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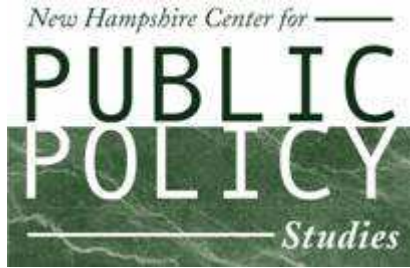
Gambling and New Hampshire January 2013 Update

Steve Norton, Executive Director
NH Center for Public Policy Studies

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

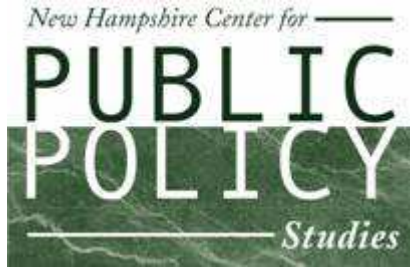
Geographic Distribution of Casinos & Racinos In the Northeast





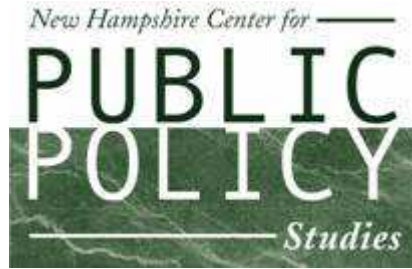
Maine Update

- Oxford Maine casino opened June 2012.
- Oxford impact on Mt. Washington Valley tourism is not clear (Oxford is an hour drive from North Conway).
- Both Hollywood Casino in Bangor and Oxford now offer table games.
- Oxford monthly revenues already equal to Hollywood (Oxford market is twice as large as Bangor.)
- Hollywood Casino Annual Revenues:
 - 2010 \$61.5 million
 - 2011 \$60.0 million
 - 2012 \$63.0 million (projection)



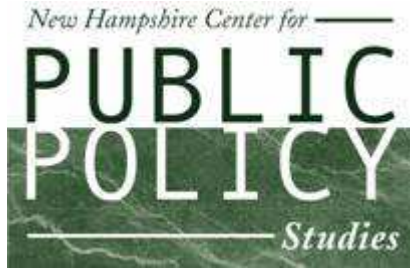
Massachusetts Update (November 2011 Law)

- Massachusetts gambling commission can issue up to three licenses for resort-style casinos, no more than one in each of three regions of the state.
 - \$500m Investment, \$85m license, 25% tax
- One slot parlor is allowed under the existing law, and the slot parlor can be located anywhere in the Commonwealth.
 - \$125m Investment, \$25m license, 49% tax



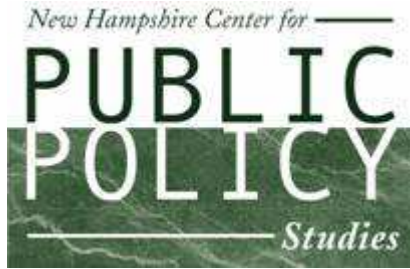
Massachusetts Update (11 applications on 1/15/13)

- Western Massachusetts – 4 contenders
 - MGM Resorts (Springfield)
 - Penn National Gaming (Springfield)
 - Hard Rock International (W. Springfield at the Big E)
 - Mohegan Sun (Palmer)
- Greater Boston – 3 contenders
 - Suffolk Downs in Revere (Caesar's Entertainment)
 - Wynn Resorts in Everett (5 miles from Revere)
 - Crossroads Massachusetts LLC (Milford Near I-495)
- Southeastern Massachusetts
 - Development on hold pending Mashpee Wampanoag getting Federal recognition allowing a tribal casino in Taunton.
- 2 Slot Parlor contenders at Plainridge and Raynham harness race tracks.
- 2 other companies filed, but did not specify a location or casino type.



