by drive time area estimates (presented in Table 1 in Chapter 1), which in many cases far exceeds the 18% participation of the current adult population. For example, Table 1 (in Chapter 1) presents the adult participation rate within 30 minutes of drive time to a casino at 48%, which refers to the participation of all adults in that area. However, 18% of those adults already gamble, therefore, the overall increase in gamblers for this drive time area would be 30 percent.

Third, we adjust the population figures for the attractiveness of a particular facility, referred to earlier in this report as a “gravity factor” (presented in Table 2 in Chapter 1). We have already discussed how the attractiveness of a facility impacts gambling behavior in the revenue models. Again, the same assumptions for these adjustments apply to estimating the population of problem gamblers. However, one additional assumption is made here – the gravity factor adjustment will not reduce the propensity to gamble to less than the current population of gamblers, at 18% of adults. Simply, that 18% of population is the minimum participation percentage for any given drive time in any given market area for the social costs model. What this adjustment may show, however, is that facilities with lower gravity factors may not induce new gamblers at increased distances.

Calculating Pathological and Problem Gamblers

Having computed the number of new gamblers, we must then provide an estimate of the number of new pathological and problem gamblers. One must understand an underlying assumption about the risk for problem gambling – that a person must have access to a place to gamble and must actually gamble in order to become a problem gambler.⁷⁰

The prevalence estimates in this model are primarily based on prevalence estimates from a national meta-analysis of over one hundred problem gambling prevalence studies, conducted by Shaffer and Hall, which offer past-year at-risk and problem as well as pathological gambling prevalence estimates across the entire adult population.⁷¹ Even

⁷⁰ We acknowledge that individuals who currently are gambling do so at bingo halls, charitable gambling venues, over the internet, and through illegal wagering, among others, but we consider those options only in the context of the current level of problem and pathological gambling currently experienced in the state.

⁷¹ Shaffer H and Hall M. “Updating and Refining Prevalence Estimates of Disordered Gambling Behaviour in the United States and Canada.” *Canadian Journal of Public Health*. 92(3) p.168-72. May-June 2001. See Past-Year adult estimates, Table 1, p. 169. High and low estimates are based on the ends of the 95% confidence interval of prevalence estimates. We chose past-year prevalence estimates to be able to

with the statistical rigor of a meta-analysis, some imprecision remains; therefore, we offer a low and a high estimate of the number of problem and pathological gamblers.⁷² As we are interested in understanding the magnitude of problem gambling for adults who gamble only and not the entire adult population, as Shaffer and Hall provide, we use a simple algebraic calculation to produce basic prevalence measures for gamblers residing within 60 minutes of a gambling facility.

Two different estimates of problem and pathological gamblers are required to estimate the number of new pathological or problem gamblers associated with an expansion in gambling. The first is an estimate of those individuals that currently gamble who already have an associated problem with gambling. Shaffer and Hall's estimates are likely an over-estimate for a market like New Hampshire currently, so we were required to make a number of assumptions to adjust those rates.⁷³ Research suggests that the risk of developing a gambling problem is reduced by one-half if one is 50 to 250 miles from a facility.⁷⁴ As the nearest gambling facility to New Hampshire is more than 100 miles away from any New Hampshire resident, we divide the risk of problem gambling for a gambler from the basic prevalence rates from Shaffer and Hall in half.⁷⁵

We take that adjusted prevalence estimate and multiply it through the adult population estimated to already gamble within each market area of interest. The following table (Table 10) shows estimates of gambling disorders among the population that currently gambles, at 18%, by each of the market areas of interest.⁷⁶

calculate an annualized estimate. Note in Shaffer and Hall, Level 3 = pathological gambler, Level 2 = combined at-risk and problem gambler. The table of prevalence rates by drive-times can be found in the appendix. The Center chose to base our calculation on a study from 2001 because of the statistic rigor required for a meta-analysis. Although more recent studies of prevalence may be available, they are of local scope, which may not be applicable to the characteristics of New Hampshire, and they may not have gone through a statistical process as rigorous as performed by Shaffer and Hall.

⁷² Ibid.

⁷³ The current New Hampshire market has little access to casino gambling, and the Shaffer and Hall estimates are based on averages of studies of markets with casino gambling. Therefore, we assume that those estimates unadjusted would overestimate the current level of problem gambling in the state.

⁷⁴ National Opinion Research Center. "Gambling Impact and Behavior Study." University of Chicago. 1999.

⁷⁵ We assume that 60 minutes of drive time is close to a 50 miles distance from a casino.

⁷⁶ Another assumption to these estimates is that we do not take into consideration the impacts of any prevention, education, or treatment activities on these numbers. Presumably, if state and local agencies implemented a comprehensive public health strategy for prevention and treatment of problem gambling based on current best-practices, one would expect that these figures may overestimate the true number of problem gamblers that could potentially exist with expanded gambling.

Table 10

Market Area	Gambling Disorders among Current Gamblers					
	Problem Gamblers		Pathological Gamblers		Total w/ Gambling Disorder	
	Low	High	Low	High	Low	High
Southern NH	2,604	5,102	1,393	3,043	3,997	8,146
Southwestern NH	606	1,188	324	708	930	1,896
Lakes Region	1,158	2,268	619	1,353	1,777	3,621
Ski Country	1,029	2,017	551	1,203	1,580	3,220
Great North Woods	165	323	88	193	253	515

The second estimate is for pathological gamblers associated with the expansion of gambling. First, we assume that the introduction of a gambling facility would result in a rate of gambling problems as noted by Shaffer and Hall. Second, we adjust rates for those residents who would live more than 50 miles from a potential facility – adults living in the 60-90 minute drive time area. As indicated, the literature suggests that the risk of problem gambling declines as distance increases. We assume that this distance is somewhat protective, but not as protective as the distance from a facility residents in New Hampshire now experience. Therefore, for this calculation, we reduced the risk of pathological and problem gambling by one-fourth (instead of one-half) of the risk of gamblers living within 60 minutes of a potential casino.⁷⁷

Our estimates also account for the fact that the frequency of gambling is an important determinant of pathological or problem gambling as well. Explicitly, our calculations assume that it is unlikely that infrequent gamblers have any significant risk for developing a pathological disorder. We use lifetime gambling frequency – based on Kessler, et al. (2008) using National Co-Morbidity Survey data⁷⁸ – to distribute risk of a gambling disorder by the share of the population that gambles at a particular frequency and the likelihood of having a gambling disorder at a given gambling frequency. For example, a person who has gambled less than ten times in their life would have no risk of having a pathological gambling disorder.⁷⁹ On the other hand, a person with over 1,000 visits to a casino would have more than three times the average risk of a having a pathological problem. One result from this adjustment is the reduction in the number of at-risk gamblers, those who do not meet the clinical criteria for problem gambling, included in the total problem gambler prevalence estimates offered by Shaffer and Hall.

Table 11 below presents the increase in the prevalence of problem and pathological gambling by each of the market areas and by the type of facility, based on the calculation described above. There are several differences between the market groups that bear

⁷⁷ To see the prevalence estimates used for each particular drive time, see Table B-1 in Appendix B.

⁷⁸ Kessler et al. "DSM-IV Pathological Gambling in the National Co-morbidity Survey Replication." *Psychological Medicine*. Vol. 38, pp.1351-60. September 2008. See Table B-2 in Appendix B for the adjustments based on this research.

⁷⁹ We make this assumption based on Kessler's results that no one surveyed who reported gambling less than 10 times in a lifetime reported any gambling problems, therefore, the percent of the population who reported to have gambled 10 times or less would not be considered at-risk for developing problem gambling.

noting. Not surprisingly, the market areas with the largest populations will also have the largest numbers of problem gamblers. However, because the risk of becoming a problem gambler decreases with distance, the size of the population and the type and attractiveness of a gambling venue are important factors to consider.

Table 11

Market Area and Casino Type	Induced Gambling Disorders among Current and New Gamblers					
	Problem Gamblers		Pathological Gamblers		Total w/ Gambling Disorder	
	Low	High	Low	High	Low	High
Southern NH						
Large with Table Games	4,506	8,828	2,483	5,424	6,988	14,252
Large w/o Table Games	3,182	6,235	1,761	3,848	4,943	10,083
Small with or w/o Table Games	1,129	2,212	642	1,403	1,771	3,614
Southwestern NH						
Large with Table Games	741	1,452	410	896	1,151	2,348
Large w/o Table Games	507	994	283	618	790	1,611
Small with or w/o Table Games	215	421	123	269	338	690
Lakes Region						
Large with Table Games	2,222	4,353	1,223	2,672	3,445	7,025
Large w/o Table Games	1,581	3,097	873	1,908	2,454	5,006
Small with or w/o Table Games	672	1,316	378	826	1,050	2,142
Ski Country						
Large with Table Games	659	1,292	370	808	1,029	2,100
Large w/o Table Games	406	796	232	507	638	1,303
Small with or w/o Table Games	135	264	84	184	219	448
Great North Woods						
Large with Table Games	146	286	81	178	228	464
Large w/o Table Games	96	188	54	118	150	306
Small with or w/o Table Games	14	28	9	21	24	48

The influence of the size of the population is easily evident – the larger the base population, the more problem gamblers one would expect assuming equal risk. What is not as evident is the influence on the facility type. Between a large facility with table games to a large facility without them, we assumed a 20% reduction in the facility gravity factor (see Table 2 in Chapter 1). This drop in attractiveness to the surrounding population had more than a 20% reduction of induced gamblers who are estimated to have problem gambling. And, once the model was adjusted for a small facility (with or without table games), the total population of gamblers would not exceed the estimate of adults who currently gamble. Therefore, the population of problem gamblers in a market with a small casino only represents new problem gamblers among the population of adults who currently are gambling and not among new gamblers induced by the presence of a new casino.

Proximity to a casino also influences the number of problem gamblers. Table 12 below shows one example of how the prevalence of problem gambling varies across drive times for new gamblers by each market area, based on the model to estimate problem gamblers described above.

Table 12

Market Area, Large Casino with Table Games	Gambling Disorders among Induced Gamblers	
	Low	High
Southern NH		
0-30 minutes	1,946	3,969
30-60 minutes	4,532	9,243
60-90 minutes	510	1,041
Southwestern NH		
0-30 minutes	142	290
30-60 minutes	700	1,429
60-90 minutes	309	629
Lakes Region		
0-30 minutes	633	1,291
30-60 minutes	2,793	5,696
60-90 minutes	19	38
Ski Country		
0-30 minutes	111	226
30-60 minutes	319	651
60-90 minutes	600	1,224
Great North Woods		
0-30 minutes	78	160
30-60 minutes	37	76
60-90 minutes	112	228

If a large facility was placed in southern New Hampshire, for example, the relative impact on the residents of Salem, for example, would be the greatest; however, it is the areas that are between 30 and 60 minutes that would have the most cases of gambling disorders. This is due to the larger population centers of Manchester and Nashua falling into this area. This phenomenon is present in many of the market areas studied – having implications for where prevention and/or treatment activities should be diverted to be the most effective.

Calculating potential increases in crime due to gambling

The presence of a casino may increase crime in the area where it is located, but the reasons for why it occurs and whether the risk of being a victim of a crime changes is still widely debated.⁸⁰ In what follows, we provide estimates of the potential impact of

⁸⁰ Grinols and Mustard. "Casinos, Crime, and Community Costs." *Review of Economics and Statistics*. 88(1):28-45. February 2006. Comment – Walker. "Do Casinos Really Cause Crime?" *Econ Journal Watch*. 5(1):4-20. January 2008. Reply – Grinols and Mustard. "Correctly Critiquing Casino-Crime Causality." *Econ Journal Watch*. 5(1):21-31. January 2008. Rejoinder – Walker. "The Diluted Economics of Casinos and Crime: A Rejoinder to Grinols and Mustard's Reply." *Econ Journal Watch*. 5(2):148-55. May 2008. Reply – Grinols and Mustard. "Connecting Casinos and Crime: More Corrections of Walker." *Econ Journal Watch*. 5(2):156-62. May 2008.

expanded gambling on crime in New Hampshire. We begin with a discussion about what we know from the literature to provide some context for decision-makers.

Research seems to generally accept the idea that crime increases on an absolute basis with the introduction of a casino. Logically, casinos bring tourists in, which increase the number of people in the area and therefore increases the number of potential victims of crime. This idea certainly fits in when considering crimes that occur in public, like auto-theft. Research has also pointed to pathological gambling as a source of crime. For example, a problem gambler may steal in order to support more gambling.

Other factors have been suggested as to why the absolute numbers of crimes increase. One, fewer police per capita may occur (if considering tourists), and police may spend more time handling crimes at a casino instead of patrolling the community. Casinos have high levels of security, and therefore they may be more apt to catch a crime and report it to local police. This would divert police resources away from the community; thereby, allowing more crime in the community to occur. Two, casino tourism is different from other kinds of tourism. Alcohol is often complimentary or discounted to players and large amounts of money are exposed and handled in the facility. These could be considered risk factors in a visitor becoming a victim of a crime.⁸¹

Generally, researchers have used different methods to determine increases in crime and social impacts in communities that introduced casinos. One study compared casino communities' crime rates with the crime rates of demographically similar communities without casinos.⁸² Another study examined the changes in crimes rates over time in counties that built casinos.⁸³ Both of these study designs have their strengths and weaknesses. But, the overall base of research lacks multiple studies of each design to be able to evaluate which design may be better to study the issue of crime and gambling. More research, especially rigorous, peer-reviewed studies, from organizations without ties to either the gambling industry or the anti-gambling lobby is needed to truly understand the complexity of the social impacts of gambling.

Currently, Grinols and Mustard (2006) offer the most detailed attempt to associate casinos and crimes to date. Other research has been inconclusive (Stitt 2003, for example) and research is not without its critics (Walker 2007).

Using data from Grinols and Mustard,⁸⁴ we offer a simple model to examine the potential increase in crime across each of the market areas of interest. Two caveats to these estimates. First, these estimates are based on the presence of any casino, so data is not adjusted for the size or attractiveness of the facility. Second, the estimates are not aggregated by drive time areas. The population figures these estimates are based on is the total population within a 90 minute drive of a given facility. Estimates for the increase in

⁸¹ Walker DM. "Casinos and Crime in the US." *Handbook on Economics of Crime*. (forthcoming September 2010). March 2009.

⁸² Stitt, Nichols, and Giacomassi. "Does the Presence of Casinos Increase Crime? An Examination of Casino and Control Communities." *Crime and Delinquency*. 49(2): 253-84. April 2003.

⁸³ Grinols and Mustard. "Casinos, Crime, and Community Costs." *Review of Economics and Statistics*. 88(1):28-45. February 2006.

⁸⁴ Ibid. Pg. 41-42.

crime by market area are shown in the table below (Table 13). Due to the extent of the data available on which to base a model, these estimates focus on FBI Index I crimes only.

Table 13 shows over 1,200 additional FBI classified Index I crimes in the southern New Hampshire market area, for example. The vast majority of the increase in crimes (91%) is for crimes related to money or property – auto theft, burglary, and larceny. However, according to Grinols, there would also be substantial increases of violent crime – aggravated assault, rape, and robbery – as well, but, as the table shows, they are less common.

Two additional caveats should be considered when reviewing these estimates. First, these estimates are based on the portion of New Hampshire residents within each market area only. It is certainly possible that visitors from outside New Hampshire will commit a crime associated with a gambling disorder in another state after visiting a New Hampshire based venue. These estimates would not include those crimes and only count crime committed within state borders.

Second, as a forthcoming report by the Center will show, many towns in the state do not report crime statistics and those that do have only begun to do so recently.⁸⁵ For example, Salem, NH – a town where expanded gambling may very well be introduced, does not currently report crime statistics. Therefore, these estimates are based on state totals and do not reflect variations in criminal activity across these communities. Presumably, these estimates over-count crime in some areas and under-count crime in others. This adds uncertainty to any study of casinos and crime specific to New Hampshire.

⁸⁵ www.nhpolicy.org. Report on crime reporting in New Hampshire forthcoming.

Table 13: Estimated Crime Impacts by Market Area

Southern NH

Crime Type	NH Crime Rate per 100,000 residents, 2007	Current No. of Crimes	Estimated Percent Increase	New Crime Rate	No. New Crimes	Total Crimes
Aggravated Assault	78.0	485	10%	85.8	48	533
Rape	25.3	157	10%	27.8	16	173
Robbery	32.8	204	23%	40.3	47	251
Murder	1.1	7	10%	1.2	1	8
Larceny	1414.4	8,786	9%	1,536.0	756	9,541
Burglary	378.9	2,354	9%	411.5	202	2,556
Auto Theft	98.7	613	30%	128.3	184	797

Southwestern NH

Crime Type	NH Crime Rate per 100,000 residents, 2007	Current No. of Crimes	Estimated Percent Increase	New Crime Rate	No. New Crimes	Total Crimes
Aggravated Assault	78.0	113	10%	85.8	11	124
Rape	25.3	37	10%	27.8	4	40
Robbery	32.8	47	23%	40.3	11	58
Murder	1.1	2	10%	1.2	0	2
Larceny	1414.4	2,045	9%	1,536.0	176	2,221
Burglary	378.9	548	9%	411.5	47	595
Auto Theft	98.7	143	30%	128.3	43	186

Lakes Region

Crime Type	NH Crime Rate per 100,000 residents, 2007	Current No. of Crimes	Estimated Percent Increase	New Crime Rate	No. New Crimes	Total Crimes
Aggravated Assault	78.0	215	10%	85.8	22	237
Rape	25.3	70	10%	27.8	7	77
Robbery	32.8	91	23%	40.3	21	111
Murder	1.1	3	10%	1.2	0	3
Larceny	1414.4	3,906	9%	1,536.0	336	4,242
Burglary	378.9	1,046	9%	411.5	90	1,136
Auto Theft	98.7	273	30%	128.3	82	354

Ski Country

Crime Type	NH Crime Rate per 100,000 residents, 2007	Current No. of Crimes	Estimated Percent Increase	New Crime Rate	No. New Crimes	Total Crimes
Aggravated Assault	78.0	192	10%	85.8	19	211
Rape	25.3	62	10%	27.8	6	68
Robbery	32.8	81	23%	40.3	19	99
Murder	1.1	3	10%	1.2	0	3
Larceny	1414.4	3,473	9%	1,536.0	299	3,771
Burglary	378.9	930	9%	411.5	80	1,010
Auto Theft	98.7	242	30%	128.3	73	315

Great North Woods

Crime Type	NH Crime Rate per 100,000 residents, 2007	Current No. of Crimes	Estimated Percent Increase	New Crime Rate	No. New Crimes	Total Crimes
Aggravated Assault	78.0	31	10%	85.8	3	34
Rape	25.3	10	10%	27.8	1	11
Robbery	32.8	13	23%	40.3	3	16
Murder	1.1	0	10%	1.2	0	0
Larceny	1414.4	556	9%	1,536.0	48	604
Burglary	378.9	149	9%	411.5	13	162
Auto Theft	98.7	39	30%	128.3	12	50

Chapter 4: Estimating the Social Costs of Gambling

A review of the literature suggests that there are a number of negative consequences potentially associated with an expansion of gambling. Table 14 provides a useful categorization of these social impacts and what party bears the financial costs of each of the impacts.

Table 14: Social Impacts Associated with Gambling⁸⁶

Type	Bearer of Costs	Description
Crime	Local communities, law enforcement, individuals, courts, corrections	Increase in crime associated with the introduction of a gambling facility. Majority of crime is monetary in nature (theft, burglary), but violent crimes may be associated as well.
Business and Employment Costs	Individual, family, economy, businesses	Increase in lost work days, lost productivity, and employment termination.
Bankruptcy	Individuals, banks, legal system, creditors	Bankruptcy as a result of gambling debts.
Mental Illness	Health insurer, treatment provider, family	Gambling is associated with mental illness such as depression and anxiety.
Suicide	Family	Problem and pathological gamblers have a higher risk for suicidal thoughts and committing suicide than the general public.
Social Services	Government, Service Agencies	These are the costs related to unemployment, welfare, and treatment costs due to individuals with problem gambling.
Regulatory Costs	Government	Government expenditures to operate a gambling regulatory agency.
Family Costs	Family	This includes costs associated with divorce, spousal separation, and child abuse and neglect, and domestic violence.
Abused Dollars	Family, Friends, Employers	These costs are those associated with money lost gambling that was taken from family, friends, or employers that is never reported as a crime.
Social Connections	Individuals, family, friends, communities	Reduction of social capital
Political	Government, Local communities	Increasing concentration of economic power could result in disproportionate political influence

Theoretically, many of these impacts have a financial cost to society one way or another and should be considered in an evaluation of the costs and benefits of expanded gambling. Despite almost universal recognition of these potential issues, the research into the social impacts of gambling is a relatively new field and like any young field of scientific research, data sources are often scarce and disagreement on measurement methodologies is rampant. Generally speaking, it takes time and multiple rigorous studies to establish a baseline of information for a new field of science.

Moreover, there is no consensus in the literature regarding which social costs can or *should* be included in a cost-benefit analysis. For example, Walker (1999) argues that only those costs which result in a net reduction in economic wealth should be considered as part of the definition of social costs. Under this argument, abused dollars which reflect a transfer of wealth rather than an overall reduction of wealth should not be

⁸⁶ Sources: NORC (1999), pp. 52; Grinols E. "Gambling in America: Costs and Benefits" Cambridge University Press. 2004. pp. 132-146; Walker D and Barnett A. "The Social Costs of Gambling: An Economic Perspective." *Journal of Gambling Studies*. 15(3). September 1999. pp. 184.

included. Moreover, there is the difficulty of quantifying these “costs” in a meaningful way. It is difficult, for example, to quantify the financial consequences of a loss of social capital or undue influence on the political process.

Estimating the Financial Costs of the Social Impacts of Gambling

As noted in Table 14, the financial costs of the social impacts of problem gambling are borne by family members, employers, mental health, law enforcement, and the government. For estimating the financial costs of the social impact of gambling, we originally looked at several methods from the national base of academic and public policy research.

There is no agreed upon model for simulating social costs; each method we researched showed wide variation in measurement and methodology, and therefore they had wide variation in their estimates. The wide variation that existed results from basic differences in the belief regarding what should, or should not be included in these analyses. This variation becomes even more complex when adding in a low and high estimate for the population of problem gamblers in an area.

Therefore, we use the estimates of social costs as defined in the NORC study (1999) with estimates adjusted to 2007 dollars, in order to match the year of the population estimates used to estimate problem gamblers. In order to test this model – especially given the lack of consensus in the literature – we estimated social costs using several different models. The resulting estimate from the NORC study was most often the median of all estimates.

The factors included in our social cost model from the NORC study are shown in Table 15 below. One can see a line for government costs only, which has the most direct impact on state revenues. Beyond adjustments for inflation, two other adjustments were made. One, we removed treatment costs from this estimate as we will include a separate estimate for treatment costs later in the model. Second, several factors were measured on a lifetime basis. To annualize these costs, we divide by a factor of four, as per the Louisiana State University Medical Center study on gambling disorders.⁸⁷

⁸⁷ Westphal et al. “Estimating the Social Costs of Gambling Disorders in Louisiana for 1998.” LSUMC – Shreveport Gambling Studies Unit. March 1999.

Table 15

National Opinion Research Center at the University of Chicago (1999)
Annual estimates of social costs (in 2007 dollars)

Type of Cost	Primary Payer	Total Costs per Gambler	
		Problem	Pathological
Unemployment benefits	Government	\$ 81	\$ 106
Welfare	Government	\$ 112	\$ 75
Arrests	Government	\$ 299	\$ 389
Corrections	Government	\$ 208	\$ 529
Job loss	Employer	\$ 249	\$ 398
Divorce	Family	\$ 607	\$ 1,338
Poor Health	Family/Insurer/Provider	\$ -	\$ 871
Poor Mental Health	Family/Insurer/Provider	\$ 448	\$ 411
Filed Bankruptcy	Creditors	\$ 482	\$ 1,027
TOTAL		\$ 2,486	\$ 5,143
TOTAL GOV'T ONLY		\$ 700	\$ 1,098

Regulatory Expenses

Not included in these estimates presented above are the costs to the state to provide a regulatory agency to oversee expanded gambling activities. A recent bill introduced in the New Hampshire legislature included an estimate of what the regulatory costs of new gambling activities would be.⁸⁸ The Racing and Charitable Gaming Commission, Department of Safety, and Department of Justice estimated their costs under the proposed regulatory structure; however, the Lottery Commission explicitly stated it was not able to estimate the expenses related to the administration and regulation of expanded gambling. Using the other three agencies' estimates, the total regulatory cost for fiscal year (FY) 2011 is estimated to be \$6,477,558. Without any estimates of expenses from the Lottery Commission, this is obviously an underestimate. For our social costs model, the full \$6.5 million will be included unadjusted, as a regulatory structure is a necessity for any model of expanded gambling.

Treatment Costs for Gambling Disorders in New Hampshire

Recently, the Department of Health and Human Services (DHHS) presented estimates of treatment costs for problem and pathological gambling.⁸⁹ The budget proposed to the Gaming Study Commission includes prevention services, educational programming, and treatment costs for those with a gambling disorder. DHHS estimates assumed that only half of pathological gamblers would seek treatment services in some capacity. As shown in Table 16, with additional costs for administration, program development, and program evaluation, the estimate presented for FY2011 is \$6.7 million.

⁸⁸ See Fiscal Note from SB489 2010.

⁸⁹ Presentation to the Gambling Study Commission by Joe Harding, Director, Bureau of Drug and Alcohol and Drug Services, DHHS, March 16, 2010.

Table 16⁹⁰

DHHS Proposed Budget for Problem Gambling Treatment Program					
				SFY11	SFY12
Community Level Prevention Services				\$250,000	\$250,000
Media/Social Marketing				\$665,000	\$380,000
Clinical Services		# Served			
	Crisis Eval		236	\$118,813	\$118,813
	Outpatient		5,310	\$4,141,660	\$4,141,660
	IOP		590	\$1,061,964	\$1,061,964
	TOTAL		6,136	\$5,322,436	\$5,322,436
Training/Program Development				\$20,648	\$13,148
Program Evaluation				\$65,000	\$32,500
Administration				\$382,393	\$339,664
TOTAL				\$6,705,477	\$6,337,748

To integrate this estimate into our social costs model, we assume administration, evaluation, prevention, marketing, and program development are fixed costs regardless of the size of any expansion.⁹¹ DHHS estimates that half of pathological gamblers may seek clinical services, so we adjust total treatment cost estimates based on half the estimated number of pathological gamblers in each market area. Table 17 below shows the estimated treatment costs by market area.

Table 17

Market Area	Treatment and Prevention Costs (in millions)					
	Large Casino with Table Games		Large Casino w/o Table Games		Small Casino with or w/o Table Games	
	Low	High	Low	High	Low	High
Southern NH	\$2.5	\$3.7	\$2.1	\$3.1	\$1.7	\$2.0
Southwestern NH	\$1.6	\$1.8	\$1.5	\$1.7	\$1.4	\$1.5
Lakes Region	\$1.9	\$2.5	\$1.8	\$2.2	\$1.5	\$1.7
Ski Country	\$1.5	\$1.7	\$1.5	\$1.6	\$1.4	\$1.5
Great North Woods	\$1.4	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4

⁹⁰ Ibid.

⁹¹ Based on FY 2011 figures. The total fixed costs for providing treatment are estimated to be \$1.4 million.

Calculating Social Costs by Market Area

The sections above lay the foundation for creating social cost estimates by each market area. The following offers estimates of the financial impact of social costs by those same market areas. Starting with the population estimates - low and high for current gamblers and induced gamblers – aggregated across facility types, we multiply the prevalence of problem and pathological gamblers by the average social costs presented above. First, we offer estimates that reflect the social costs the state currently may be experiencing due to the population of problem gamblers among current gamblers in New Hampshire.

Table 18

Market Area	Social Costs Among Current Gamblers (in millions)			
	Non-Government Related Social Costs		Government Related Costs Only	
	Low	High	Low	High
Southern NH	\$10.3	\$21.4	\$3.4	\$6.9
Southwestern NH	\$2.4	\$5.0	\$0.8	\$1.6
Lakes Region	\$4.6	\$9.5	\$1.5	\$3.1
Ski Country	\$4.1	\$8.5	\$1.3	\$2.7
Great North Woods	\$0.7	\$1.4	\$0.2	\$0.4

Table 18 displays the increase in social costs by new problem gamblers for each market area depending on the size and type of casino introduced. Earlier, we estimated that a small facility would not necessarily have the “gravity” to induce additional gamblers. Therefore, the social costs included represent new problem gamblers among the population of adults that currently are gambling.⁹²

Table 19 below shows the social costs among new gamblers associated with expansion of gambling under different assumptions. These estimates include the costs for regulatory expenses and state supported treatment. The following table presents the estimates for total social costs by market area across different types of gambling venues for those that impact the government directly and non-government related social costs. The total cost of a regulatory framework is assumed to be constant across models. That is, the administrative costs for regulating one smaller facility may be the same for regulating a larger facility. The same is true for administrative costs of treatment programs. Estimates are adjusted to reflect the number of problem gamblers seeking clinical services, but the costs for administration remains the same across market areas and facility sizes.

⁹² Given that proximity is known to increase participation, it is reasonable to conclude that among the population that currently are gambling, placing a casino within a shorter distance would induce this population to gamble more within the state, and, therefore, increase their risk for developing a gambling disorder.

Table 19

Market Area and Casino Type	Total Estimated Social Costs from Induced Gamblers (in millions)					
	Large Casino with Table Games		Large Casino w/o Table Games		Small Casino with or w/o Table Games	
	Low	High	Low	High	Low	High
SOUTHERN NH						
Government Costs						
Regulatory Costs	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
Treatment Costs (DHHS)	\$2.5	\$3.7	\$2.1	\$3.1	\$1.7	\$2.0
Social Costs (less treatment)	\$5.9	\$12.1	\$4.2	\$8.6	\$1.5	\$3.1
TOTAL	\$14.8	\$22.4	\$12.8	\$18.1	\$9.6	\$11.6
Non-Government Costs						
Social Costs	\$18.1	\$37.7	\$12.8	\$26.7	\$4.6	\$9.6
TOTAL SOCIAL COSTS	\$32.9	\$60.1	\$25.6	\$44.8	\$14.2	\$21.2
SOUTHWESTERN NH						
Government Costs						
Regulatory Costs	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
Treatment Costs (DHHS)	\$1.6	\$1.8	\$1.5	\$1.7	\$1.4	\$1.5
Social Costs (less treatment)	\$1.0	\$2.0	\$0.7	\$1.4	\$0.3	\$0.6
TOTAL	\$9.0	\$10.3	\$8.6	\$9.5	\$8.2	\$8.6
Non-Government Costs						
Social Costs	\$3.0	\$6.2	\$2.0	\$4.3	\$0.9	\$1.8
TOTAL SOCIAL COSTS	\$12.0	\$16.5	\$10.7	\$13.8	\$9.1	\$10.4
LAKES REGION						
Government Costs						
Regulatory Costs	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
Treatment Costs (DHHS)	\$1.9	\$2.5	\$1.8	\$2.2	\$1.5	\$1.7
Social Costs (less treatment)	\$2.9	\$6.0	\$2.1	\$4.3	\$0.9	\$1.8
TOTAL	\$11.3	\$15.0	\$10.3	\$13.0	\$8.9	\$10.0
Non-Government Costs						
Social Costs	\$8.9	\$18.6	\$6.4	\$13.3	\$2.7	\$5.7
TOTAL SOCIAL COSTS	\$20.2	\$33.6	\$16.7	\$26.2	\$11.6	\$15.7
SKI COUNTRY						
Government Costs						
Regulatory Costs	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
Treatment Costs (DHHS)	\$1.5	\$1.7	\$1.5	\$1.6	\$1.4	\$1.5
Social Costs (less treatment)	\$0.9	\$1.8	\$0.5	\$1.1	\$0.2	\$0.4
TOTAL	\$8.9	\$10.0	\$8.5	\$9.2	\$8.1	\$8.3
Non-Government Costs						
Social Costs	\$2.7	\$5.6	\$1.7	\$3.5	\$0.6	\$1.2
TOTAL SOCIAL COSTS	\$11.6	\$15.6	\$10.2	\$12.7	\$8.7	\$9.5
GREAT NORTH WOODS						
Government Costs						
Regulatory Costs	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
Treatment Costs (DHHS)	\$1.4	\$1.5	\$1.4	\$1.4	\$1.4	\$1.4
Social Costs (less treatment)	\$0.2	\$0.4	\$0.1	\$0.3	\$0.0	\$0.0
TOTAL	\$8.1	\$8.3	\$8.0	\$8.2	\$7.9	\$7.9
Non-Government Costs						
Social Costs	\$0.6	\$1.2	\$0.4	\$0.8	\$0.1	\$0.1
TOTAL SOCIAL COSTS	\$8.7	\$9.6	\$8.4	\$9.0	\$7.9	\$8.0

The Social Cost Impact on Massachusetts

The social impacts and costs of expanded gambling in New Hampshire would certainly have an impact on the states that border ours. In order to fully understand the scope of social impacts that would be caused by New Hampshire casinos, we offer estimates of the potential problem gamblers and related costs to the state of Massachusetts.

Massachusetts would not be the only state to have increase social impacts due to a New Hampshire casino, but they would be by far the largest. And, so we provide these estimates as an example of how the social costs of gambling are not bound by state lines.

Table 20 presents the prevalence estimates of problem and pathological gamblers if a casino were to be introduced in a given market area, calculated with the same method as estimating problem gamblers for New Hampshire. The markets for the Ski Country and the Great North Woods estimated above are too far north to have any substantial impacts on the state of Massachusetts. Therefore, these estimates show only the southern NH, southwestern NH, and lakes region markets, by facility type and size.

Table 20

Market Area and Casino Type	Induced Gambling Disorders among Current and New Gamblers					
	Problem Gamblers		Pathological Gamblers		Total w/ Gambling Disorder	
	Low	High	Low	High	Low	High
Southern NH						
Large with Table Games	20,567	40,296	11,347	24,790	31,913	65,087
Large w/o Table Games	14,392	28,199	7,981	17,437	22,374	45,636
Small with or w/o Table Games	6,106	11,964	3,465	7,569	9,571	19,533
Southwestern NH						
Large with Table Games	1,985	3,890	1,111	2,427	3,096	6,317
Large w/o Table Games	1,250	2,449	710	1,551	1,960	4,001
Small with or w/o Table Games	528	1,034	316	691	844	1,725
Lakes Region						
Large with Table Games	500	979	296	646	795	1,625
Large w/o Table Games	98	191	77	168	174	359
Small with or w/o Table Games	0	0	24	51	24	51

The table below shows the social costs associated with the new problem and pathological gamblers displayed in the table above. Again, these estimates were calculated using the same method used to calculate the social costs within New Hampshire.

Table 21

Market Area and Casino Type	Total Estimated Social Costs from Induced Gamblers (in millions)					
	Large Casino with Table Games		Large Casino w/o Table Games		Small Casino with or w/o Table Games	
	Low	High	Low	High	Low	High
Southern NH						
Government Costs	\$26.9	\$55.4	\$18.8	\$38.9	\$8.1	\$16.7
Non-Government Costs	\$82.6	\$172.2	\$58.0	\$120.9	\$24.9	\$52.0
TOTAL SOCIAL COSTS	\$109.5	\$227.7	\$76.8	\$159.8	\$33.0	\$68.7
Southwestern NH						
Government Costs	\$2.6	\$5.4	\$1.7	\$3.4	\$0.7	\$1.5
Non-Government Costs	\$8.0	\$16.8	\$5.1	\$10.6	\$2.2	\$4.6
TOTAL SOCIAL COSTS	\$10.6	\$22.2	\$6.8	\$14.1	\$2.9	\$6.1
Lakes Region						
Government Costs	\$0.7	\$1.4	\$0.2	\$0.3	\$0.0	\$0.1
Non-Government Costs	\$2.1	\$4.4	\$0.5	\$1.0	\$0.1	\$0.2
TOTAL SOCIAL COSTS	\$2.8	\$5.8	\$0.6	\$1.3	\$0.1	\$0.3

Given the large population within Massachusetts in the southern NH market area, one can see that the estimate problem gamblers and the associated social costs are far greater in Massachusetts than in New Hampshire for a facility so close to the state line.

Chapter 5: Estimating Benefit to the State

As has been shown, there are potential benefits and costs to expanded gambling. Depending on the size of the facility to be created, local communities could see significant job creation associated with the construction phase of any development initiative, and depending on the type of facility (VLT only versus VLT and table games) of the operations component. Local communities could see a positive impact on their property tax assuming no special compensation is given to a facility being created in a community.

There are also potential revenue benefits to the New Hampshire state government. Our models suggest that there is the potential to generate revenue to the state, even after netting out the impact of the substitution (or displacement) of existing spending for gambling activities.

Our work also suggests that there is the potential for offsets to these revenues to the state. These offsets include the potential competitive impact of Massachusetts expanding gambling, an increase in the number of individuals that are gambling with a pathological gambling problem and the associated social costs, and including some estimate of the impact of the recession on spending on gambling.

In this section, we combine our revenue simulation model and our social cost model to show the impact of a variety of factors on the calculation of benefits to the state. The model the Center has developed can be used to estimate the impact different types of facilities, in different parts of the state, and assess how it might impact local communities (property taxes, job creation, and social costs) and how it might impact the state. In these calculations we use revenues unadjusted for the economic recession. The upper estimates of social costs were used.

After highlighting the impact of various factors on estimating benefits to the state, we show a simple calculation of benefit to the state only. Included in this calculation are the potential revenues to the state (including revenues associated with enhanced economic development activities) and the potential direct and indirect financial costs to the state associated with social costs. Excluded from this calculation are those benefits that are specifically local.

The data used in these calculations can be found in Appendix A for each of the sites that were simulated, under the alternative assumptions about size and type of facility. These tables include our model estimates of revenue, economic development (jobs and GDP impacts), and social costs for each market area. These data can be used to estimate the costs and benefits to the state, the local community or to both.

The Impact of Timing

In all our calculations to date, the implicit assumption is that benefits and potential costs accrue to the state all at the same time. We know this to be false. A true simulation of economic implications might include an assessment of the net present value of the various costs and benefits. The Center has not attempted to simulate this, and uses this

figure for illustrative purposes; Figure 11 below shows the potential timing of various costs and benefits to gambling.

This chart has a number of implications. First, only license fees and the economic development implications of construction activities would be experienced immediately. The economic development revenue implications of the operations of a facility would depend critically on how long construction took, and how quickly the facility was ramped up to a particular size. As noted, the economic and revenue implications vary considerably depending on the size of the facility.

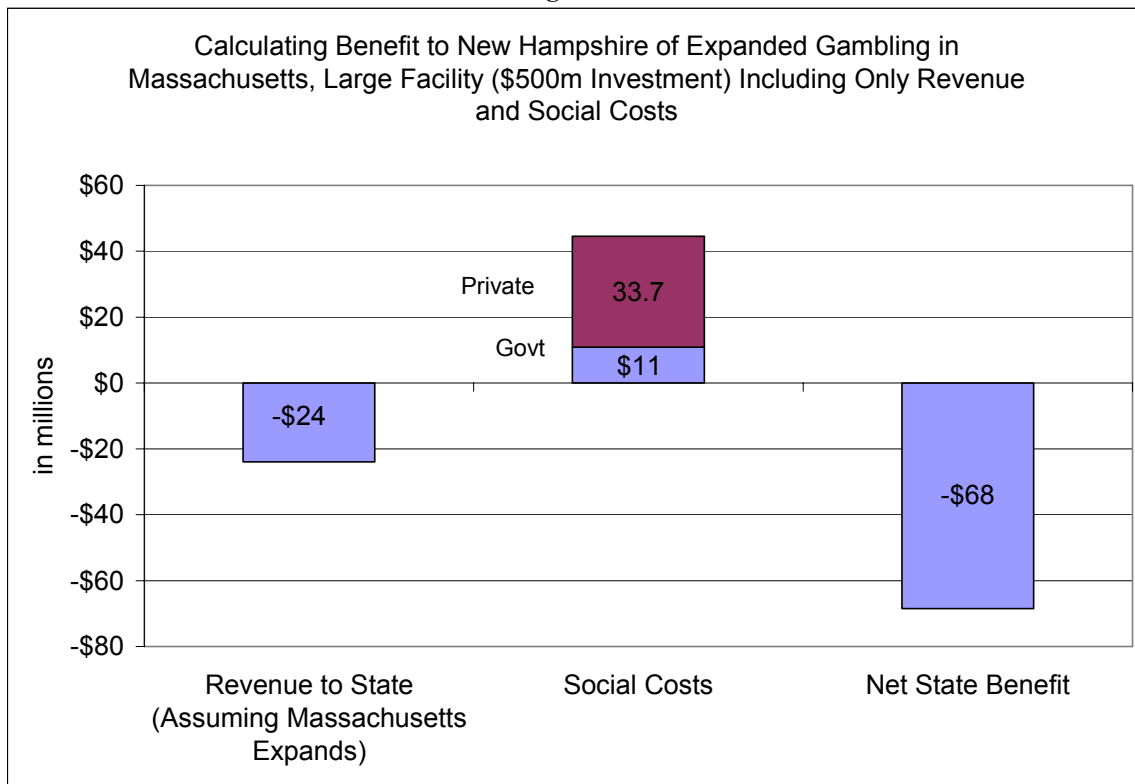
The potential social costs implications would be staggered as well. The development of jobs would clearly reduce the social costs of existing unemployment in the short term (which we have not modeled). The development of pathological behavior would be delayed until the opening of the facility and until gambling behavior became pathological or problem.

Figure 11

Hypothetical Description of Time's Role in Understanding Impact of Gambling											
			Year 1	Year 2	Year 3	Year 4	Year 5				
Economic Development											
	Construction (18 Months)										
	Operations										
Revenues											
	License Fees										
	Net State (Gambling, M&R, Lottery)										
Social Costs											
	Net Benefit to Lowered Unemployment										
	Pathological Gambling Behavior										
	Impact of Pathological Gambling										

The Impact of Massachusetts

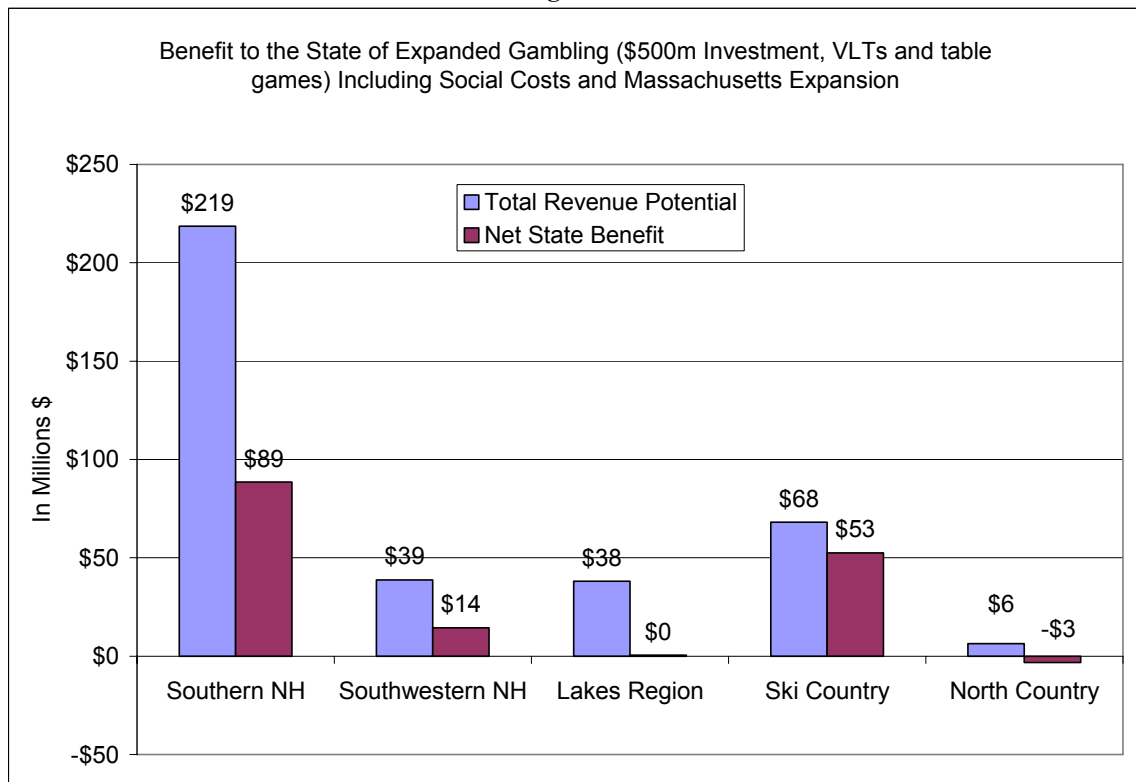
The first model we estimated was the situation in which Massachusetts developed large casinos at Suffolk Downs in East Boston and in Palmer (these represent the most recent options) and New Hampshire did not have any casinos. This is presented in Figure 12 below. Given the fact that some individuals would go to Massachusetts and spend discretionary income that would otherwise have been spent in New Hampshire, there is a net loss of revenue to the state (due to reductions in meals and rooms estimates and to lottery sales). In addition, there are a set of social costs (born by the government directly and more broadly) that would result from New Hampshire residents developing pathological or problem gambling behavior. In total, our model suggested that the state could expect a loss of more than \$68 million if Massachusetts were to expand gambling.