Markets in New England

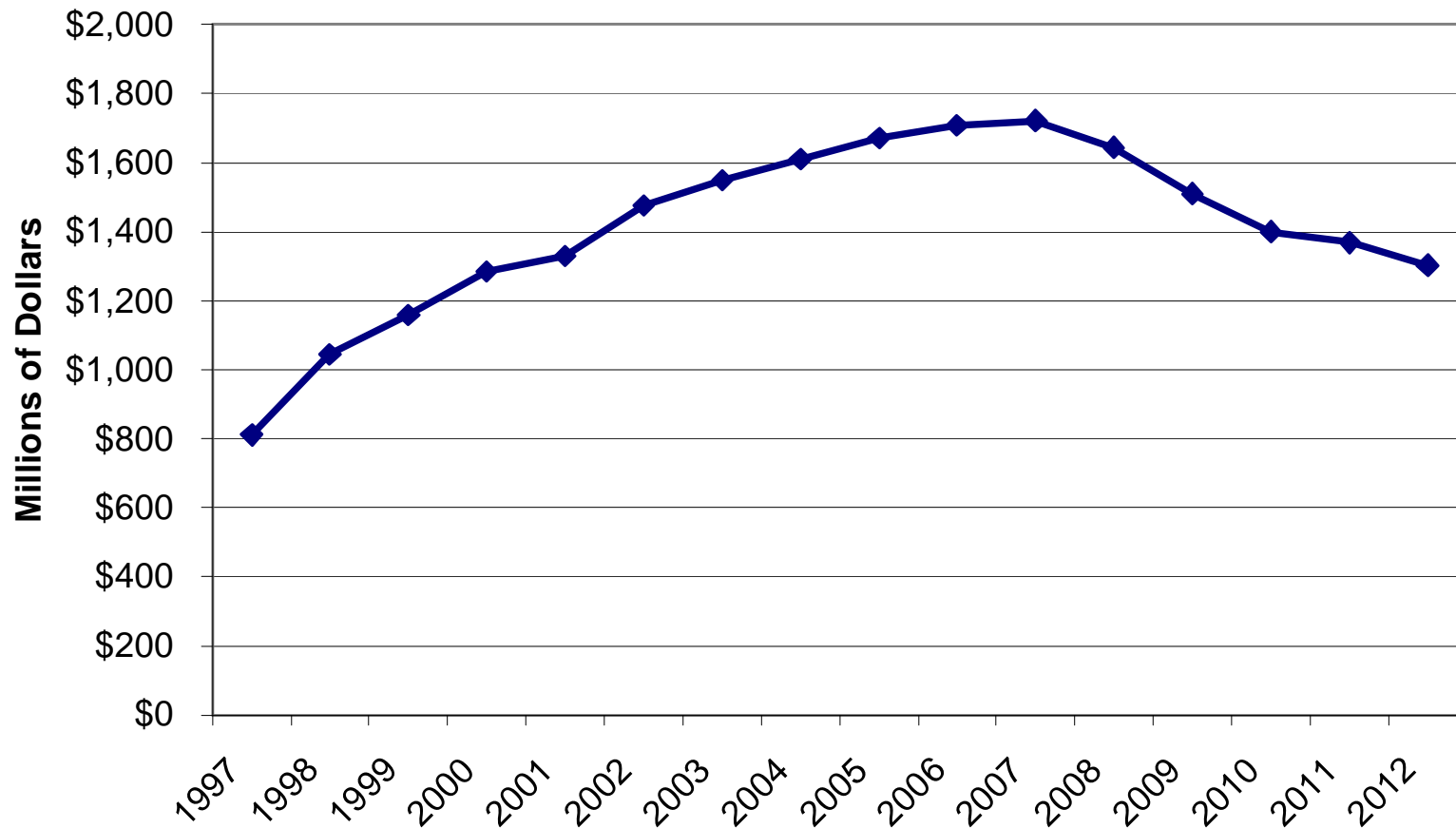
- A New Hampshire casino at Rockingham Park has 6.4 million people within a 90 minute drive time, aggregate income of \$232 billion.
- Suffolk Downs at 90 minute drive time – 7.7 million people and \$266 billion aggregate income.
- Lincoln, RI at 90 minute drive time – 7.5 million people and \$256 billion aggregate income
- Bangor, Maine casino at 90 minute drive time – 485,000 people and \$10 billion aggregate income. Oxford, Maine – 845,000 people and \$22 billion aggregate income.