Figure 12

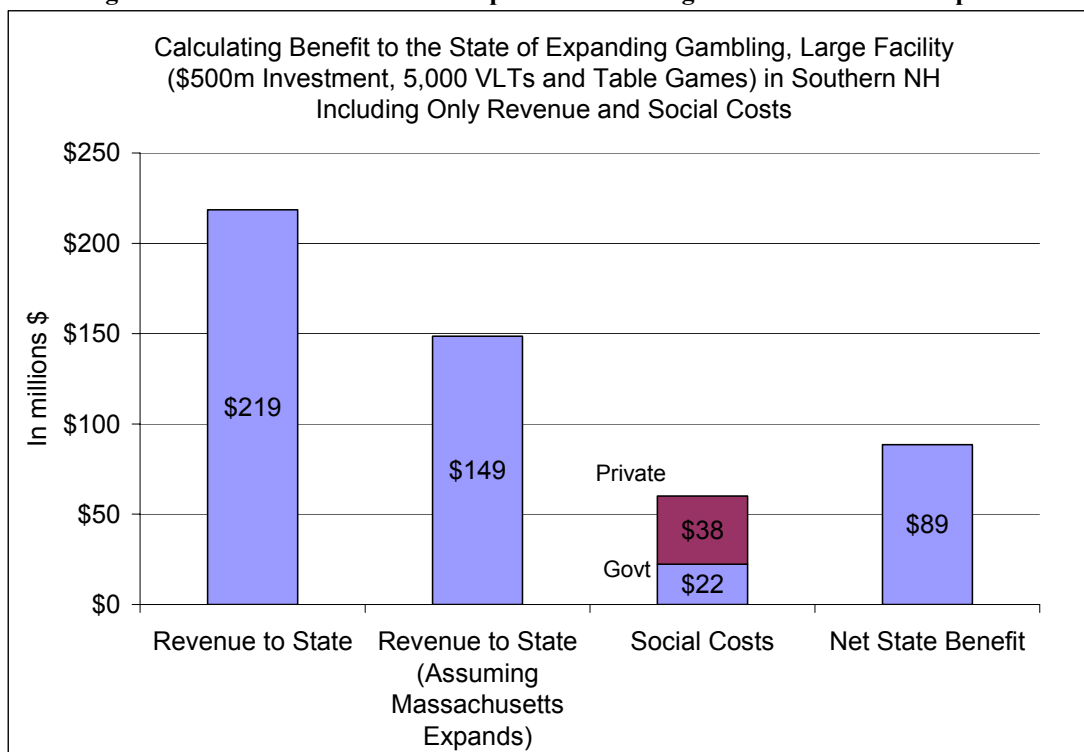
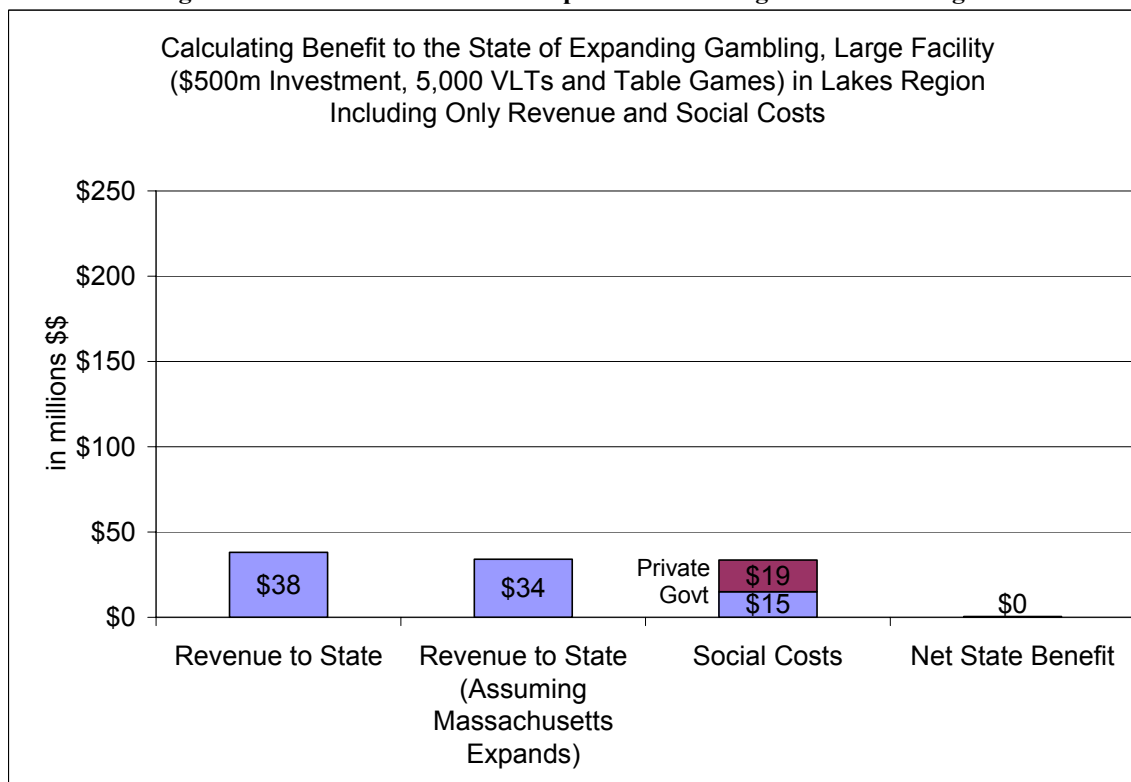
The Impact of Geography

The second series of models we estimated was designed to show the benefit to New Hampshire of the development of a \$500 million facility in various sites across the state. In each site, we simulated the impact of developing a \$500 million facility which provides both VLTs and table games. We estimate the total potential revenues in each site based on our drive time gravity model. Our estimates then net out the impact of Massachusetts expanding gambling, the impact of changes in spending on other revenue sources, and both government-paid and broader community social costs.

Figure 13 displays the results from this analysis. The graph clearly highlights the fact that including factors other than simple revenues has a significant impact on understanding the benefit of expanded gambling to the state. For all sites examined, the inclusion of these factors significantly reduced the benefit to the state. Graphs showing the calculations for each site can be found in Appendix C.

Figure 13

A closer look at the benefit calculation for Southern New Hampshire (Figure 14) and for the Lakes Region (Figure 15) highlights the impact of geography – and in particular the impact of any decisions on the part of Massachusetts – on the potential revenue for New Hampshire. Our model estimates that as much as \$219 million in state revenues could be generated by developing a \$500 million facility in the southern part of the state. Our model also suggests, however, that revenue would be significantly less (\$149 million) if Massachusetts were to develop casinos. Contrast this with the Lakes Region. Our model suggests that developing a \$500 million facility could generate as much as \$38 million, and Massachusetts’ action would have a minimal impact on state revenues, as shown in Figure 15.

Figure 14: Benefit to the State of Expanded Gambling in Southern New Hampshire**Figure 15: Benefit to the State of Expanded Gambling in the Lakes Region**

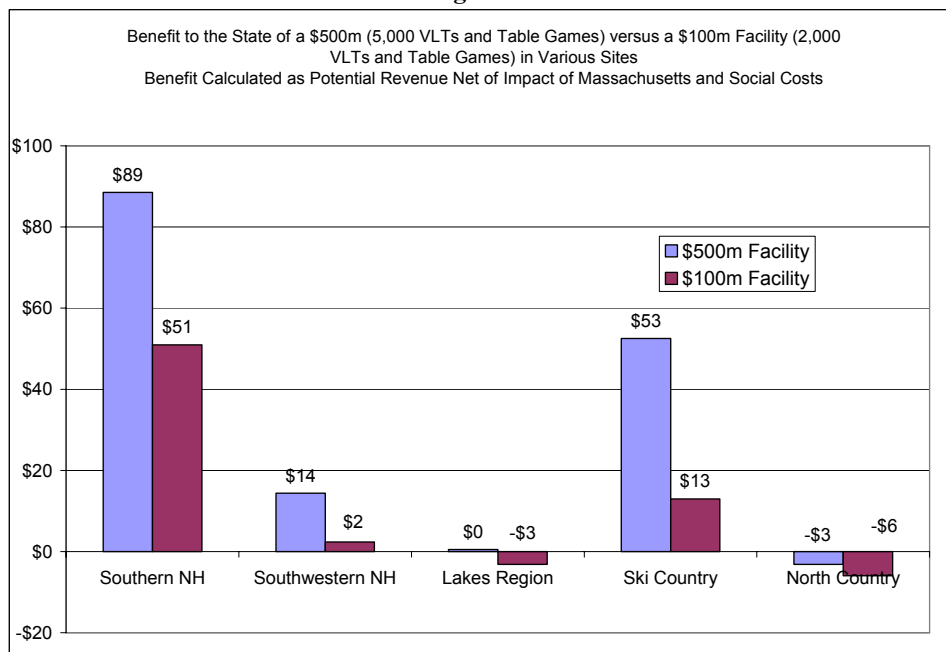
The Impact of Size

Just as the amount of investment and size of the facility have an impact on the economic development implications of expanded gambling in New Hampshire, so does size have an impact on the potential benefit to the state. This relationship is a function of the assumption that the larger the size, the greater the gravity of the facility, and the more likely it is that that facility will be able to draw gamblers into the facility.

Figure 16 below shows the results of the simulation of our model of benefit to the state from two different models at the same site: a \$500 million facility with VLTs and table games and a \$100 million facility with VLTs and table games. Note that these benefit values are the same as those in Figure 13 above and reflect the calculation of total revenues net of the impact of Massachusetts and potential social costs. Obviously, the smaller the facility the less revenue is generated and the less benefit to the state.

What is more important than the estimates themselves is the degree to which the reduction in the size of the facility begins to call into question the benefit to the state. In our model of southwestern New Hampshire, for example, estimates of benefit drop from approximately \$14 million to \$2 million. As stated before, the model is not so precise as to predict that a \$100 million facility with 2,000 VLTs would result in a \$2 million benefit to the state. Rather, the point of this simulation is to show that the smaller the facility, the more likely it is that there is no benefit to the state of expanded gambling in certain areas.

Figure 16



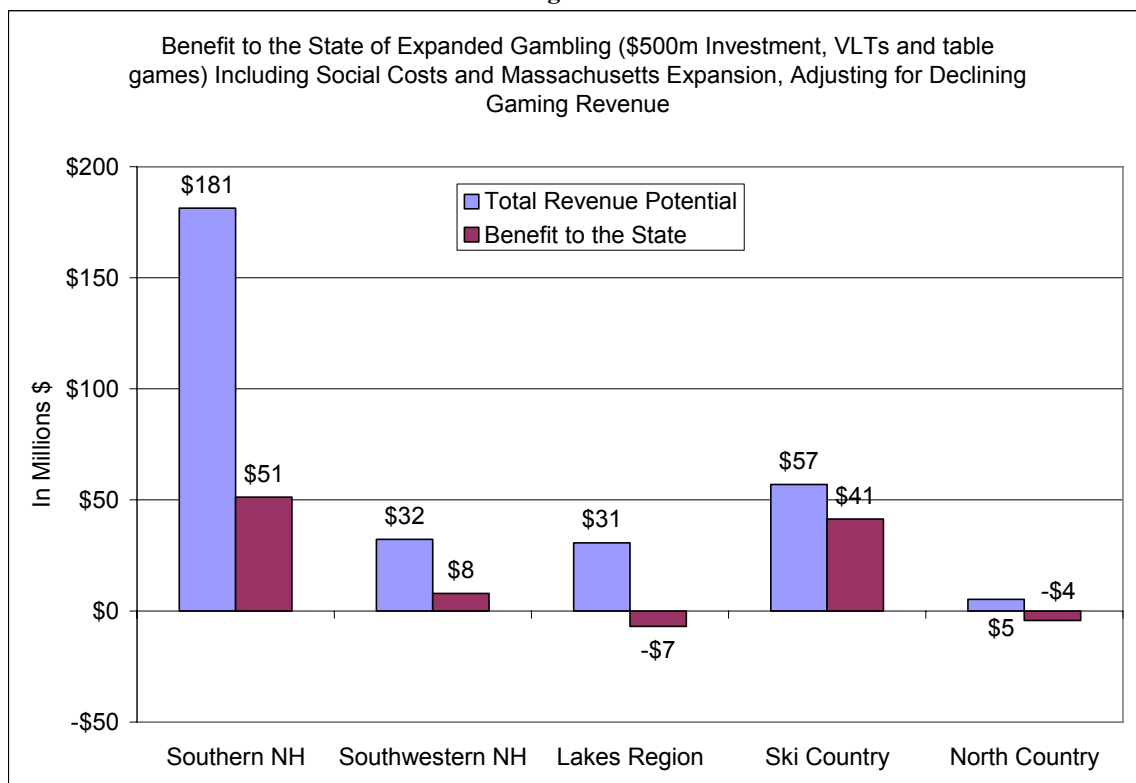
Adjusting Revenue Estimates For The Recession

The Center's estimates of gross receipts from casinos in New Hampshire are projected based on actual casino gross receipts for selected Northeastern markets prior to the

current recession. However, several sources have noted that casino visitations and revenues have declined in association with the economic recession. Gambling revenues in Nevada fell 10.4 percent in 2009, the largest single-year decline in state history. The 2009 decline follows a 9.7 percent decrease in 2008 when statewide gambling revenues totaled \$11.6 billion.⁹³ Mohegan Sun's revenues have declined by 10% in the last two years.⁹⁴ New Hampshire State Lottery revenue has declined by 16% over the last two years. Thus, our revenue estimates provided up to this point should be considered aggressive. The Center's base case for revenues and benefit were presented in Figure 13 above.

The following figure (Figure 17), however, shows an alternative scenario, which adjusts the estimated casino revenue in New Hampshire down by 16%. The adjustment is equal to the decline in New Hampshire state lottery revenue from FY2008 to FY2010. Under this scenario, only two sites show any significant benefit to the state, suggesting that taking account of recession changes means that benefit to the state may be close to zero for those sites other than Ski Country and Southern NH.

Figure 17



⁹³ <http://www.lvrj.com/news/gaming-revenues-fall-by-biggest-percentage-ever-84117117.html>

⁹⁴ GSC visit to Mohegan Sun, interview with Jeff Hartmann, 12/14/09

Table A - 5

	Great North Woods	VLTs and table games, large size facility (\$500m)		VLTs only, large size facility (\$500 million invest)		VLTs and table games, small size facility (\$100m)	
		Low	High	Low	High	Low	High
Estimates							
	Number of Visitors (Drive Time Model)	55,877	55,877	44,701	44,701	18,439	18,439
Revenues to State							
	Tax Rate	39%	39%	39%	39%	39%	39%
	Estimates of Winnings (2 Model Average, \$)	\$18,290,099	\$18,290,099	\$14,632,079	\$14,632,079	\$6,035,733	\$6,035,733
	State Gambling Revenue Estimates	\$7,133,139	\$7,133,139	\$5,706,511	\$5,706,511	\$2,353,936	\$2,353,936
	Impact on Lottery Revenues	-\$902,813	-\$902,813	-\$722,250	-\$722,250	-\$297,928	-\$297,928
	Impact on Meals and Rooms Revenues	\$149,550	\$149,550	\$119,640	\$119,640	\$49,352	\$49,352
	Impact of Massachusetts Decision	\$0	\$0	\$0	\$0	\$0	\$0
	Property Tax Impact (local)	\$14,910,000	\$14,910,000	\$14,910,000	\$14,910,000	\$2,982,000	\$2,982,000
Economic Development							
	Short Term (Construction) Direct - jobs	2,000	2,000	2,000	2,000	400	400
	Short Term (Construction) Indirect - jobs	1,593	1,593	1,593	1,593	319	319
	Long Term (Operations) Direct - jobs	2,400	2,400	960	960	480	480
	Long Term (Operations) Indirect - jobs	764	764	306	306	153	153
	Displacement (jobs taken from existing industry)	-2,215	-2,215	-886	-886	-443	-443
	Total Economic Development	949	949	380	380	190	190
	Total Annual GDP created in region (\$)	\$36,939,000	\$36,939,000	\$14,775,600	\$14,775,600	\$7,387,800	\$7,387,800
	Percent Increase in area GDP	2.6%	2.6%	1.0%	1.0%	0.5%	0.5%
Social Costs							
	Number of NH Gamblers within 90 minute drive time	11,996	11,996	9,597	9,597	3,959	3,959
	Number of New Problem/Pathological Gamblers	843	1,719	700	1,426	525	1,071
	Costs of Regulatory Framework (w/o Lottery Commission)	\$6,477,558	\$6,477,558	\$6,477,558	\$6,477,558	\$6,477,558	\$6,477,558
	Estimated DRHS Treatment Costs	\$1,418,333	\$1,460,147	\$1,406,443	\$1,434,170	\$1,387,113	\$1,391,938
	Non-Treatment Government Funded Social Costs	\$191,722	\$395,794	\$126,402	\$261,023	\$20,212	\$41,926
	Non-Treatment Social Costs	\$590,241	\$1,230,676	\$389,530	\$812,418	\$63,233	\$132,455
	Estimate Total Social Costs	\$8,677,855	\$9,564,175	\$6,399,933	\$8,985,169	\$7,948,116	\$8,043,878
	Estimates of Per Problem/Pathological Gambler Costs	\$10,288	\$5,564	\$12,007	\$6,303	\$15,127	\$7,512
	Estimate Total Social Costs (gov't costs only)	\$8,087,613	\$8,333,499	\$8,010,403	\$8,172,751	\$7,884,883	\$7,911,423
	Estimates of Per Problem/Pathological Gambler Govt Only Costs	\$9,589	\$4,848	\$11,451	\$5,733	\$15,006	\$7,389

Note: Please note that in all of our work we have rounded our estimates to the millions of dollars. We include these data here not to suggest this level of precision, but to provide those attempting to understand our work with the exact data used in our estimations.

Appendix B – Social Costs Prevalence Adjustment Data

Table B - 1: Prevalence Estimates by Drive Times and for Current Gamblers⁹⁵

Gambling Cohort by Drive Time	Problem Gamblers		Pathological Gamblers	
	Low	High	Low	High
0 - 60 minutes	4.7%	9.1%	2.5%	5.4%
60 - 90 minutes	3.1%	6.1%	1.7%	3.6%
Current gamblers	2.3%	4.6%	1.2%	2.7%

Table B - 2⁹⁶

Distribution of Risk for Problem Gambling Across Gambling Frequency Groups			
Age-Adjusted Lifetime Visits to a Casino	Percent of Total Gamblers	Relative Risk	
		Problem Gamblers	Pathological Gamblers
0-10	30%	0.0	0.0
11-50	23%	0.1	0.1
51-100	12%	0.4	0.8
101-500	15%	1.2	0.8
501-1000	7%	1.5	1.0
1001+	13%	2.8	3.4

⁹⁵ Based on: Shaffer H and Hall M. "Updating and Refining Prevalence Estimates of Disordered Gambling Behaviour in the United States and Canada." Canadian Journal of Public Health. 92(3) p.168-72. May-June 2001. See Past-Year adult estimates , Table 1, p. 169. High and low estimates are based on the ends of the 95% confidence interval of prevalence estimates. We chose past-year prevalence estimates to be able to calculate an annualized estimate.

⁹⁶ Relative risk estimates are based on reported cases of gambling disorders, see Kessler et al. "DSM-IV Pathological Gambling in the National Co-morbidity Survey Replication." Psychological Medicine. Vol. 38.pp.1351-60. September 2008.

Appendix C – Benefit Calculations Associated with a \$500 Million Investment in a VLT and Table Games Facility for Each Market Area