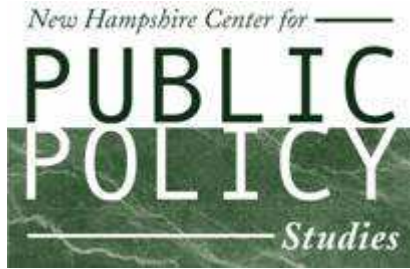


**There are limits to the
markets**

Casino Slot Revenue Still Declining in Connecticut

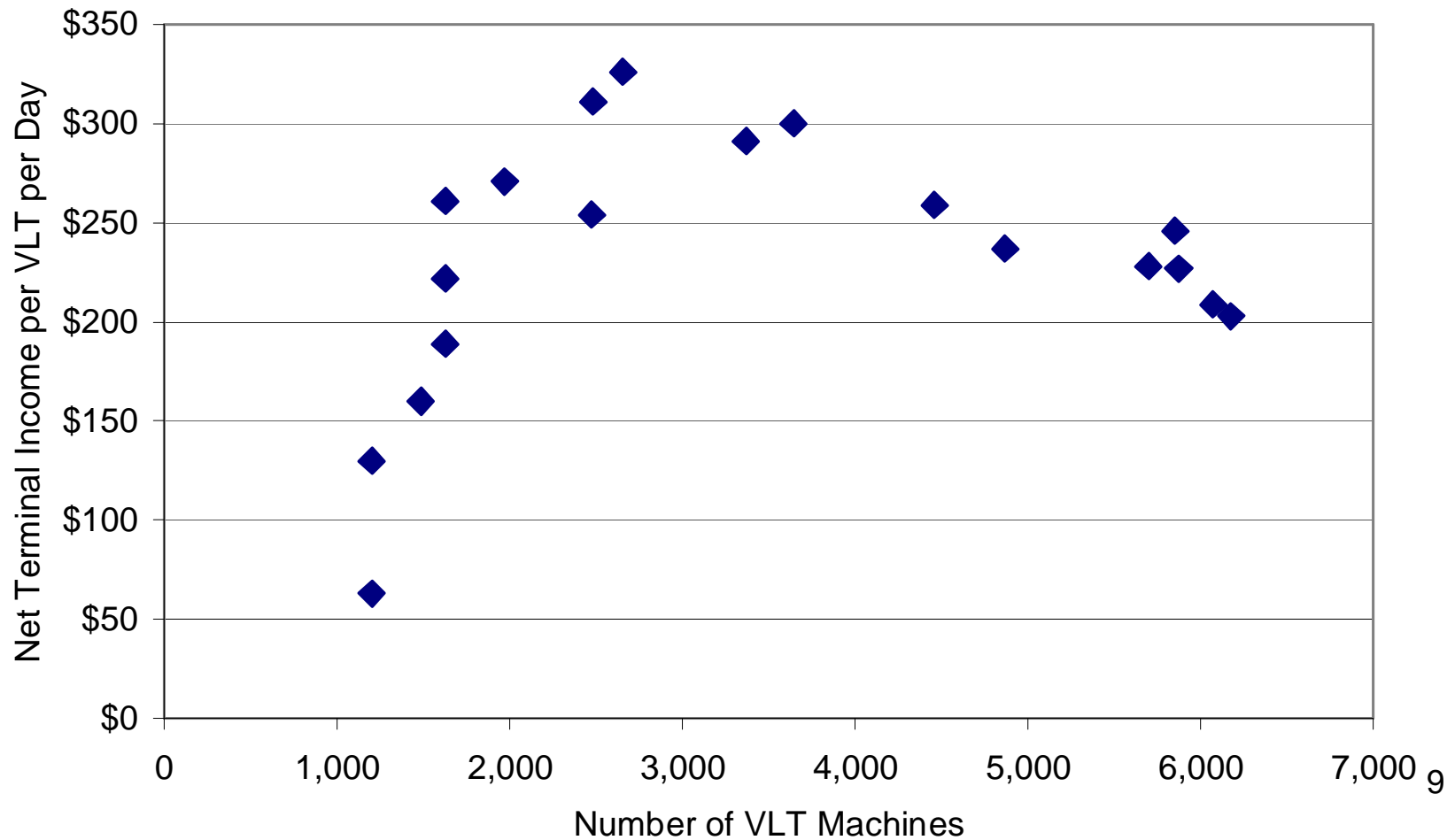
Connecticut Casino Slot Machine Revenue
(Foxwoods + Mohegan Sun)