Table C - 1

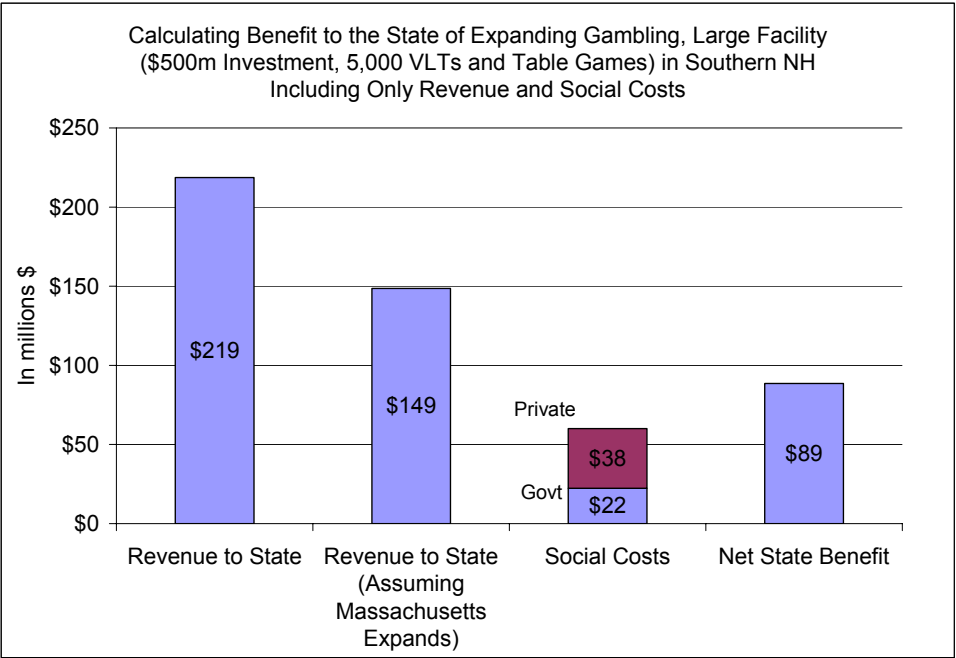


Table C - 2

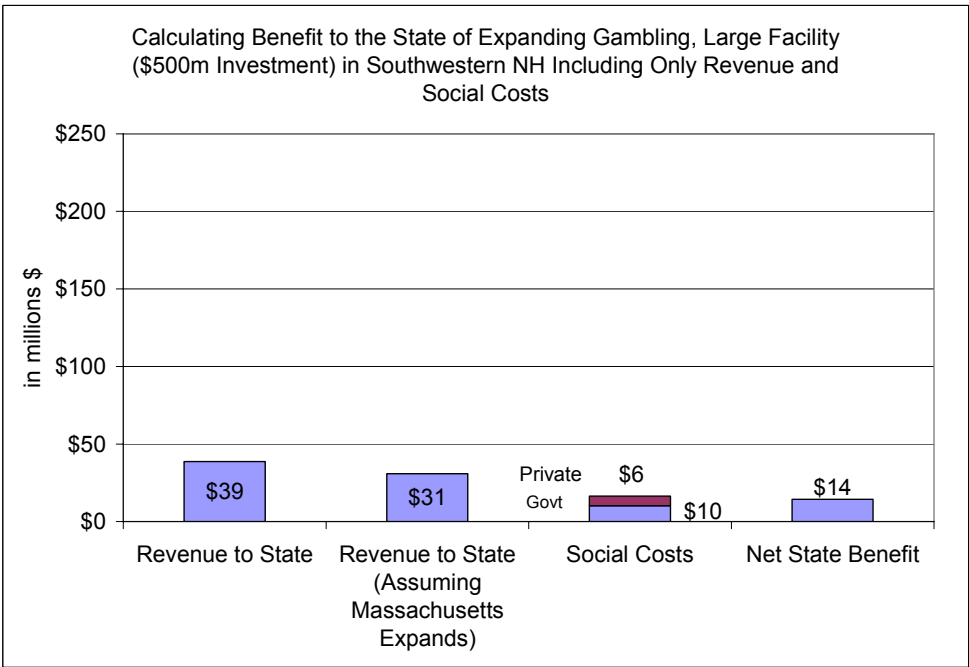


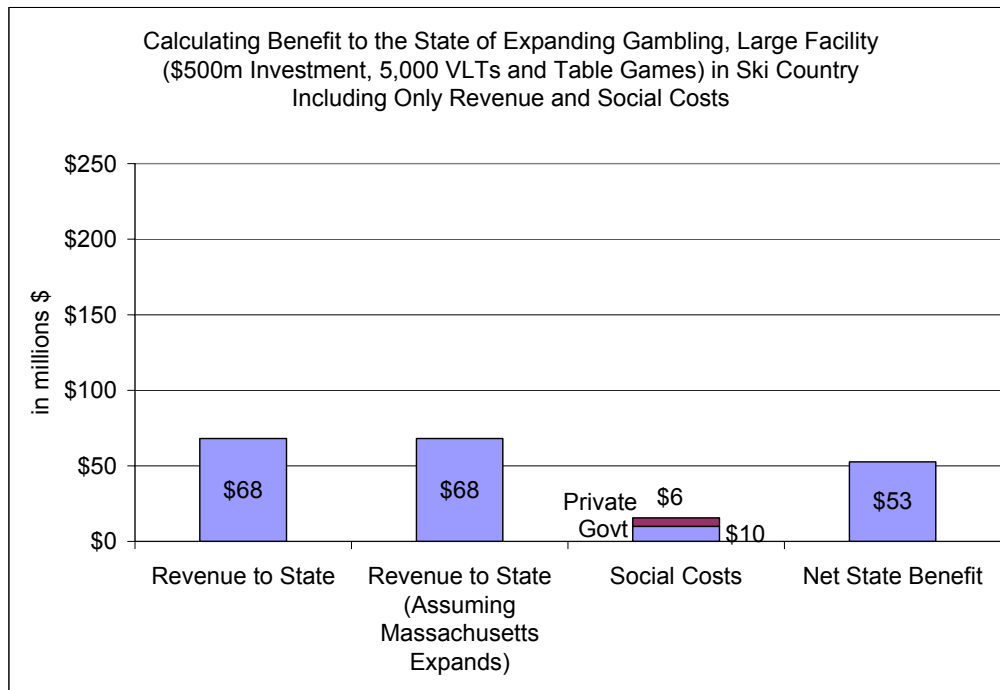
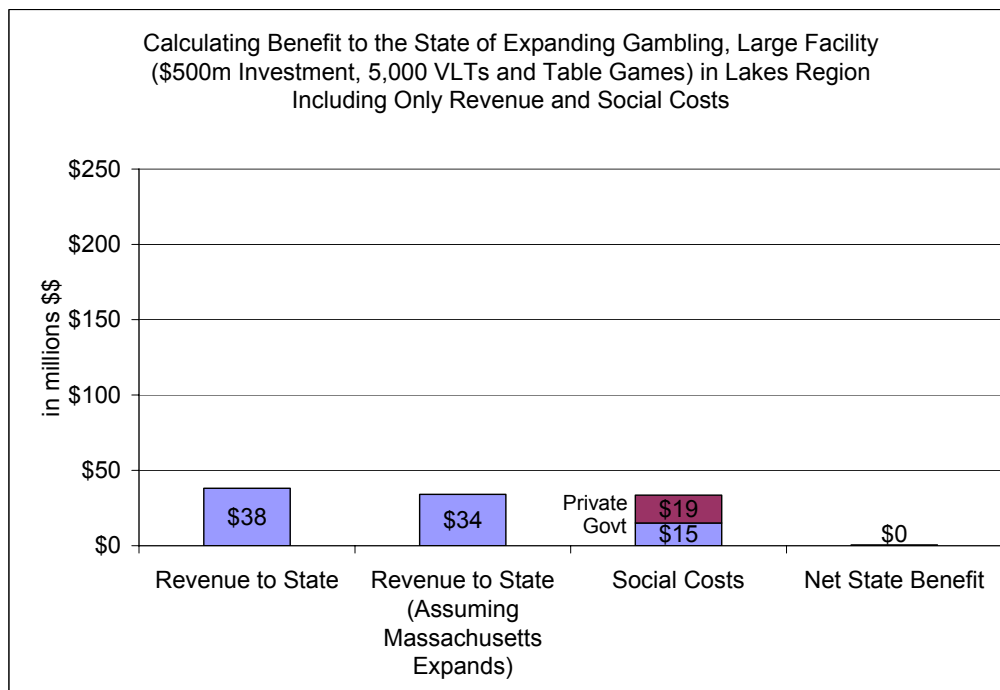
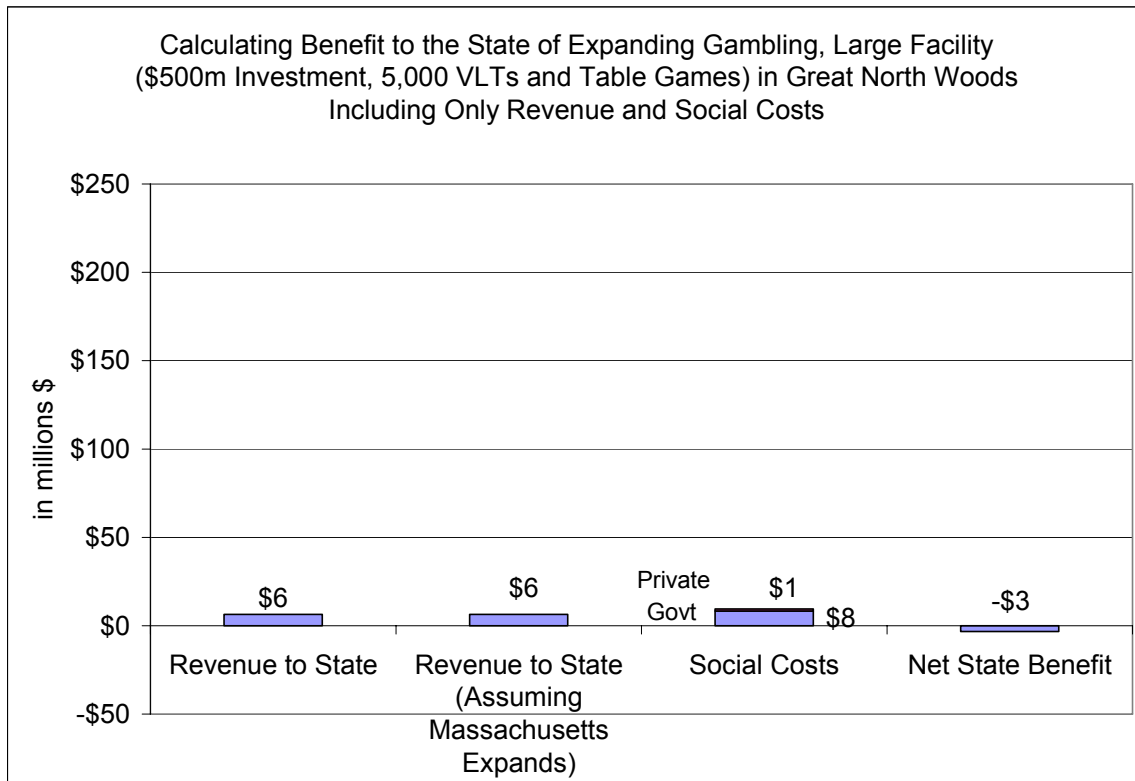
Table C - 3**Table C - 4**

Table C - 5



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Part III

***WHAT'S AT STAKE? COMMUNITY CONVERSATIONS
ON THE BENEFITS AND RISKS OF EXPANDED
GAMBLING
IN NEW HAMPSHIRE***

FINAL REPORT

To the Governor's Study Commission on Expanded Gaming
April 20, 2010

What's At Stake Project Team, University of New Hampshire

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Background

The two primary goals for the *What's At Stake* project were to:

- Gather broad citizen input to inform the policy question of whether or not to expand legalized gambling in NH (on behalf of the Governor's Commission).
- Demonstrate a different way of soliciting such input, beyond the traditional forms of public hearings and opinion polls (recognizing that both play an important role in the policy-making process).

The latter goal is concerned with demonstrating innovative face-to-face and on-line methodologies for statewide public engagement through deliberative practices, an objective that could have national importance for other states considering contested policy matters. Very few people have committed six or seven consecutive hours to intensive, facilitated deliberation in a way that would enhance civil, constructive, and informed citizen input. In short, this project has been an experiment in “doing democracy” differently.

This project was carried out by faculty and staff affiliated with the Carsey Institute and Cooperative Extension at the University of New Hampshire. Assistance was provided by a cohort of facilitators and site coordinators, and contributions of space and meals were provided at several of the 11 sites where the project took place.

The project was funded by grants from the Rockefeller Brothers Fund and the W.K. Kellogg Foundation, with substantial in-kind contributions from the University of New Hampshire, including Cooperative Extension. We are deeply grateful for the support of our funders and the University.

Participant Recruitment

The initial aim was to cast as wide a net as possible in order to recruit a diverse group of NH residents. Registration for the community conversations and the on-line dialogue was open to anyone who wished to join us. Given the open nature of the process, there can be no claim that those who participated constitute a demographic representation of NH citizens. However, every effort possible was made to recruit participants from diverse geographic locations and across age, gender, and occupational groups.

The primary means of contact with potential participants was through the use of list serves, newsletters, and web sites of partner organizations throughout the state. These included but were not limited to the NH Humanities Council, the Business and Industry Association, the United Way, the NH Superintendents Association, the NH School Principals Association, regional planning commissions, the NH Center for Nonprofits, the NH Council of Churches, the Live Free or Die Alliance, and a host of other similar statewide organizations. In addition, press releases were sent to all media outlets. Around 15,000 NH citizens received an e-mail from some source about the project, along with information on how to register. In the week before February 13, increased media interest led to multiple stories about the community conversations, as well as on-air radio

interviews. A day before the conversations, 260 individuals had registered to participate at 11 sites, ranging from 71 registrants in Salem to 5 in Lebanon.

What Happened?

On February 13, eighteen small group conversations were held in ten different locations across the state (ranging in size from 5 to 15 participants). The conversations began at 8:30 AM and concluding around 3:30 PM. Two days prior to the event, the small number of Berlin registrants was asked if they would like to join the Littleton group in order to have sufficient numbers to create a meaningful dialogue. All those who had registered agreed and did drive to Littleton to be a part of that region's event.

A significant number of those who had pre-registered did not attend on the 13th. This included as many as 30 of the 71 registrants in Salem and about half of those who had pre-registered in Manchester and Littleton. On the other hand, about 35 individuals who had not pre-registered walked in on Saturday morning, signed up, and participated throughout the day. Perhaps surprisingly, given the long day that was involved, very few individuals left their small group conversations before the end of the day (approximately 14 in total).

The most common 'demographic' represented at the dialogue consisted of male individuals who were in their late fifties and beyond. Although the median age in NH is 39, over 66% of the participants were over the age of 56, and a full 32% of the participants were retired. Only 4% of participants were under the age of 36 and only 25% were under the age of 46. In addition, there was a significant gender imbalance of 62% male and 38 % female.

At the end of the project, there were 11 sites with 19 small groups, totaling 221 participants. This includes a group of 24 people that reinstituted three weeks later in Berlin due to demand from the region.

What Did Participants Discuss?

A review of the reports from the nineteen groups that met on February 13 and March 6 shows that the topics and themes listed below were discussed at some length. A technique called open-coding was used to sort the data – detailed notes taken on flip-chart paper at each of the eleven dialogues – into common themes. The following themes emerged with relative frequency.

- The state's need to raise new and additional revenues
- The impact on the state's quality of life if gambling were to be expanded
- The effect of new or expanded facilities on local and regional employment and income
- The impact on local and state taxes if gambling is expanded
- The nature of the jobs that might be created by expanded gambling
- The ways in which expanded gambling could benefit communities and the state
- The types of gambling that would be most acceptable, and those that are not

- The allocation of gambling revenues back to host communities to offset costs incurred by those communities
- The nature and extent of state regulation of gambling operations
- The need for more extensive and precise data about the impact of gambling in other states (especially changes in the incidence and type of crime)
- The criteria and considerations that the Governor's Commission should apply when it develops its final report to the Governor
- The influence of organized lobbyists and special interest groups on the policy making process
- The effect on charitable gaming if more gambling facilities are established
- The social costs of gambling, including compulsive behaviors, the effect on younger people, and the effect on local traffic patterns and congestion
- Questions about the timeline for decision-making, and the value of more extended deliberations to be sure that all available information and input are considered
- How NH's reputation as a tourist destination might be affected by expanded gambling
- The impact of gambling activity in other New England states, especially Massachusetts
- The role of "home rule" principles and local decision-making

The On-line Forum

To extend the deliberative process beyond the one-day event, and to give more citizens a chance to participate, e-Democracy, an independent organization based in Minneapolis, was contracted to develop an on-line forum designed to foster civil, productive deliberation. About 275 people registered to participate in the NH Community Conversations on-line forum and 175 posts were entered between February 25 and March 22. The majority of these posts came from around 15% of the registrants who were active on-line, while about 25% of those who registered posted at least once. Of note, two-thirds of the on-line participants were over 56 and male.

Findings

Analysis of the 19 small group reports demonstrates a relatively wide range of views held by those who participated. In two communities—Salem and Berlin—there was general and widespread (but not unanimous) support for the concept of expanded gambling among those who were present. In the other communities, a broader range of views, with less consensus about the relative benefits and risks of expanded gambling. There were a lot of "it depends" statements, about the types of gambling activities that would be allowed, the number of facilities that might be developed, how the state would monitor and regulate facilities, and how revenues generated by gambling would be allocated.

The primary themes that emerged from the community conversations can be summarized as follows:

1. Concerns related to state and local budgets. Most participants expressed an understanding that the state of New Hampshire is trying to manage a significant budget deficit, as are local municipalities. Participants believe that the current tax structure in NH is not likely to change in the foreseeable future, therefore alternative revenue sources must be found or severe budget cuts will be necessary. A few participants suggested that the state should consider new forms of statewide taxes rather than expand gambling, but those views represented a small minority.
2. Concerns related to current unemployment rates and the need for economic development. The What's At Stake project took place in the context of relatively high unemployment rates, especially in certain pockets of the state (most notably in the North Country). Participants weighed the relative risks and unknowns of expanded gambling against concerns for themselves and their neighbors who need stable sources of employment that provide decent wages and benefits. When issues about the potential negative impacts of gambling activities in specific communities were considered in the context of declining employment and local tax bases, participants were more inclined to favor expanded gambling than oppose it.
3. Concerns related to the impact of expanded gambling on the infrastructure of local communities (fire and safety, roads and traffic, water and sewer, etc.). Most participants believe that if a gambling facility is built or expanded in their local community (and region), there will be additional burdens placed on fire and safety personnel; increased traffic congestion to be managed (with associated enforcement costs); and increased demands on utilities including water, sewer, electricity, and communications. To the extent that these impacts are experienced, there will be a need to structure local or state taxes and create revenue sharing mechanisms to offset these new local and regional costs.
4. Concerns related to the potential for increases in compulsive gambling disorders and costs associated with treatment. All of the groups discussed concerns about the possible personal and public costs associated with compulsive gambling disorders (what many participants described as "addiction") and related mental illness, including substance abuse. Participants varied in their degree of concern about this issue, ranging from those who work in the social services sector and have experience with such individuals and therefore worry about increased incidence of disorders (and how to pay for increased services), to those who

believe that this is not a major concern and that it is a problem for those affected to deal with, not a responsibility of the community. A minority of the participants expressed opposition to expanded gambling based on this concern alone.

5. Views shaped by “the New Hampshire way”. Many participants indicated that any decision to expand legalized gambling in New Hampshire should be consistent with how the state has typically operated with respect to matters of personal choice and freedom. One man in Salem said that he should be “allowed to build anything I want to in my own backyard, including a gambling casino.” Others in Salem, as well as other sites, echoed that sentiment. Some participants remarked on the current situation, in which the lottery has a long history and is an important part of state revenues, charitable gambling is an accepted and widespread practice, and liquor is sold by the state on major highways. Several participants said it would be “hypocritical” to put restraints on gambling given current practices and the reality that many residents engage in card games and other forms of gambling with friends and neighbors as a form of entertainment.
6. A need for more objective and reliable empirical information about the effects of gambling on state revenues, economic development, social services, incidence of crime, and other impacts on communities and regions where gambling facilities may be located. Participants overall expressed a desire for additional information about the potential consequences of expanded gambling in New Hampshire. The summary information provided by the NH Center for Public Policy Studies was useful, but also stimulated additional questions. Even though participants were told that the state of objective, empirical research on the consequences of gambling is limited, many felt frustrated at being asked to make informed judgments when comprehensive information is lacking.

The specific findings of the community conversations are presented below, categorized according to statements in support of expanded gambling, statements opposed to expanded gambling, criteria and issues that participants want the Commission to consider in its report, and concerns about the effect expanded gambling on the quality of life in local communities and the state. Statements were included if they occurred in over half of the small groups, representing shared views across geographic locations, except when otherwise noted. In the section following these statements, comments and opinions gleaned from the e-Democracy on-line forum are presented.

From the Community Conversations—

Those who support expanded gambling said:

1. The state has a significant budget shortfall. Controlled expansion of gambling would be acceptable to a majority of participants as long as there is a clear benefit to the state in the form of increased state revenues, greater fiscal accountability, new job creation, and a share of the revenues are returned to local communities sufficient to offset costs associated with new or expanded facilities.
2. The current high levels of unemployment can be expected to be mitigated through short-term construction jobs and long-term service jobs, and it could be expected that the state's horse industry would benefit. Service jobs in the gambling industry should pay a "living wage."
3. The North Country (Berlin and surrounding communities) has been especially hard hit by the economic changes and downturn over the past decade. A destination resort in that region would increase employment as well as the local tax base. Residents of the North Country feel "left out" of the state's economic development plans and ignored in terms of policy making in Concord.
4. New or expanded facilities should be limited to "destination resorts" in a small, select number of locations, including Salem, the Lakes Region, and the North Country. The state should not allow gambling at convenience stores, gas stations, and other small outlets.
5. Video gaming terminals and casino-type facilities would be acceptable at existing racetracks.
6. New or expanded facilities should be privately owned and state controlled, through what one group described as "strong and transparent regulation."
7. Local communities should have a strong voice in determining whether or not a gambling facility is located in the community or near-by.
8. Communities with gambling facilities and those nearby will expect to see an increase in regional development and a decrease, or leveling off of property tax rates. Associated tax revenues from increased local business, gasoline taxes, lottery, liquor, etc., would also be expected. If this cannot be assured, support for expanded gambling weakens.
9. A sufficient proportion of funds generated by state taxes on gambling facilities should be dedicated to support social services, especially mental health services necessary for the treatment of compulsive gambling and associated disorders.
10. New Hampshire is known for its tourism and recreation industry. Expanded gambling is consistent with that economy and reputation and would strengthen NH's image as a "destination spot."
11. The experience of Salem over the past 100 years has been positive with respect to its local racetrack, both as a source of entertainment and charitable gaming for

- local organizations. Salem views itself as a “case study” of how gambling can have a positive effect on the community and its economic status. Salem residents have voted twice in referenda to support expanded gambling, in 1994 and 2003. If Salem were to lose Rockingham Park, there would be significant negative consequences for the city with respect to job loss and revenues for local charities (estimated at \$2 million). The alternative proposal to replace the Park with residential development would create significant burdens on local schools, fire and safety, and infrastructure.
12. Restricting modes or locations of gambling could be viewed as hypocritical, since the state already sponsors the lottery and regulates charitable gaming.

Those who oppose expanded gambling said:

1. There is concern that state-sponsored gambling would become widespread and not limited to a small number of locations.
2. New Hampshire needs a rational and equitable tax system that is progressive rather than regressive (which legalized gambling is). There are broad-based tax options that are preferable to the choice of expanded gambling.
3. Expanding gambling in New Hampshire sends the wrong message to the young people of the state, and increases the risk that they will become involved in compulsive gambling and associated problems. Any investment of state funds should go to education, greater broadband access, and entrepreneurship opportunities for young people, rather than to subsidizing the development of casinos.
4. If expanded gambling is allowed, it should be anywhere else but my own community.
5. New Hampshire is viewed as a “business-friendly and family-friendly” state. Expanded gambling here would damage that reputation.
6. The owners of gambling facilities could become a powerful political force in the state, affecting how decisions are made in Concord and who those decisions benefit.
7. The current economic crisis is temporary. As one group put it, “a short-term crisis is not grounds for long-term policy.”
8. Legalized gambling fosters a reliance on luck rather than hard work as a means to success. This in turn can lead to increased illegal activities, poverty, and a sense that citizens do not have to pay for government. Those with the least means are likely to feel the greatest negative effects of gambling.
9. It can’t be assumed that jobs associated with new or expanded gambling will go to NH residents. It is likely that such jobs will not pay competitive, living wages or carry full benefits.

10. Increased gambling will make other types of industry, especially high tech, entrepreneurial, and start-up businesses less likely to locate in New Hampshire.
11. There will be increased demands for social services as a result of expanded gambling, with no guaranteed source to pay for those services.

Participants want the Governor's Commission to consider the following as it drafts its report:

1. Concerns remain about the quality and quantity of available research about the effects of gambling (see theme #6 above). The Commission should seek additional information before coming to any conclusions about the wisdom of expanded gambling in NH.
2. Any steps to expand gambling in New Hampshire should be based on evidence of clear benefits to the state and local communities. As one of the groups in Concord put it, "This [criterion] is of overriding importance."
3. The anticipated loss in revenue to charitable gaming activities if legalized gambling is expanded should be projected and taken into account by the Commission.
4. The Commission should recommend how revenues from expanded gambling would be distributed, with a focus on support for social services and public education.
5. Protections for local communities that are candidates for a casino or similar facility should be included in any policies or legislation, most importantly the ability to say no to such development – the New Hampshire tradition of home rule needs to be preserved.
6. Plans to locate a facility in a local community should include considerations regarding long-term sustainable growth in the community and region.
7. The impact on local property taxes should be considered when the Commission reviews the various options for types and location of expanded gambling.
8. Consider the types of jobs, level of wages, and amount of revenue that will actually be created. In addition, consider the degree to which skilled jobs would shift from current industries over to the gambling industry, potentially creating a shortage of skilled workers in the current economy.
9. Consider the degree to which new jobs will go to New Hampshire residents vs. those from out of state.
10. Consider the impact on low-income citizens in New Hampshire, and the degree to which gambling revenues will offset a potential increase in welfare costs.
11. Take into account the likely impacts of expansion of gambling in Massachusetts, expected in the current calendar year. The consequences for communities and facilities near the Massachusetts border are especially important to consider.

12. In consideration of a facility in the North Country (the greater Berlin region), the special needs and characteristics of that community should be assessed, including its continued economic challenges, the natural environment of the region, and the low population density of the area (and the low populations of northern Vermont and northern Maine).
13. Consider the costs (financial, human, political) associated with the increased state regulation and monitoring that will be necessary. Coordination and/or integration of the lottery commission and gaming commissions should be considered.

In addition to the views and concerns summarized above, all of the small groups addressed quality of life issues that were important to them. Many of those issues are raised in the context of opinions for and against expanded gambling and are included above. In addition, many participants expressed concerns about a potential loss of sense of community in those regions where new or expanded facilities might be located. Any unilateral actions by state government would be viewed as a threat to the “New Hampshire Way.” Concerns for the sustainability of the natural environment, the future of New Hampshire’s reputation as a tourist destination, and decisions about the allocation of state revenues that affect the quality of life (e.g., the funding of K-12 education) were all discussed across the 11 sites.

In both Salem and Berlin, concerns about jobs and family income were often mentioned. In Salem, the racetrack has been a long-time source of jobs. Families have worked at the track over multiple generations, thus quality of life is seen as tied directly to its continuation. In Berlin, participants discussed the loss of young people from the region due to the lack of jobs; the possibility of a new source of jobs could mean greater family stability and less transience.

Both opponents and supporters of expanded gambling raised quality of life issues, from different perspectives of course. But across sites the special qualities that make New Hampshire a desirable place to live and work were discussed. New or expanded gambling facilities should “fit” with the natural and social environments of the state, should enhance rather than detract from community life, should help to address the social needs of residents, and should be sufficiently regulated to guard against over-development as well as the perceived increase in crime associated with gambling (even as it was acknowledged that the available data are unclear on how much this would actually occur).

From the on-line forum—

Themes in the on-line discussion:

1. Continual debate over “facts” and statistics on success and failure of gambling elsewhere;
2. Several personal vignettes of first-hand accounts of gambling benefits or problems;
3. Concerns about who will have a say in decision making; Most want to make sure towns and regions affected will have a say;
4. Reasons supporting gambling: High unemployment in certain areas – seen as bringing revenue; belief that it is not a moral issue, that adults should be free of government control over what are seen as entertainment choices; Seen as bringing economic development; belief that since NH citizens are traveling 2+ hours to gamble in MA, expansion would keep money in the state.
5. Reasons against gambling: Seen as poor substitute for traditional economic development including new industrial development; Concerns insensitive development will mar natural beauty of the state; concerns about a lack of dedicated resources for increase in social services, especially addiction services.
6. Those unsure but considering gambling: Concerned that expanded legal gambling should be restricted to designated locations; that there be proper control and management of the process; concerns that revenue will not be used as promised.

Project Evaluation

Participants were asked to complete evaluation surveys at the end of the day, which included demographic information and questions about their opinions on gambling both at the beginning and end of the day, the degree to which their views changed during the day, and their overall assessment of the dialogue process. Public Agenda, a nonprofit organization that supports civic engagement based in New York City, was contracted to do the project evaluation and is now analyzing the surveys and conducting follow-up telephone interviews with a sample of the participants. Public Agenda’s report is expected later this spring. In order to do as thorough an evaluation as possible, Public Agenda will want to see how the Commission uses this report and what impact it has on the Commission’s final report to Governor Lynch.

In the meantime, it should be noted that over 88% of participants felt the small group facilitators did a good job making sure everyone’s ideas were heard and respected. Over 96% of participants felt they were attentive and involved in the conversation and over 89% indicated that the discussion helped them imagine the issues from other people’s perspectives.

Overall conclusions

Based on the face-to-face and on-line dialogues that have taken place since mid-February, it appears that:

- Participants in Salem and the Berlin region were more likely to favor expanded gambling than those in other communities.
- In the other sites, views were more evenly divided, and more concerns were raised about the social, economic, and reputational consequences of gambling.
- Participants in Portsmouth and Littleton were more likely to oppose expanded gambling, while those in Conway, Rochester, Laconia, Keene, Manchester, Concord, and Lebanon were more likely to express a wide range of views for and against, and more likely to say that they would oppose facilities in their own communities but not oppose the creation of facilities in other locations.
- Most importantly, for the majority of participants, *the conditions* under which expanded gambling might be considered were of prime importance. As noted above, the expansion of gambling was seen as more complex than a “yes” or “no.”

How Should the Commission Use the Report?

Given that the Commission has solicited information and input from a variety of sources, it is our hope and expectation that the views expressed by the citizens who participated in the community conversations and on-line forum will serve as an important resource as the Commission develops its findings for Governor Lynch. In each of the 11 sites where conversations were held, it was strongly expressed that the voices of those who devoted a full day to the deliberations should be reflected in the Commission’s report to the Governor. As noted above, the large majority of the participants believed this to be a worthwhile, productive process, but they also expressed skepticism that their voices would be fully considered. They are concerned that current legislative efforts will move ahead without the benefit of their ideas and opinions. They are concerned that purely economic criteria will override local and regional concerns for quality of life and traditional values of home rule and autonomy. Some felt that their past efforts to inform the state of their views, through local referenda for example, have been ignored. Some felt that their region has often not been well represented in the policy-making process in Concord.

What’s At Stake offered New Hampshire residents a different way of getting involved in democratic society. What’s more, it showed that policy-makers can be responsive to the outcomes of a deliberative process. Although this report does not seek to identify a single consensus around expanded gaming, it *does* highlight a range of views. This alone should demonstrate to skeptics and those who feel their voices are not heard that people *can* make a difference through deliberation. Moreover, people are more apt to understand how and why you arrived at your findings when given the opportunity to share their voices. This, in turn, can lead to a broader base of support for legislative and executive actions that will follow.

Part IV: Commission work to date

In addition to formal sessions focusing on different aspects of the gaming issue, the Commission conducted a public hearing for members of the General Court in Concord and held two public hearings, in Conway in Manchester. The Commission also conducted formal site visits to casino operations in Maine and Connecticut; some commissioners informally visited gaming sites on their own.

At most formal sessions of the Commission, meetings concluded with an hour-long “Commissioners’ Roundtable” to discuss and question the day’s presentations and other topics. Full minutes for each meeting, along with the presentations made and other information provided to the Commission, are available on the Commission website [nh.gov/gsc] under the “Calendar” link. The following lists all Commission meetings and speakers:

Date of Meeting	Time of Meeting (Hours)	Number		Speaker Names
		Speakers	Testifiers	
9/1/2009	1:00-4:00 (3)			
9/15/2009	1:00-4:00 (3)	4		Steve Norton Paul Kelley Rick Wisler Will Delker
10/6/2009	1:00-4:00 (3)	3		Steve Norton Robert Ward Mickey Brown
10/20/2009	1:00-4:00 (3)	6		William Wortman Dr. Clyde W. Barrow James Rafferty Dean Macomber Stuart Cooper Rick Newman
11/3/2009	1:00-4:30 (3.5)	7		Alice DeSouza Paul Kelley Averill Cate James Chase Les Nishi Jamie Timbas Rick Wisler
11/17/2009	1:00-4:30 (3.5)	6		Dr. Andrew Smith Tom Boucher Jim Rubens Dr. Earl Grinols Dr. Kevin Harrigan James Browning
12/1/2009	1:00-4:00 (3)	1		Steve Norton

12/15/2009	1:00-4:00 (3)	1	Dr. Bruce Mallory
1/19/2009	1:00-4:00 (3)	5	Steve Norton Charlie Yeaton Jessica Kellogg Sally Stitt Stephanie Caruso
2/2/2009	1:00-4:00 (3)	13	Sen. Lou D'Allesandro Rep. Peyton Hinkle Rep. James Rausch Rep. Roger Wells Rep. Edmond Gionet Sen. Michael Downing Rep. Christine Hamm Rep. Timothy Butterworth Rep. Paul Ingersoll Rep. Neal Kurk Rep. Mary Beth Walz Rep. David Hess Rep. Benjamin Baroody
2/16/2009	1:00-4:00 (3)	4	Steve Norton Jean Major Michael Pollock Steven Ingis
3/2/2009	1:00-4:00 (3)	3	Laura Scott Gerald Chudy Ben Frost
3/16/2009	1:00-4:00 (3)	8	Dr. Ronald Shaiko Anya Perret David Lumbert Boyd Lever Steve Burton Joe Harding Dr. Bruce Mallory Martha Parker
4/6/2009	6:00-8:00 (2)	5	John Colony Rev. Susan Ackley Dorothy Solomon Stanley Solomon Susan Ticehurst
4/6/2009	6:00-8:00 (2)	7	Clair Ousler Liam Doherty John Allen Jerry Gappens Peg Fargo John Jackson

			Elaine Driscoll
4/20/2010	1:00-4:30 (3.5)	5	Dr. Andrew Smith Dr. Charlie French Martha Parker Michele Holt-Shannon Steve Norton
5/4/2010	1:00-5:00 (4)	1	Steve Norton
5/18/2010	1:00-4:00 (3)	1	Steve Norton
Plus: 7 letters received against gambling 11 letters received in favor of gambling			
Website Activity: 7 emails received: 3 in favor, 4 against 3,948 Visits with 19,005 pages viewed			

The following summarizes the formal sessions:

Sept. 1, 2009: Organizational meeting.

After Chairman Andy Lietz and commissioners discussed the proposed scope of work, Gov. Lynch briefly joined the session. He thanked commissioners for their willingness to work in an unbiased way toward producing an authoritative report based on thoughtful and comprehensive data research and analysis. Noting that the Commission's work will affect not only current but future policymaking, Gov. Lynch urged the Commission to be mindful of the long-term impacts and potential unintended consequences of expanded gaming in New Hampshire.

Chairman Lietz then discussed staffing and other plans, including the role of the New Hampshire Center for Public Policy in a variety of research functions, including construction of models to measure social, economic and other impacts of gaming in New Hampshire. Andy Smith of the UNH Survey Center discussed plans to poll about public attitudes about gaming. Finally, Chairman Lietz introduced Bruce Mallory of the UNH/Carsey Institute, which conducts public policy research on civic engagement and sustainable community development. Dr. Mallory discussed how a collaborative discussion about gaming would likely be a productive method for gaining public input.

Sept. 15, 2009: Current status of gaming in New Hampshire

The Center offered what it called a “30,000 foot view” of existing gaming activities in the state, including kinds of activities (lottery, racing, charitable gaming) and revenues, as well as estimates of spending by New Hampshire residents on gaming. Following that presentation, Paul Kelley, Director of the NH Racing and Charitable Gaming Commission, provided an overview of pari-mutuel activities and charitable gaming in New Hampshire, followed by Rick Wisler, Executive Director of the NH Lottery Commission, who discussed the history, performance, challenges, and potential future of lottery activities in the state. The day’s final presenter, Will Delker, Sr. Assistant Attorney for the Criminal Justice Bureau with the NH Attorney General’s office, noted that current and former attorneys general have opposed expanded gaming in New Hampshire for 40 years.

During the Commissioners’ open discussion, topics included the capacity and requirements of the state’s gaming regulatory agencies and the need for reliable revenue and economic data.

October 6, 2009: Current status gaming in other states

The meeting began with brief presentations by Dr. Bruce Mallory of the UNH/Carsey Institute about the plan for public deliberative sessions and Dr. Andy Smith of the UNH Survey Center about his polling effort. Dennis Delay of the Center then presented “The Gaming Landscape in New England.” He was followed by Robert Ward, Deputy Director/Director of Fiscal Studies for the Nelson A. Rockefeller Institute of Government, which had just released a report, *For the First Time, a Smaller Jackpot: Trends in State Revenues from Gambling*. Summarizing the report’s findings, Mr. Ward said, “Expanded gambling will generate more revenue, but the revenue over time will lag behind the growth in overall tax revenues and overall state expenditures.”

Also presenting was G. Michael (Mickey) Brown, a former casino industry regulator in New Jersey turned casino executive (he was CEO of Foxwoods Resort Casino). Mr. Brown, who is now a gaming industry attorney and consultant, said current problems facing the casino industry are due to several factors, including market saturation, the economic turndown, high rates of taxation, and a tight capital market. Despite those challenges, he suggested that developers would find New Hampshire an attractive location for one or two full casinos (with both VLTs/slots and table games). He postulated that the state has an unsatisfied market made up of people who currently gamble elsewhere.

October 20, 2009: Models of expanded gaming proposed for New Hampshire

This meeting consisted of presentations about various proposals to expand gaming in the state. Details about the presentations and supporting documents are available on the web site. A matrix prepared by the Center that summarizes each proposal, including fiscal,

economic, regulatory, and other components, appears in the Appendix of this report. In general, presenters said expanded gaming would create significant new revenue and economic benefits for the state, without jeopardizing existing businesses. The new operations would also generate revenue needed to help finance programs for compulsive gambling and other social costs. Presenters indicated that the state and regional gaming market is strong enough to sustain all of their proposed operations.

Specific proposals discussed were:

- Millennium Management Group's proposal for Rockingham Park in Salem, which calls for a phased \$450 million capital investment to support 5000 VLTs.
- Sagamore Crossing Golf Resort and Convention Center, Hudson, which calls for a 300-room resort hotel and convention center that would include a casino with 135,000 square feet of gaming space with about 4,000 slot machines and 100 table games.
- New Hampshire Charitable Gaming LLC's proposal for a Berlin facility that would begin with 250 VLTs, 10 table games, and amenities.
- Macomber International's plan for Seabrook Greyhound Park, which calls for renovation of the current facility, including a new gaming component that will include VLTs.
- The Lodge at Belmont, which discussed options besides just slot machines, such as "Instant Racing."

After the presentations, commissioners engaged in a roundtable discussion among themselves and with the presenters about the proposals and other topics, as detailed in the full minutes.

November 3, 2009: Gaming revenue potential and other topics

The meeting began with Alice DeSouza, Director of the NH Division of Travel and Tourism Development, describing how the state brands itself to attract tourism and new business to the state. Following that discussion, the Commission heard a panel discussion led by Paul Kelley, Director of the NH Racing and Charitable Gaming Commission. Panelists were Averill Cate of American Legion Post #21 in Concord; James Chase of Bektash Shriners in Concord; Les Nishi, Seacoast Fundraising; and Jamie Timbas, Universal Gaming. Panelists discussed charitable gaming operations and issues and how funds raised support various charitable groups throughout the state. Rick Wisler, Executive Director of the NH Lottery Commission, then spoke. Among other points, he estimated that his agency would need only five to seven additional staff if VLTs were added to the New Hampshire gaming mix under control of the Lottery.

The commissioners' roundtable discussion touched on numerous points, including the need for supporting information for the summary numbers presented by Mr. Kelley, the number and wage levels of jobs that expanded gaming might create, and costs and other requirements for governance and law enforcement for expanded gaming.

November 17, 2009: Social impact/costs of gaming

To begin the meeting, Dr. Andrew Smith of the UNH Survey Center reported to the Commission on results of the Fall Granite State Poll, which included several questions on the topic of gaming/gambling in New Hampshire. (See appendix for the survey results).

The next presenter was Thomas Boucher, who is the owner/CEO of Great NH Restaurants, Inc., a board member of the Granite State Coalition against Expanded Gambling, and a past chairman of the NH Lodging and Restaurant Association (2005). In his presentation, Mr. Boucher expressed opposition to the expansion of gaming in the state, a position he said was based on his decades of experience in the restaurant business and from serving on trade-associated boards at the state and national level.

After Mr. Boucher's presentation, Granite State Coalition Against Expanded Gambling Chair Jim Rubens introduced a set of speakers about social costs and other impacts of gaming. Dr. Earl Grinols, Professor of Economics at Baylor University's Hankamer School of Business, summarized his findings relative to gambling benefits and costs, which conclude that gambling creates \$3 of social and other costs for every \$1 of benefits. Dr. Grinols asserted that slots are far more conducive to addictive gambling than other forms.

The next presenter, Dr. Kevin Harrigan, Research Associate Professor with the University of Waterloo/Ontario Canadian Centre for Arts/Technology, discussed the design and operation of slot machines and VLTs. His basic message was that both kinds of devices are designed to contribute to faulty cognitions and addictiveness.

James Browning, Director for Development for Common Cause Pennsylvania, told the Commission that it is difficult to limit the influence of gaming interests once they have gained entry into a state. He urged the Commission to consider what the state's future would look like if the gaming industry were to expand in New Hampshire, especially its potential influence over the legislative and political process.

During the roundtable discussion, commissioners raised and discussed a number of topics, including the need to define and collect more information on "problem" and "pathological" gambling and appropriate responses to each. Some expressed concern about possible proliferation of gaming once it is expanded in New Hampshire, with some suggesting licensing limits as a way to prevent "creep."

Dec. 1, 2009: Various topics – no outside speakers.

Chairman Lietz provided an update on the public dialogue sessions to be conducted by the UNH/Carsey Institute in early 2010. A report about these hearings, which will be supported through private donations to the University, will be provided to the Commission, which can include it in its final report.

The site visit team led by Commissioner Babson along with Commissioners Bailey and Pritchard and New Hampshire Center for Public Policy Studies Executive Director Steve Norton reported on their visit to Hollywood Slots in Bangor, ME. Commissioners Babson and Bailey met with the chief of police while Commissioner Pritchard interviewed Guy Cousins, Director of the Maine Office of Substance Abuse. Steve Norton met with local business and retail people in the vicinity of Hollywood Slots. Commissioner Bailey said the Bangor police chief reports no noticeable impact on crime rates in Bangor that can be attributed to the gambling facility. Commissioner Pritchard said her impression was “no harm no foul,” that she perceived no major negative or positive impacts due to Hollywood Slots in Bangor. Steve Norton said size and levels of surrounding economic activity must be considered when comparing gaming operations. Bangor is an unusual case, he said, suggesting that the Commission visit facilities and locations more similar to those being proposed for New Hampshire.

Norton then gave the Commission an update on the Center’s work to date and plans for further research and analysis. That presentation is available on the Commission web site and major aspects of it appear in the next section of this report. The meeting ended with discussion about topics to be covered in this Interim Progress Report.

Dec. 15, 2009: Various topics.

Dr. Bruce Mallory of the UNH/Carsey Institute discussed plans for a series of deliberative dialogue sessions to be conducted across the state during the spring. The results of those hearings will be shared with the Commission.

Following Dr. Mallory’s presentation, the Commission heard a report from members about their Dec. 14 site visit to Mohegan Sun casino. Commissioners Babson, Bailey, Densmore, Pritchard, Feldstein, and Lietz, along with Dennis Delay of the Center, discussed their impressions after meeting with both casino executives and elected officials in towns surrounding the facility.

The next item was a review and discussion of the final draft of the Interim Progress Report. Final changes will be made in the report, which was scheduled to be presented to the Governor on December 21.

Finally, commissioners held a round table discussion about the Commission’s efforts to date and its future activities, including additional meetings to gather facts, site visits, and a public hearing process.

January 19, 2010: Various topics.

Staff of the New Hampshire Center for Public Policy Studies presented results of their study about gambling and economic development.” The Center’s Dennis Delay described the different types and costs of economic models available for studying various types of proposed gambling scenarios in New Hampshire. He noted that the number of people per square foot is greatest in a facility with table games, resulting in a larger economic impact, and that the impact declines in facilities with only slot machines or VLTs. Steve Norton told the Commission that one basic finding of the study is that the lower the capital investment in a facility, the lower the economic impact and the less the number of jobs created.

Charlie Yeaton, President/Creative Director and Jessica Kellogg, Account Executive for Rumbletree Marketing Agency, joined by Sally Stitt, President and Stephanie Caruso, Executive Vice President for Star Media, provided an overview of “branding,” both as a general concept and about how the New Hampshire brand has been developed for the NH Division of Travel and Tourism Development.

February 2, 2010: Joint legislative hearing for members of General Court

Held at the State House, members of the Commission heard testimony from Senators Lou D’Allesandro and Michael Downing and State Representatives Peyton Hinkle, James Rausch, Roger Wells, Edmond Gionet, Christine Hamm, Timothy Butterworth, Paul Ingersoll, Neal Kurk, Mary Beth Walz, David Hess, and Benjamin Barood.

February 16, 2010: Regulatory issues.

Mr. Jean Major, Chief Executive Officer and Registrar for the Alcohol and Gaming Commission of Ontario, Canada, discussed the “Ontario model” of casino control and regulation. He was followed by Michael Pollock, Managing Director, and Steven Ingis, Director of Legal and Regulatory Services of Spectrum Gaming Group, who discussed key factors to be considered in any regulation of gaming. (Their report about regulatory issues is available on the Commission web site).

During the Commissioner’s Roundtable discussion, Major and the Spectrum speakers responded to a number of issues raised by members of the Commission.

March 2, 2010: Community impacts

Laura Scott, Adjunct Faculty at UNH in the MPA program and Community Development Director for Windham, discussed community planning impacts when significant development is being proposed for a town. She emphasized the importance of zoning regulations, which differ from town to town throughout New Hampshire. These regulations should be thoroughly explored and determinations made on how they will be applied to new development proposals.

Gerald Chudy, chair of the Citizens Casino Impact Study Committee for Palmer, Massachusetts, discussed how his committee and town officials have prepared for a possible major casino if Massachusetts expands gaming.

Ben Frost, Director of Public Affairs for New Hampshire Housing, provided a presentation about workforce housing in New Hampshire. He noted that any major project, such as a casino, will have major impacts on local communities and should require a state-level regional impact study, something that may fall under the state's Site Evaluation Committee's authority. Smaller communities simply would not have the resources to fully and adequately address all the concerns, considerations and impacts of a major casino development project.

Dr. Andy Smith of the UNH Survey Center spoke briefly about questions to be included in the spring Granite State poll to be conducted at the end of March.

March 16, 2010: Social Costs

Dartmouth College students Anya Perret, Boyd Lever, and David Lumbert II presented the results of their extensive research about the social costs and other impacts of gambling in the United States. Conclusions identified in additional discussion following the presentation included:

- Most state oversight is through legislative committees and primarily governs revenues and regulations, not social impacts.
- Social costs are not being included among the mandates given for review by oversight agencies.
- The state would benefit from having data collected, no matter what agency collects it.
- Research indicates that most budgets for dealing with problem gaming activities are reactive, not pro-active.

The next presentation was given by Steve Burton, CEO of First Choice Health Systems, Inc. in West Virginia. He described the extensive presence of gaming in that state and how his agency responds to problems associated with problem gambling. He was followed by Joe Harding, Director, New Hampshire DHHS Bureau of Drug and Alcohol Services, who discussed state treatment efforts.

Dr. Bruce Mallory provided a preliminary report on the results of the deliberative democracy sessions (*What's At Stake*) that were conducted around the state in February.

April 6, 2010: Public hearings

The Commission conducted public hearings in Conway and Manchester to take testimony from the public on the subject of expanded gaming in New Hampshire.

April 20, 2010:

Dr. Andy Smith of the UNH Survey Center discussed results of a UNH/Granite State Poll about gaming (See appendix). The UNH “What’s At Stake” project team, including 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) presented a summary of findings from the deliberative dialogue process conducted in February. The What’s At Stake final report appears later in this document.

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

May 4 and May 18, 2010: Commissioners spent both of these meetings reviewing and completing findings to be presented to the Governor by May 25.

Part V: Appendices

- Executive order
- Commission membership
- Gambling proposal templates
- UNH Survey Center Spring 2010 polling results

**STATE OF NEW HAMPSHIRE
BY HIS EXCELLENCY
JOHN H. LYNCH, GOVERNOR**

Executive Order 2009-2

An Order Establishing a Gaming Study Commission

Whereas, the General Court has considered several recent legislative proposals to expand gaming activities and license video lottery machines at various locations in the State; and

Whereas, the State would benefit from a thorough and comprehensive review of various models for expanded gaming and their potential to generate state revenues, as well as an assessment of the social, economic and public safety impacts of gaming options on the quality of life in New Hampshire.

NOW, THEREFORE, I, John H. Lynch, Governor of the State of New Hampshire, by the authority vested in me pursuant to Part II, Article 41 of the Constitution of the State of New Hampshire, do hereby order as follows:

1. There is established the Gaming Study Commission. The Commission shall undertake a thorough and comprehensive review of various models for expanded gaming and their potential to generate state revenues, as well as an assessment of the social, economic and public safety impacts of gaming options on the quality of life in New Hampshire. The Commission shall study the estimated state revenues that can be achieved through expanded gaming options as well the stability and reliability of expanded gaming as a source of state revenue. As part of its work, the Commission shall consider the various gaming models implemented or under consideration in other states.

2. The Commission shall consist of no more than 15 members appointed by the Governor consisting of public members and representatives of the following public bodies, groups or interests: the general court; law enforcement; business; tourism; local government; labor; social service organizations, and other organizations as may be appropriate.

3. The chairperson and vice-chairperson shall be designated by the Governor. Members of the commission shall serve at the pleasure of the appointing authority. Vacancies shall be filled in the same manner as the original appointments were made.

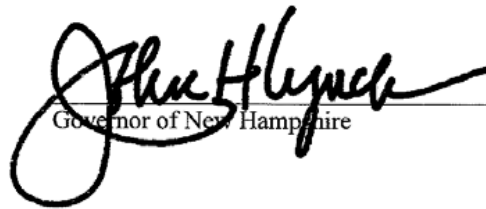
4. The Commission shall meet as soon as possible after August 15, 2009.

5. The Commission shall provide an opportunity for public input during its study. In addition, all state agencies shall cooperate with the Commission and provide data, information, reports or testimony as requested by the Commission.

6. On or before October 1, 2009, the Commission shall submit to the Governor a recommended schedule outlining its anticipated work and providing a recommended deadline for the completion of work and submission of a report with its findings. On or before December 1, 2009, the Commission shall submit an interim progress report to the Governor.



Given under my hand and seal at the
Executive Chambers in Concord, this
16th day of July, in the year of our Lord,
two thousand and nine.


Governor of New Hampshire

Commission Members

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Rye, NH 03870

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*"...to raise new ideas
and improve policy
debates through quality
information and analysis
on issues shaping New
Hampshire's future."*

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www.nhpolicy.org



Memorandum

To: Commissioners

From: The New Hampshire Center for Public Policy Studies

RE: Gaming Proposals Template Updated to Reflect Loudon, NH Proposal

Please find attached the promised template providing information on the various proposals – Berlin, Sagamore, Rockingham, Seabrook and Loudon – on which you have received presentations. In putting this template together, we have tried to review each proposal with an eye towards understanding the issues Commissioners will need to review in order to isolate the potential benefits and costs to the state of moving forward with expanded gaming.

The point of this exercise is to help focus attention on the key aspects of expanding gaming. In so doing, we may have missed an issue. If so, we are glad to add to the template. Each proposal development team also indicated a willingness to provide additional information if necessary. Commissioners should be aware that there was some variable in the depth of analysis conducted. Each proposal development team indicated that further analysis would be necessary to fully understand the impact of expanding gaming in New Hampshire.

With the exception of the Loudon proposal, this information was developed during 2009 by reviewing the presentations provided by each proposal developer, conducting interviews of the various teams that developed these proposals (in-person or via conference call), and reviewing any additional information provided subsequent to the interviews. Each of the proposal development teams have had an opportunity to review these responses and the Center has attempted to incorporate their comments where warranted. The various proposal teams have been very understanding of the time constraints and have been responsive to our requests for additional information and clarifications. The Loudon proposal was provided to the Center in early May, 2010.

This was an exercise designed to sharpen our collective understanding of the underlying assumptions of the proposals and the issues raised for the Commission as it looks forward. This exercise was not designed to verify the information provided or the assumptions made by those developing the proposals, though we have a good understanding of how the data and assumptions were developed. As an example, we did not simulate the economic development impacts of the proposals as provided to test the estimates of job creation.

Board of Directors

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	A	B	C	D	E	F	G
<p>Source: The New Hampshire Center for Public Policy Studies is reporting -- not verifying -- the information provided by proposal developers. The data come from materials submitted to the NH Gaming Commission as well as interviews with each of the proposal developers, all of whom have had a chance to review and comment.</p>							
1	Summary of Gaming Proposals (Working Draft)						
2							
3	Cost/Benefit Dof	Domain Indicator	Berlin	Salem	Seabrook	Hudson	Loudon
4			Charitable Gaming	Millenium Gaming	Macomber	Sagamore Crossing	
			Casino at a racetrack to include up to 5,000 VLTs at Rockingham Park, and up to 60 Charitable Gaming Tables (and commercial gaming tables if legislation enables) and restaurants and entertainment	Racino to include 2,000 VLTs, 2 restaurants (200 seat casual and 100-seat fine dining), charitable gaming section, entertainment center	Golf destination resort with hotel, convention center, with gaming and VLTs at state race tracks; 5,000 VLTs at tracks plus 4,000 Slots at Sagamore and 100 table games + comparable casino at Suffolk Downs		A casino, hotel and auto racing museum facility in close proximity to but separate from the existing NHMS structures.
5	Proposal Design	General	A destination Casino heavily phased				
			Phase 1: 250 VLT, 10 table games; Phase 2: 500 VLT, 20 table games, Phase 3: 1,000 VLT 25 table games - 40,000 square feet, 300 room hotel and convention center	Could have a Phase 1 new Facility with approximately 3000 VLTs that could open within 1 year of licensing if policymakers want to speed up start of revenue and desire first mover advantage vis a vis Mass.	Renovation of existing 70,000 facility followed by the addition of a permanent gaming facility described above.	Assumes 18-month build out and full opening with all amenities. Revenue estimates are phased-in based on graduated hotel occupancy rates, win per day on slots and table games, and gradual increases in non-gaming revenues as facility matures.	the casino structure would be the first completed.
6	Proposal Design	Phasing					
			Revenue to State: Effective Gambling Tax Rate	30% - Noted that 49% would result in insufficient capital investment		Guarantee of \$100m revenue. Gaming tax revenue "estimates assume a 25% gaming tax on the resort's gross gaming revenue and a 50% tax on the racetrack's gross gaming revenues. New employment estimates for the racetracks are based on national averages."	Assumed rates in SB 489; total gaming revenue = \$45 million
7	Revenues			40% - Based on 2009 D'Allesandro Bill	40% to state - Based on D'Allesandro Bill		
					No specific NH analysis conducted. Hypothesize that the export focus (share of individuals coming from Massachusetts) would limit impact.		
8	Revenues	Impact on Lottery	Not provided, not discussed, or no analysis conducted.	No analysis conducted. Refer to Lottery Commission Statements on VLTs.		Includes review suggesting no to minimum impact	

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9	Revenues	Impact on Charitable Gaming	Proposal includes dedicated charitable gaming tables (and commercial gaming tables if legislation enables).	Proposal includes dedicated charitable tabling gaming. Expansion in tables and video lottery operations anticipated to increase benefits to charities.	Sagamore has stated that it considers charitable gaming a "feeder system" that complements its table games, since most casinos have a \$5-\$15 minimum bet on table games, while NH charitable gaming has a \$4 maximum bet. Sagamore proposed setting aside 5,000 sq. ft. of prime space for charitable gaming in its facility.	NHMS conducted charitable gaming only two weeks in 2009. Impact in not determined
10	Revenues	Revenue to State: BPT/BET Impact	Not provided, not discussed, or no analysis conducted.	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	Report produced by Phil Blattsos n behalf of Sagamore estimates \$0.6 million in BET and \$0.7 million in BPT. Additionally estimates \$2.1 million in state liquor store revenue.	not determined
11	Revenues	Revenue to Local Community (Property Tax)	Not provided, not discussed, or no analysis conducted.	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	No NH specific analysis conducted. Assumes additional infrastructure expenses will be funded by new revenues generated from gambling taxes.	Estimated \$800,000 in addition to the current \$400,000 paid to the community
12	Revenues	Revenue to State: Licensing Fees	Provisions in D'Allesandro bill regarding \$10m North Country license fee not possible. \$5,000 per machine instead.	Based on legislation developed by Senator D'Allesandro: \$20 million fee.	\$50 million license fee.	per SB 489
13	Revenues	Revenue to State: Change in Meals and Rooms	Not provided, not discussed, or no analysis conducted.	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	Estimate of .8m in meals and rooms tax.	\$350,000

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	Revenue to State: Estimated impact on existing business meals and rooms tax	Not provided, not discussed, or no analysis conducted.	Increases due to 4 million visits will purchase other meals and rooms at other NH businesses (and tolls and toll taxes).	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	Resort will draw 81% of its patrons from out of state suggesting the export nature of the produce will bring additional revenues.	
14	Revenues					
		Phase 1 \$2.6 mill to State, \$300k to city, \$100k to county, \$260k to charity, \$100k to problem gaming	Per 2009 D'Allesandro legislation, tax 40% to state GF, 3% to town, 1% to county, 2% problem gaming, 1% tourism, 1% safety, 1% purse	As per Senator D'Allesandro bill: Tax 40% to state GF, 3% to town, 1% to county, 2% problem gaming, 1% tourism, 1% safety, 1% purse	1% to host town, and 15 mile radius, % to commuter rail, nothing for local police and fire	\$1.4 million
15	Revenues					
		\$10 million, half to state and local in Phase 1	\$418 million gross gaming revenue from VLTs only. Commercial table game revenue estimates not yet available.	No estimate of overall revenues available.	\$531 gross gaming revenue, \$138 non-gaming revenue, = \$668 m	\$46 million from all sources
16	Revenues					
17	Revenues					
		\$109.59	\$229.15	\$170.00	\$293	\$134 per day or \$49,000
18	Revenues					
	Estimated Growth Over Time	Not provided, not discussed, or no analysis conducted.	3-3.5% per year	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	Same as growth in discretionary spending	11%, 5%, 4%, 3% respectively in years 2 through 5, or 25% after 5th full year of operation
19	Revenues					
	Impact of Massachusetts Expanded Gaming	Not provided, not discussed, or no analysis conducted.	31% Reduction in revenues (to \$286.9m)	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	58% Reduction in revenues (\$1.2b GGR to \$531m)	these projections assume three locations in Massachusetts in addition to several in New Hampshire
20	Social Costs					
	Pathological Gaming	No systematic analysis conducted. However, proposal includes 1% of revenue to support social service programs	No systematic analysis conducted. Proposal included 2% of revenue to fund social cost programs based on D'Allesandro bill	No systematic analysis conducted. Proposal included 2% of revenue to fund social cost programs based on D'Allesandro bill	References to national study (NORC 1999) which includes cost per pathological gambler. Survey of NH residents on prevalence of each of the 10 criteria of problem gambling.	

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			No systematic analysis conducted. Letter provided from Chief of Police in Meadows host community indicating no increase in Crime; newspaper article on police chief in Bangor, Maine dismissing impact. 1% of revenues to fund local public safety.			
21	Social Costs	Crime	Not provided, not discussed, or no analysis conducted.	1% of revenues to fund local public safety	Literature reviewed, with no specific estimate of changes in Crime in New Hampshire.	
			Have internal training management and controls. Self-banning of pathological gamblers. Regulatory environment plays a key role. Social services plays key role.	Not provided, not discussed, or no analysis conducted.	Developers indicated, by inference, that the casino would implement in-house policies and employee training to identify problem gamblers and allow for self-identification and removal.	standard casino procedures determined by gaming management partner
22	Social Costs	Casino Management of Problem Gamblers			Developers indicated that the Casino might take a variety of actions to limit criminal behavior including but not limited to a secure controlled access point to the main facility (i.e., direct off-ramp), electronic surveillance of gaming floors, lobbies, elevators, and parking structures, an on-site security staff the monitors electronic surveillance on the gaming floor and that patrols the interior and exterior of the facility at the resort's cost, key code access to space, training employees to recognize the signs of problem and pathological gambling with instructions to "cut off" these customers and refer them to help lines."	standard casino procedures determined by gaming management partner
23	Social Costs	Casino Management of Crime (e.g. casino security measures)	Not provided, not discussed, or no analysis conducted.	Casino security measures (based on Meadows) includes 96 fulltime and 13 part time security officers (at least 21 per shift) plus 37 mostly part time for the track. See also detailed information provided on protocols, technology, and compliance.	Not provided, not discussed, or no analysis conducted.	

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24	Market Area and Demand Assumptions	See Maps --> 50,000 people within 60 minute drive. With primary driver being within a 30 minute drive.	See Maps --> 3 million potential adult gamblers. Proprietary Gravity model used to identify individuals within 30, 60 and 90 miles.	Competitor market New England plus New York border, 5 million people	See Maps --> 8 million adults within 150 minutes. 3 million adults within 60 minutes.	Market expands beyond traditional with 400,000 - 500,000 visits annually for non-casino events at NHMS. Analysis indicates local market will comprise 55% of total visits. Other market components include overnight visitors to NH's Lakes Region visiting for purposes other than gaming or racing and second-home owners.
25	Market Area and Demand Assumptions	Not Applicable	Estimated 75% of market from Massachusetts	Approximately 50% of population from Massachusetts.	81% of patrons will come from out of state, with most coming from Massachusetts.	Outside of NHMS racing events this market component would produce 10% - 15% of gamer visits.
26	Market Area and Demand Assumptions	3.3 million visits per year.	4 to 5 Million visits per year	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	2.1 Million	483,629
27	Market Area and Demand Assumptions	Not provided, not discussed, or no analysis conducted.	36% in Rockingham, 29% Inside 128. Estimates based on proprietary surveys and analyses of industry databases.	Established facility with access to 5 million people 'assumed to gamble at average propensity of Northeastern US.'	Estimates based on total revenues, not on individual behavior. However, statewide 23% estimated to gamble	33% in local market; NHMS racing events not discussed.
28	Economic Development	Phase 1: \$7 million, 2: \$17 million, 3: \$50 million	\$450 m in Rockingham	\$100 million	\$300m capital investment, \$140 m in construction	\$30 - \$40 million initially
29	Economic Development	Not provided, not discussed, or no analysis conducted.	1,100	150	1,211	350
30	Economic Development	155	1000. Additional estimated 600 (total 1,600) if commercial table games allowed.	400	4,042	320

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					Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.		
31	Economic Development	Indirect/Induced Jobs	Not provided, not discussed, or no analysis conducted.	No systematic analysis conducted		2,843	240 full-time equivalent
32	Economic Development	Average Wage of New Jobs	\$21,585	\$42,000 to \$44,000 based on Meadows Statistics	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	\$39,000 for Casino Operations only, excluding tips	undetermined
33	Economic Development	New Jobs as % of Avg Annual Wage in NH	51% of NH Average annual Wage. Should be noted that average wage in Berlin is significantly lower than in the state.	Approximately 100%	Not provided, not discussed, or no analysis conducted. Proposal is in initial stages with further analysis to be conducted.	91%	undetermined
34	Economic Development	Annual Payroll	\$3.3 million	Estimated at \$42 million	\$8 million	\$126m	undetermined
35	Economic Development	Drawn from local labor	Not provided, not discussed, or no analysis conducted.	95%	Only a few managers and technical types to be imported. Nearly all jobs expected to be filled by local residents.	90%	90%+
36	Economic Development	% Year round full time jobs	Not provided, not discussed, or no analysis conducted.	80%	No analysis provided, but no grat seasonality hypothesized.	70 to 85%	
37	Economic Development	Partnership with local businesses	Economic development for Berlin means all impacts are positive	Joint Promotional Arrangements with area businesses	Any hotel development deferred pending rise in existing hotels occupancy rates.	Casino customer would not be local, therefore no impact on local business	

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38	Economic Development	Impact on Other Businesses	Not provided, not discussed, or no analysis conducted.	Within 1 mile of Meadows facility, 1 new hotel opened and 2 more under construction; support from PA local officials and area chamber on positive impact on other businesses.	No specific NH analysis conducted. Hypothesize that the export focus (share of individuals coming from Massachusetts) would limit impact.	IMPLAN modeling suggests net increase in local business due to capture of Massachusetts market and growth in discretionary spending.	local vendors
39	Economic Development	Infrastructure	Economic development for Berlin means all impacts are positive	Exit 1 already developed for race track, so no significant additional costs anticipated	Assumed that any and all necessary upgrades to local infrastructure assumed to be funded by gaming developer.	Need commuter rail to realize full potential	anticipated auto racing museum in addition to hotel & casino complex
40	Economic Development	Branding/State's Image	Not provided, not discussed, or no analysis conducted.	Proposal developer noted long history of gambling at Rockingham Park	Not provided, not discussed, or no analysis conducted.	Not provided, not discussed, or no analysis conducted.	NHMS races are broadcast globally and are viewed by more than 10 million people in 92 countries, meaning that twice per year NHMS events shine a bright light on the state of New Hampshire. The NHMS premier marketing operation would compliment and piggy-back on marketing for a gaming venue and hotel.
41	Regulatory Environment	Type or Regulatory Environment	Not provided, not discussed, or no analysis conducted.	Provided a variety of information and data on regulatory environments across the country and summarized in memo	No specific analysis conducted. Assumed similar to best-performing 'current US VL programs: DE/PA/WF'	No NH specific analysis conducted. Proposal did suggest that licensing and regulation and enforcement and investigation should be conducted by different state authorities.	as determined by legislation

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Summary of Gaming Proposals (Working Draft)

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				Applicant covers all out of pocket costs of licensing. State pays for regulatory start-up costs and on-going regulatory costs from licensing fee (\$50 million for VLT only) and state distribution of revenues (40 percent) as under 2009 Sen. D'Allesandro Bill. Information provided on budgets and organizational structure and functions in other jurisdictions.	Applicant covers all out of pocket costs of licensing and regulatory start-up costs.	Estimates new costs between \$3.3 and \$11m. Calculated based on experience in other states.	as determined by legislation
42	Regulatory Environment	Costs of Regulation	Not provided, not discussed, or no analysis conducted.				
43							
44	<p>Source: Center is reporting -- not verifying -- the information provided by proposal developers. The data come from materials submitted to the NH Gaming Commission as well as interviews with each of the proposal developers, all of whom have had a chance to comment.</p>						

NH Gaming Study Commission Spring, 2010 Granite State Poll Findings

Andrew E. Smith
University of New Hampshire
Survey Center
Department of Political Science
April 20, 2010

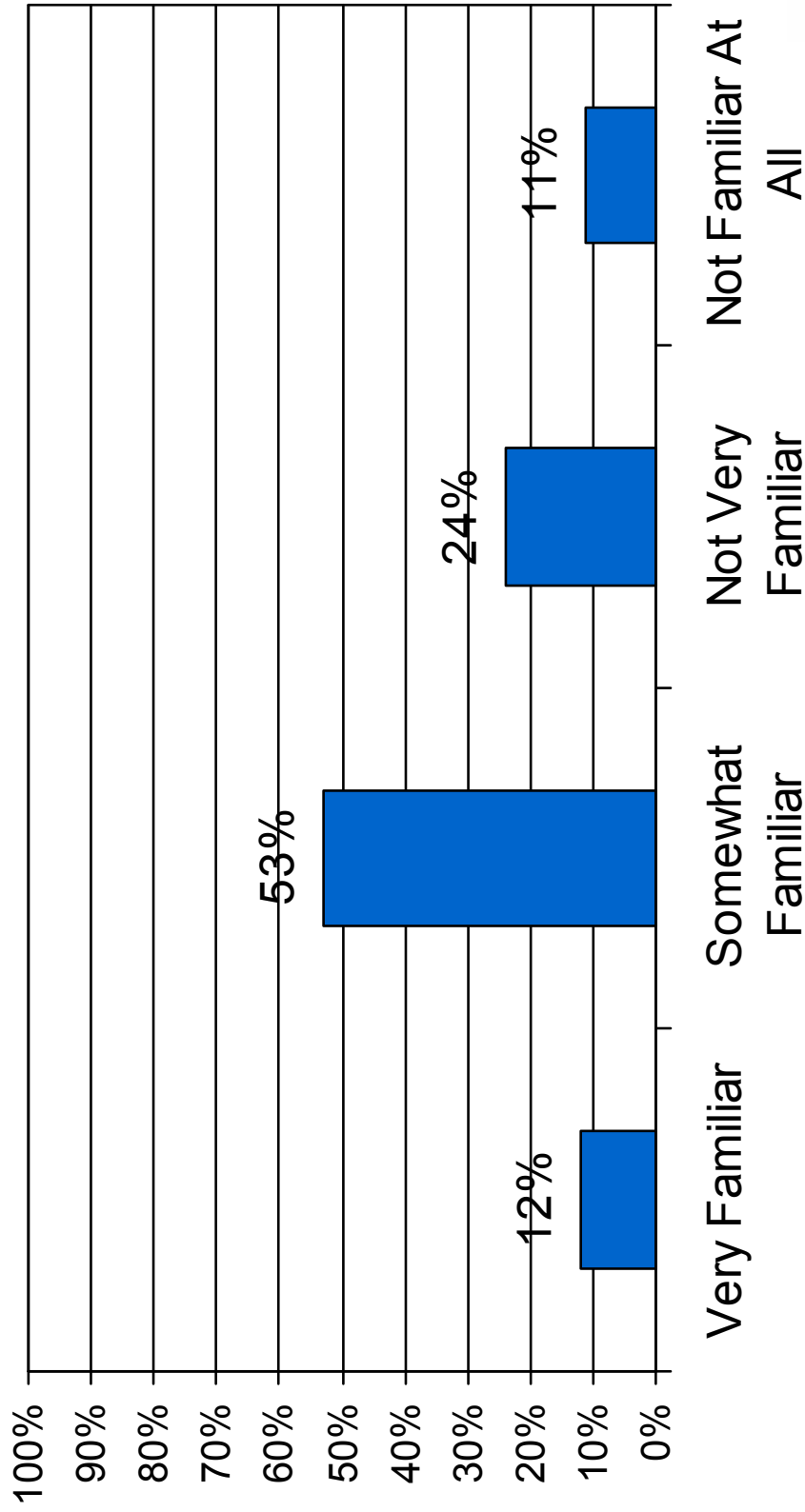


Methodology

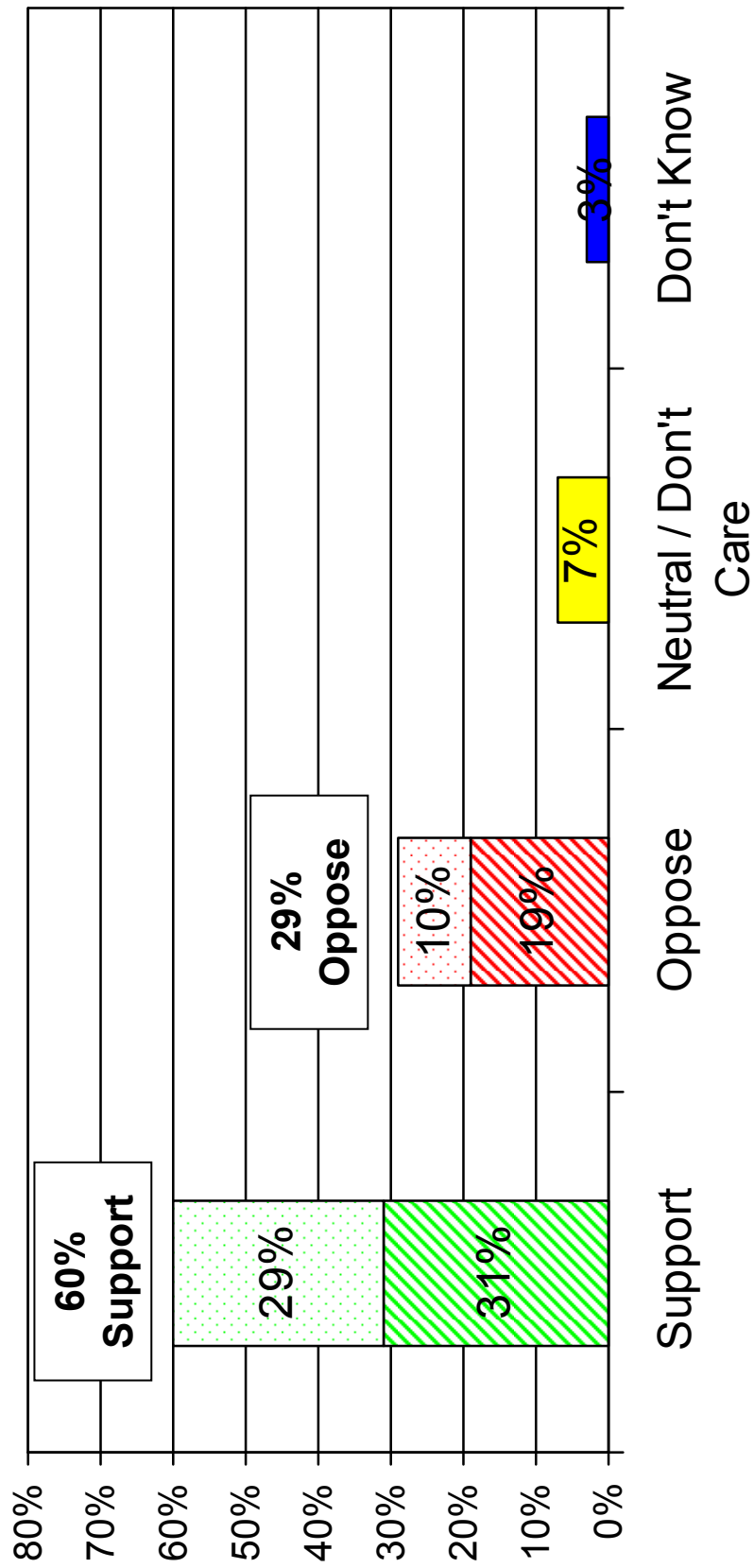
- Granite State Poll – quarterly survey of randomly selected NH adults
- N=503 (MSE = +/- 4.4%)
- Conducted April 1-10, 2010
- RDD
- Questions developed in conjunction with commission members



“How familiar are you with current legislation that proposes the expansion of legal gambling in New Hampshire?”



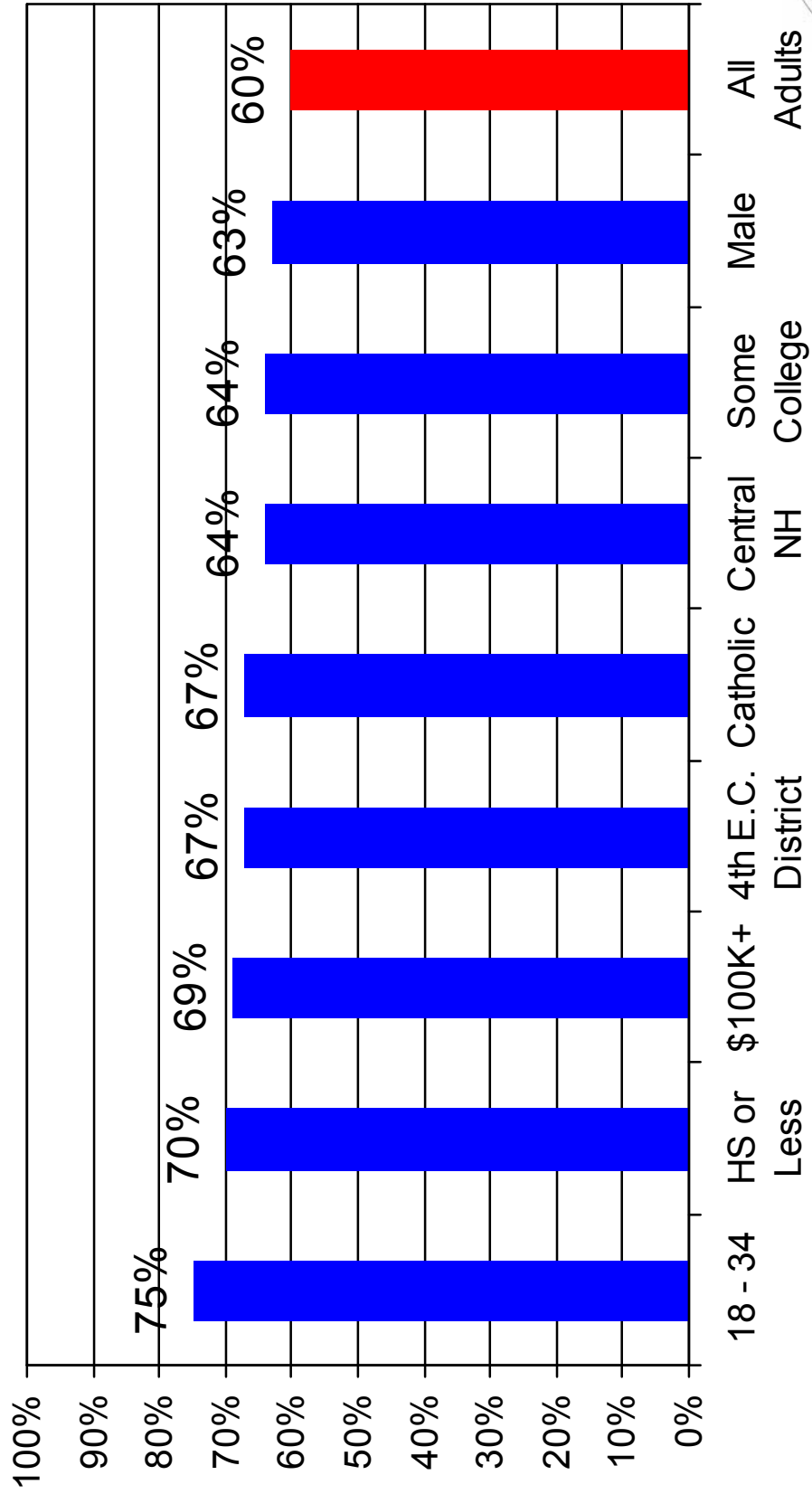
“Do you support or oppose development of slot machines at current horse and dog racing tracks?”



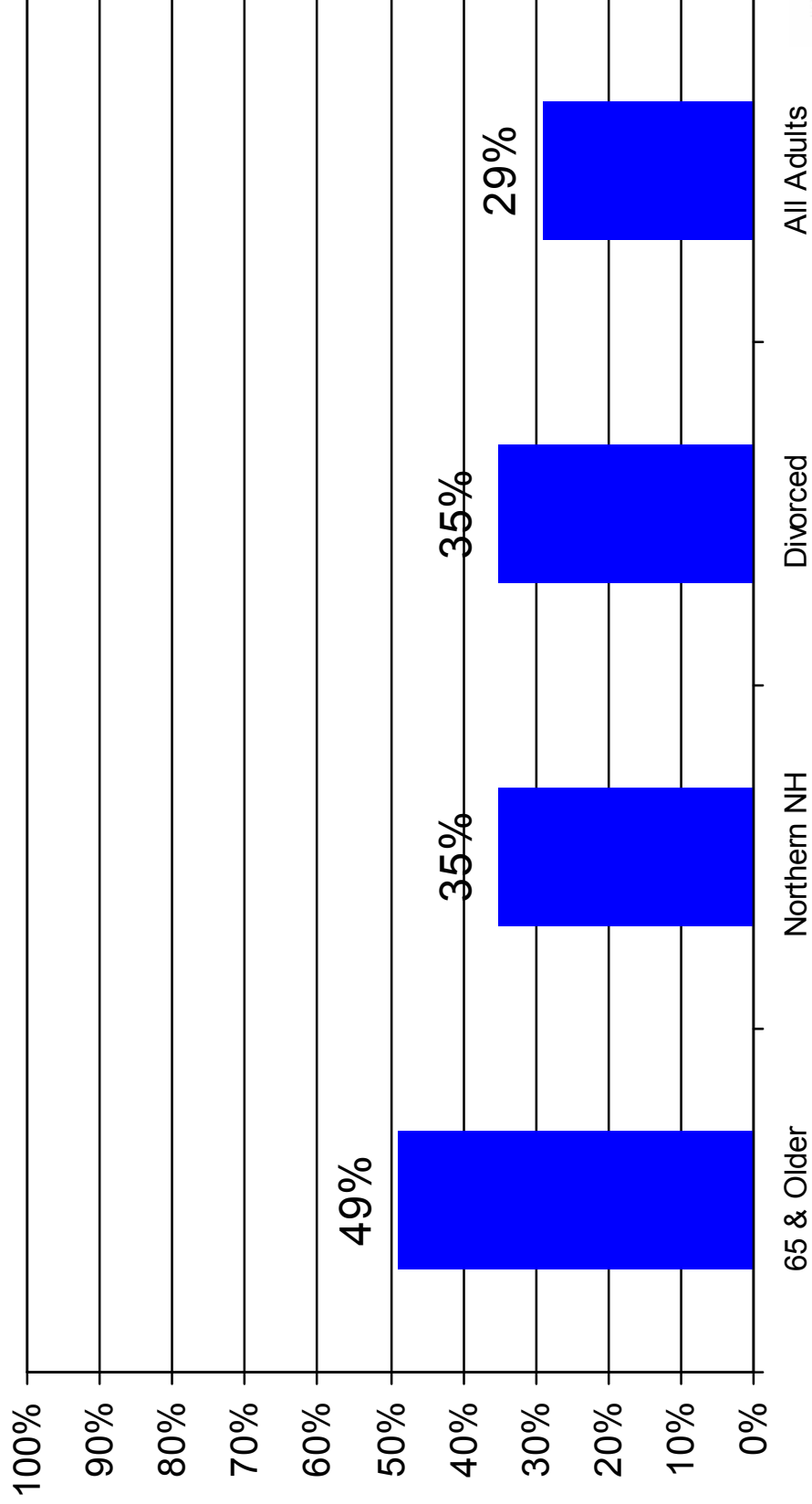
Strongly
 Somewhat



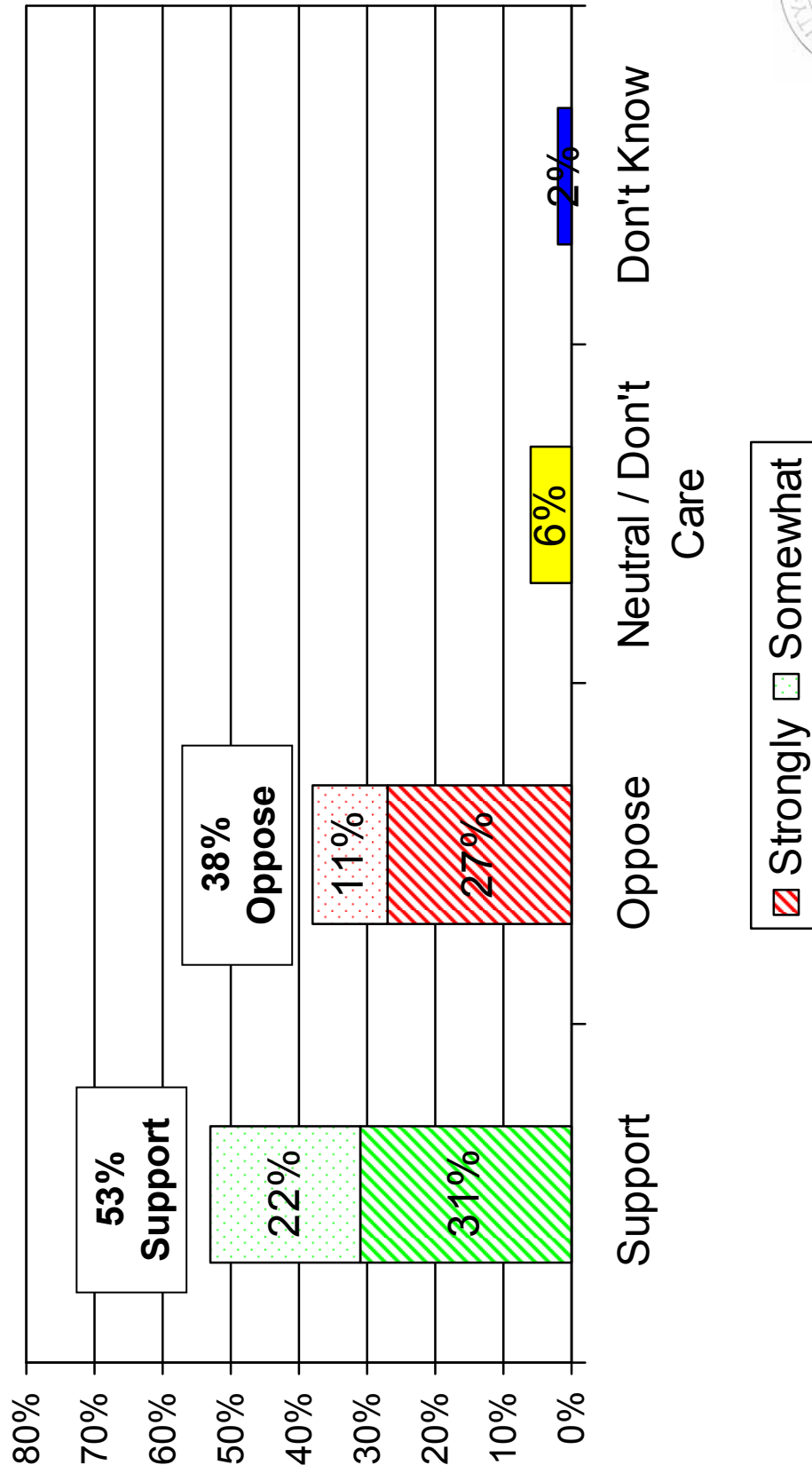
People Most in Favor of Expanded Gaming at Existing Tracks



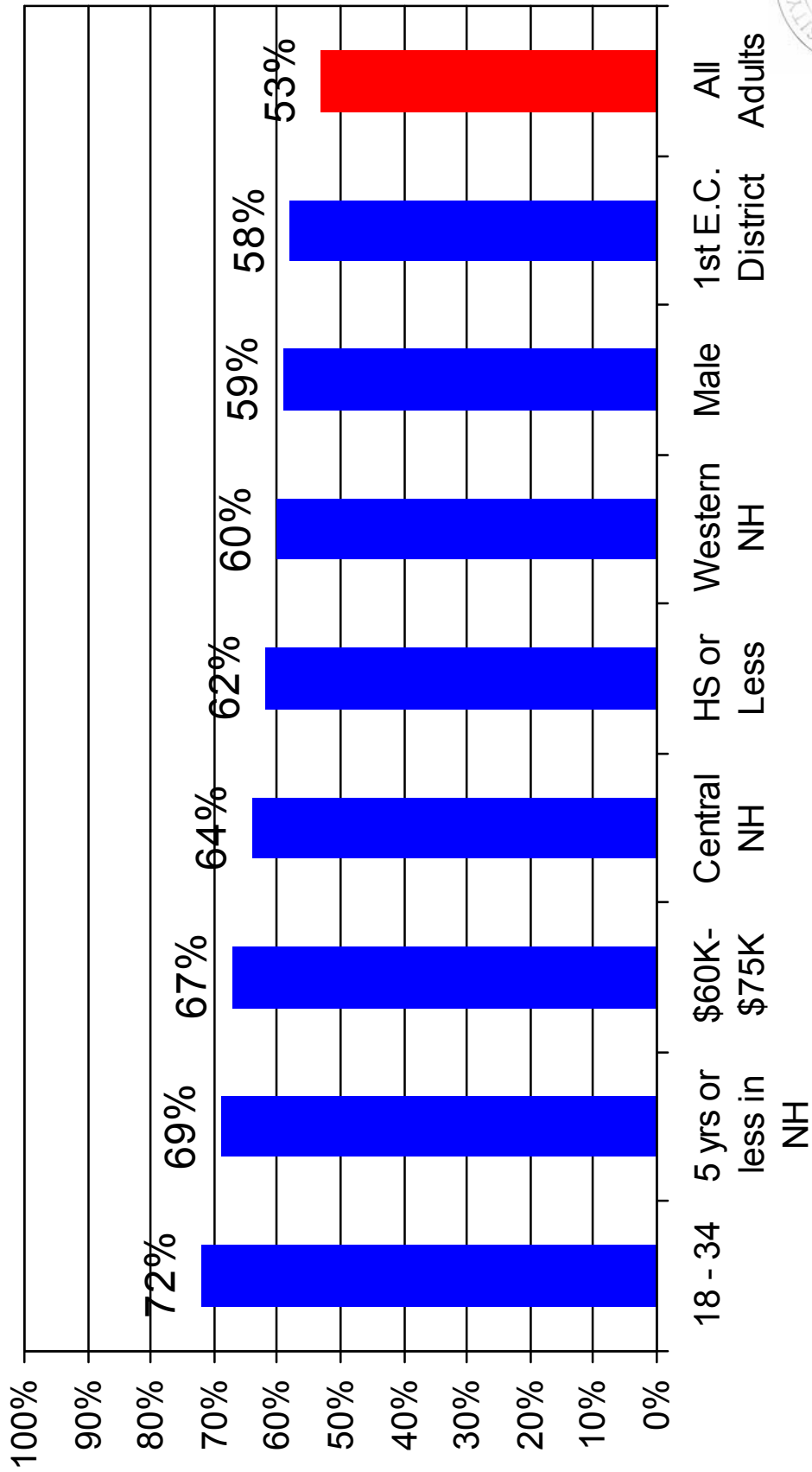
People Most Opposed to Expanded Gaming at Existing Tracks



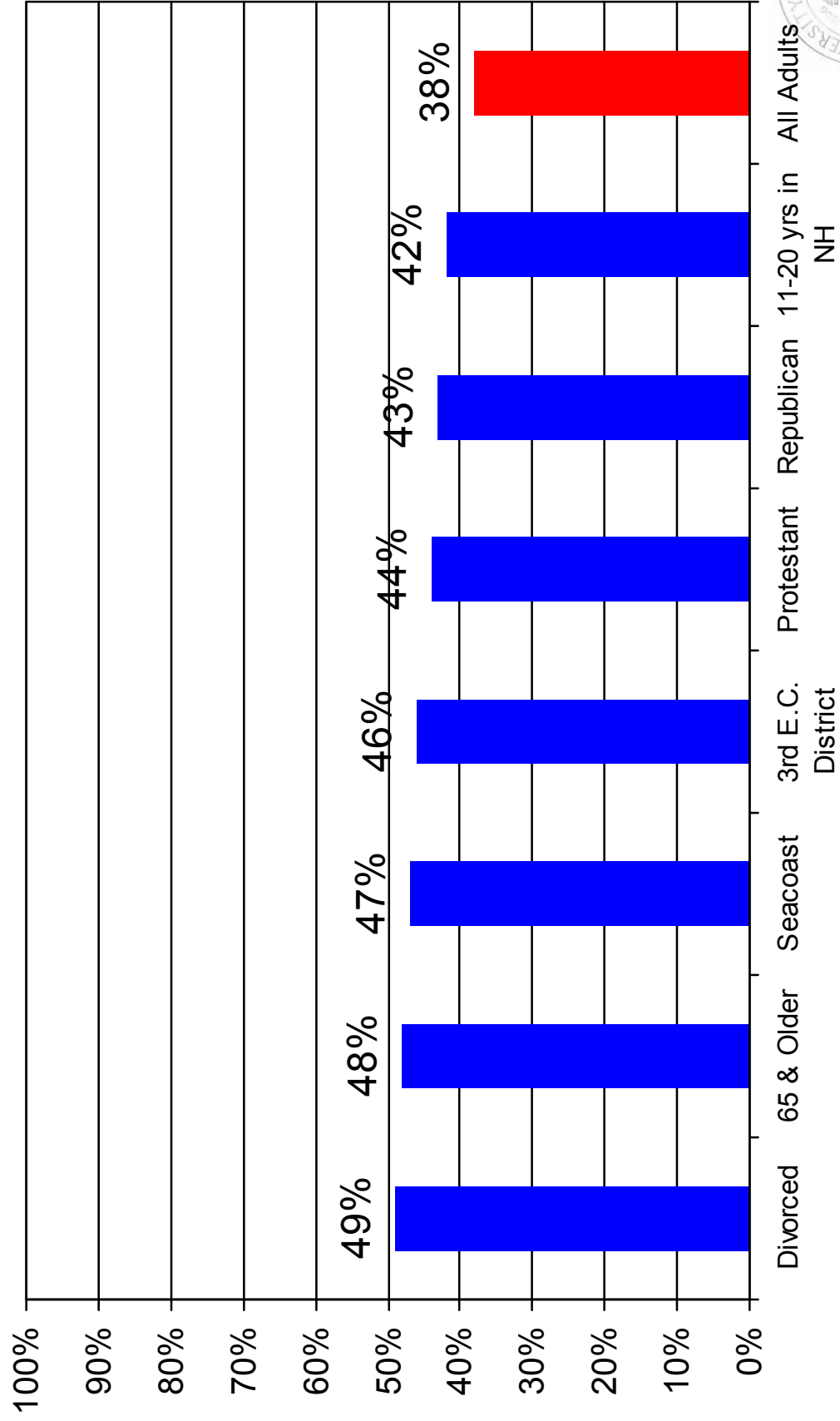
“Do you support or oppose expanding gambling with new resort style casinos?”



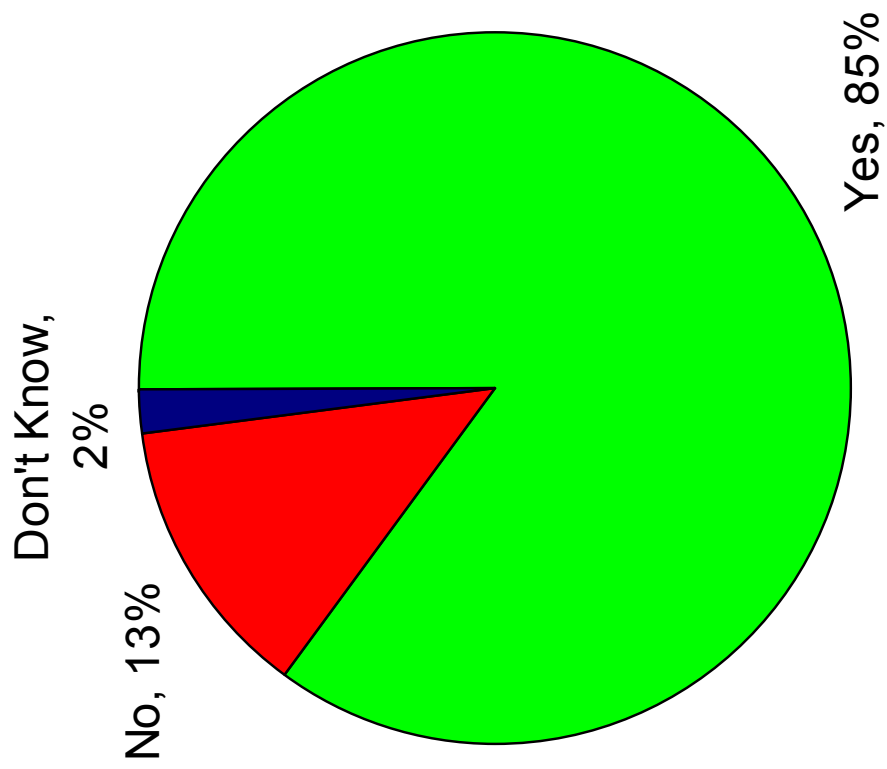
People Most in Favor of Expanded Gaming at Resort Casinos



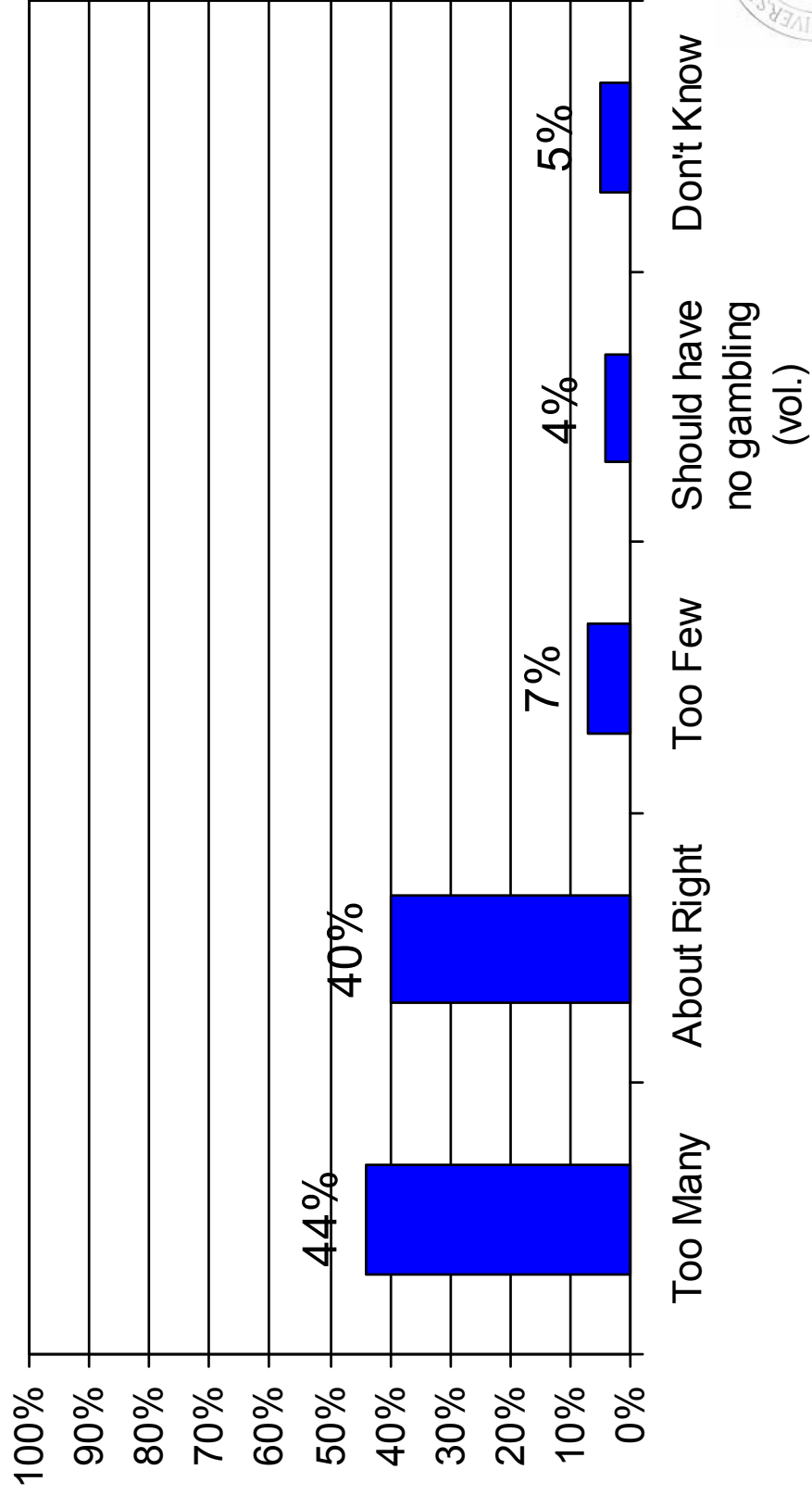
People Most Opposed to Expanded Gaming at Resort Casinos



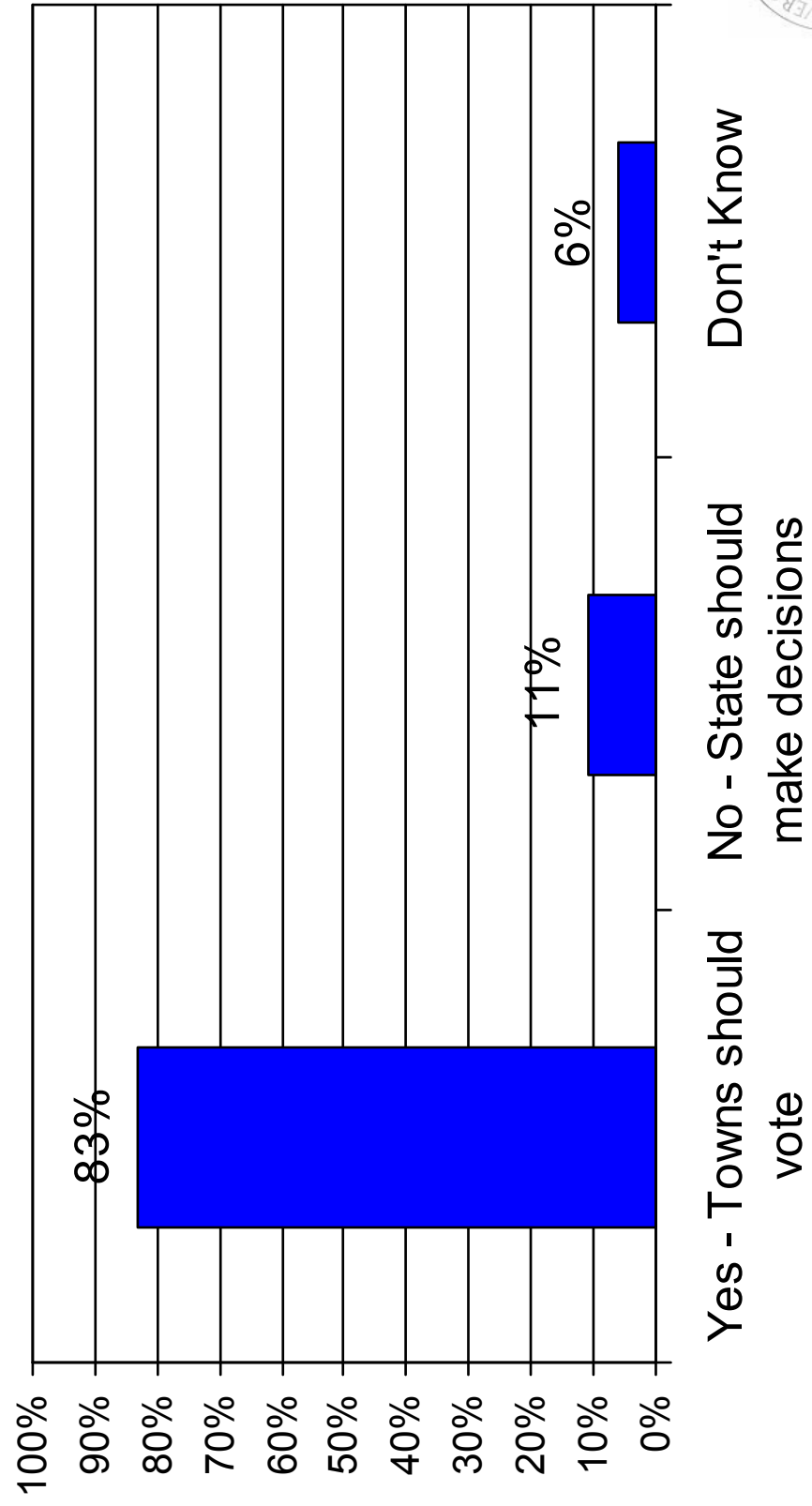
“Would you still support gambling at casinos if one were located in your town?”



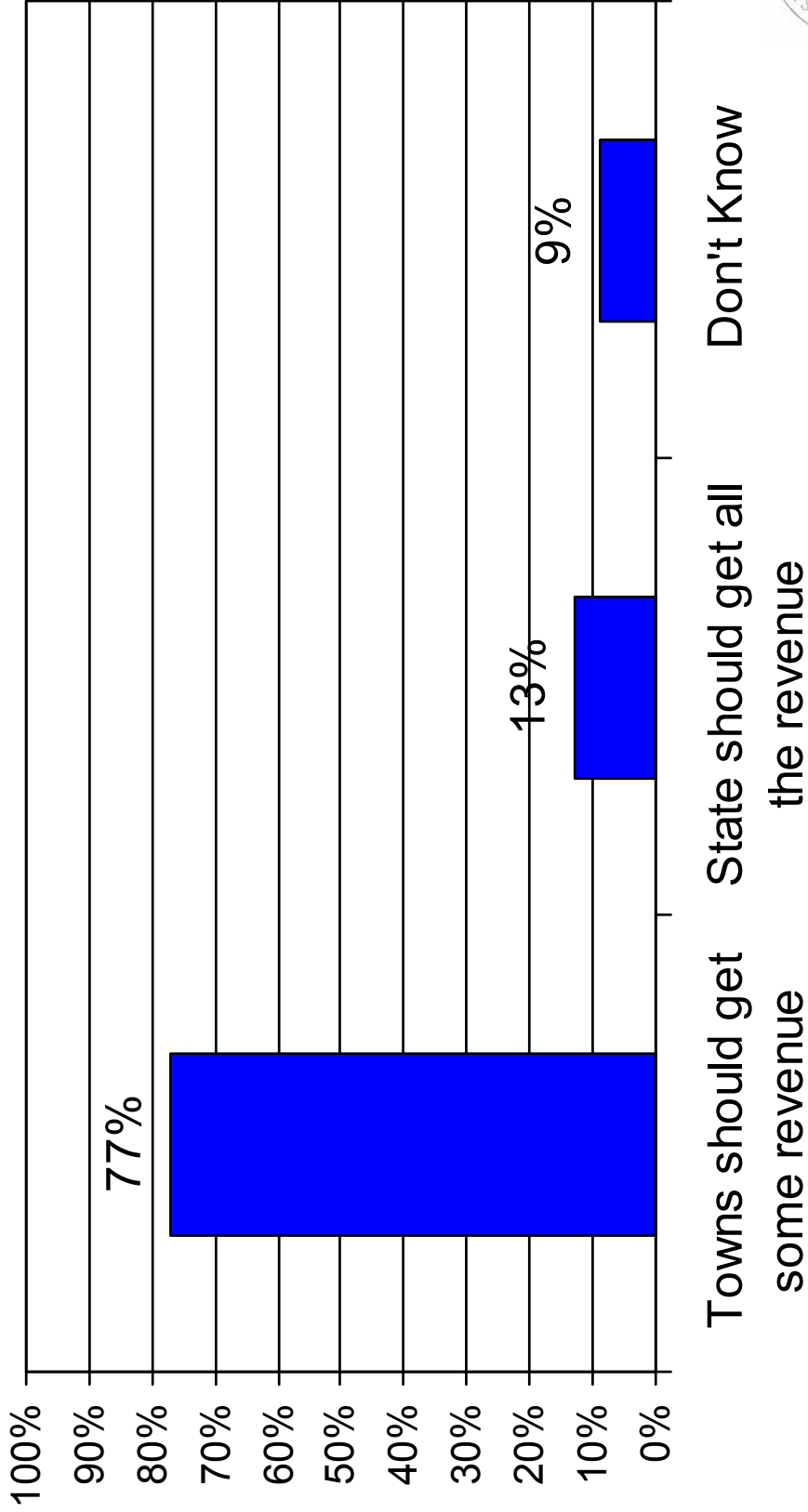
“The legislation to expand gambling in New Hampshire calls for gambling at 6 locations ... at Rockingham Park in Salem, at dog racing tracks in Seabrook and Hinsdale, a new resort in Hudson, and at resorts in Grafton and Coos counties. Do you think the number of locations that will have gambling under this bill is too many, too few, or about right?”



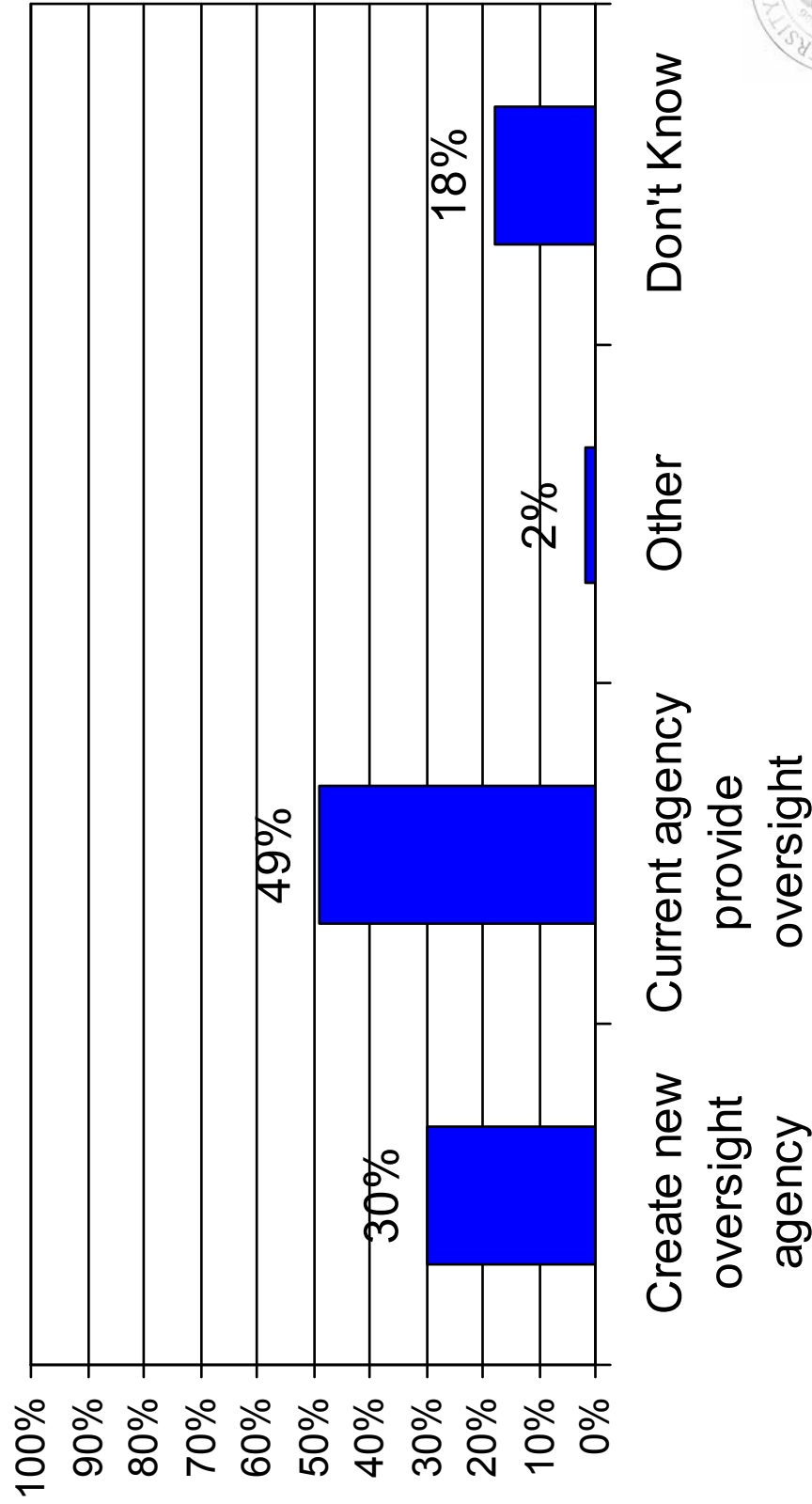
“If gambling is legalized in New Hampshire, do you think the citizens of the towns where facilities would be located should be able to vote on whether or not to allow gambling in their town or should the state government make these decisions, or don’t you have an opinion about this?”



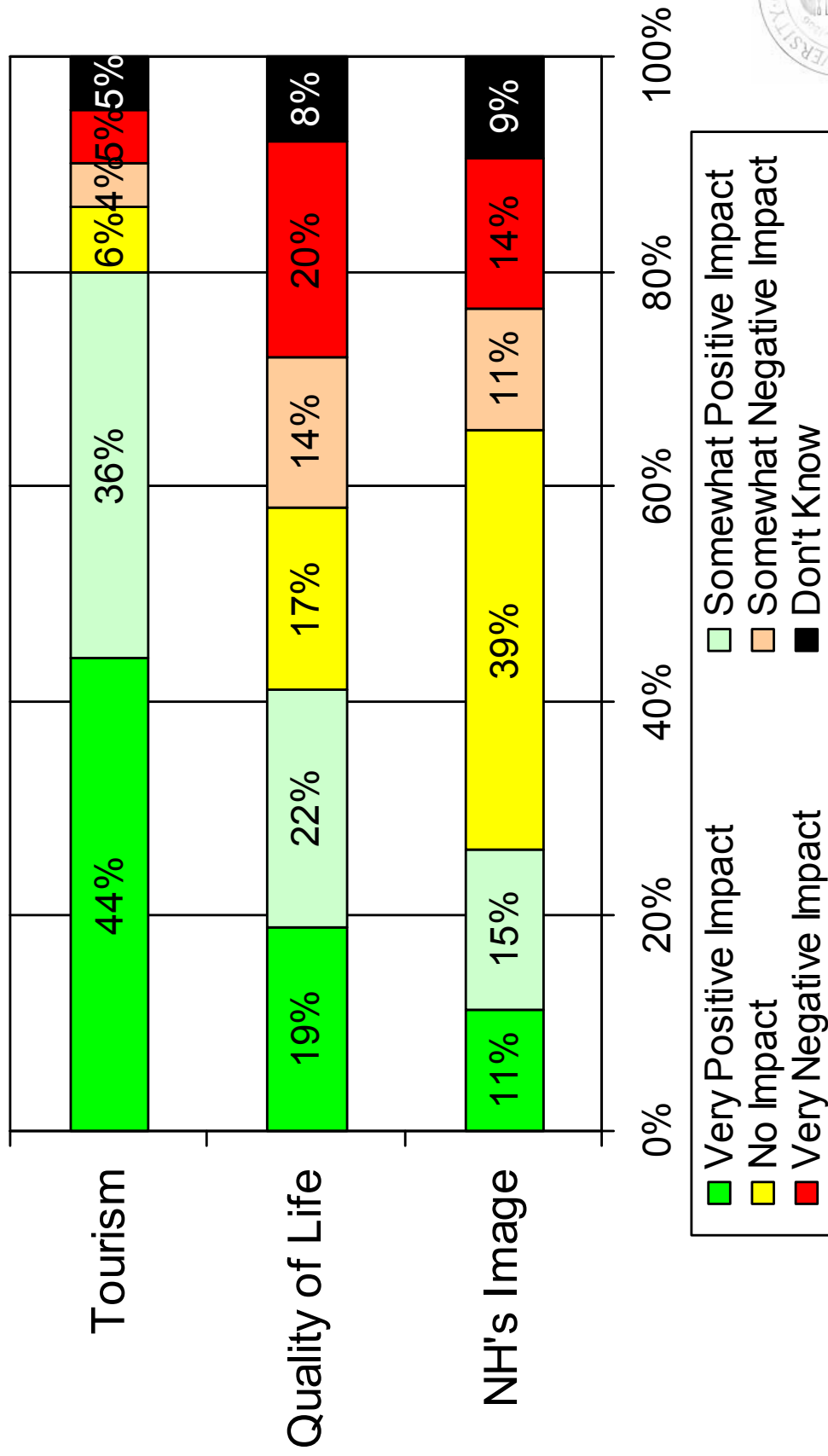
“If gambling is legalized in New Hampshire, should towns where casinos are located get some of the revenues from gambling or should all revenues go to the state, or don’t you have an opinion about this?”



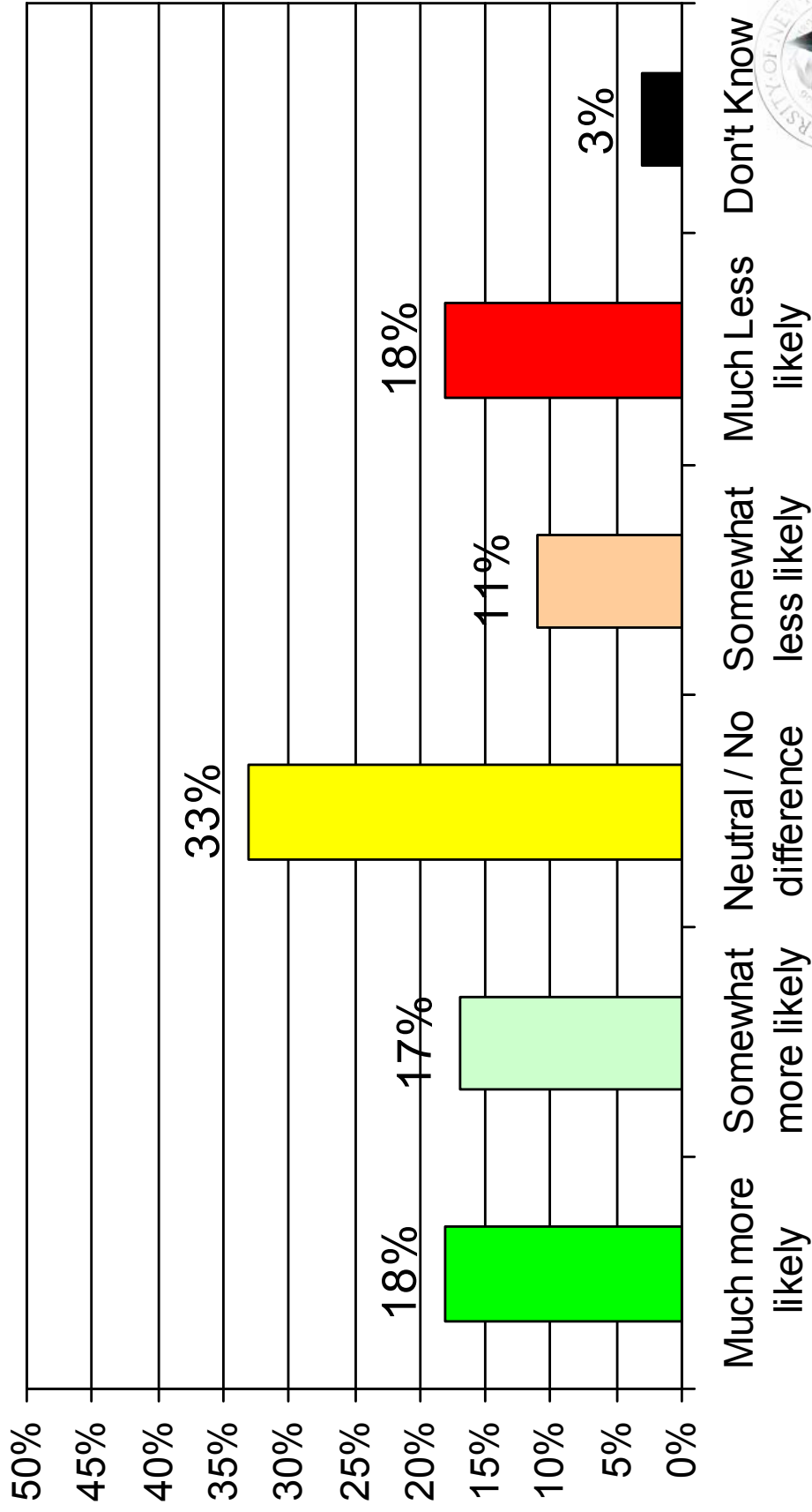
“If gambling is legalized in New Hampshire, do you think a new State agency should be created to provide regulation and oversight of gambling, or should the agencies that provide regulation and oversight for the lottery and racing be responsible for gambling as well, or don’t you have an opinion on this?”



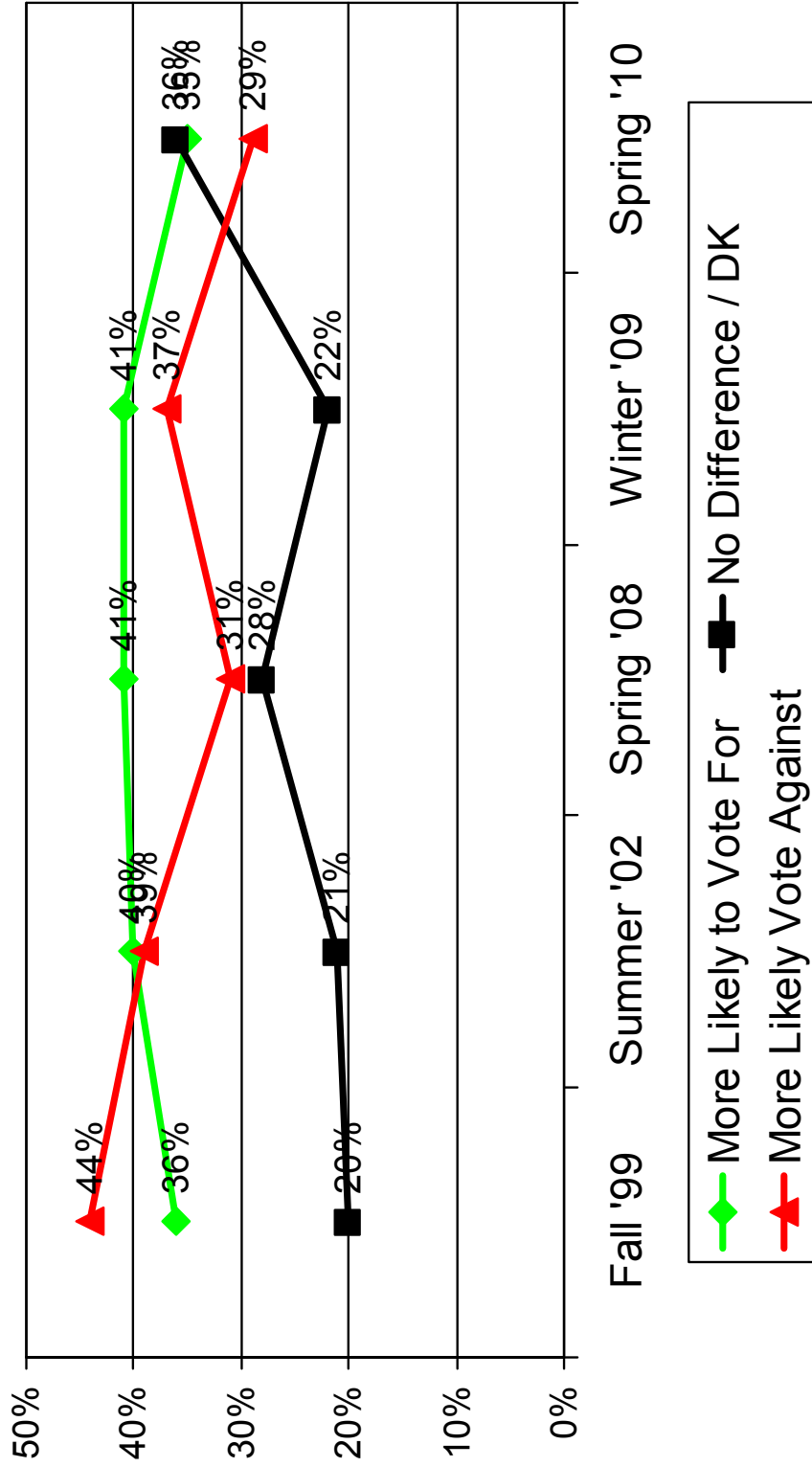
Perceived Impact of Legal Gambling on NH



“Would you be more or less likely to vote for a candidate for the State Legislature if he or she supported legalized gambling?”



“Would you be more or less likely to vote for a candidate for the State Legislature (State Senate) if he or she supported legalized gambling?”



Conclusions

- Modest awareness of proposed legislation
- Moderate support for expanded gambling at existing tracks and new resort casinos
 - Too many sites
- Local Control for Towns
 - Desire for town vote to allow casinos
 - Desire for town to receive some revenue
- Uncertainty about regulatory structure
- Divisive political issue