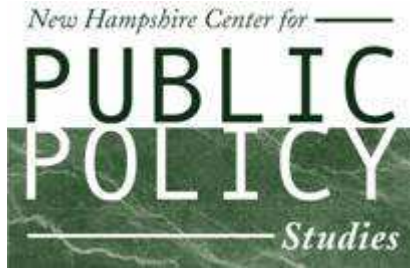




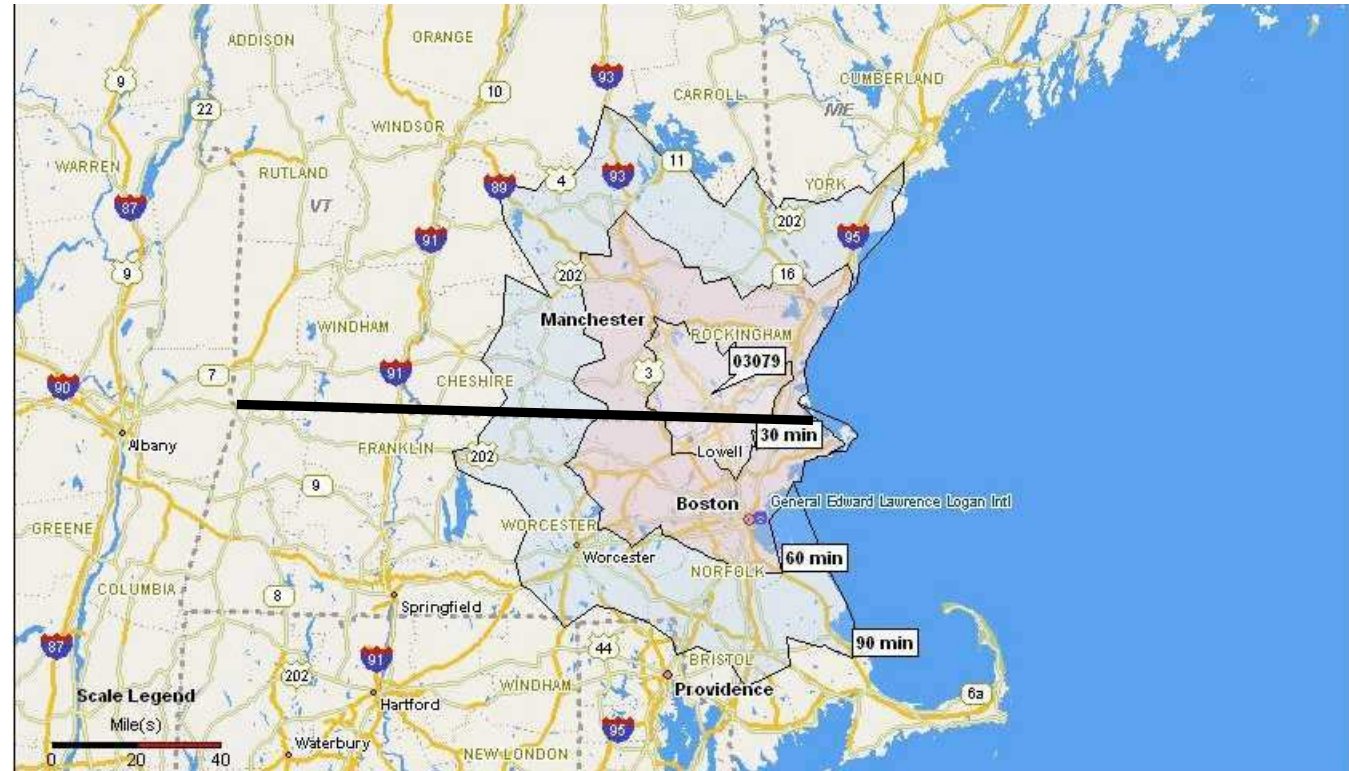
Rhode Island: As More Machines Added, Revenue per VLT Declines

Rhode Island Slot Machines and Revenue per Machine (1994 to 2012)





NHCPPS Model Update

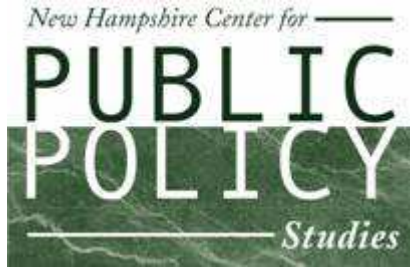


Drive time analysis used as the foundation of a gravity model which assumes the more amenities, the greater the attraction.

Adjusts for NH specifics: Tourist multiplier

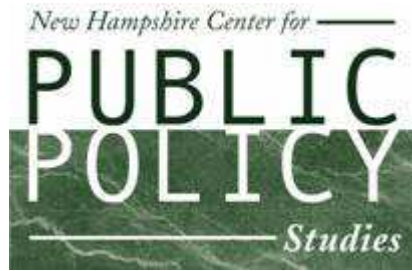
Allows us to simulate Massachusetts impact

Tested models against existing markets



Fundamental Assumptions of NHCPPS Models

- 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 ... the closer you are to a casino, the more likely you are to go to a casino.
- Gravity of a facility – attractiveness, size, amenities – and the competition in the market affects gambling behavior.
- For a small share of the population, exposure to gambling results in pathological behavior.
 - This creates a set of social issues which – if they can be quantified -- are offsets to the potential benefits.



Updating the Center's Model of Expanded Gambling

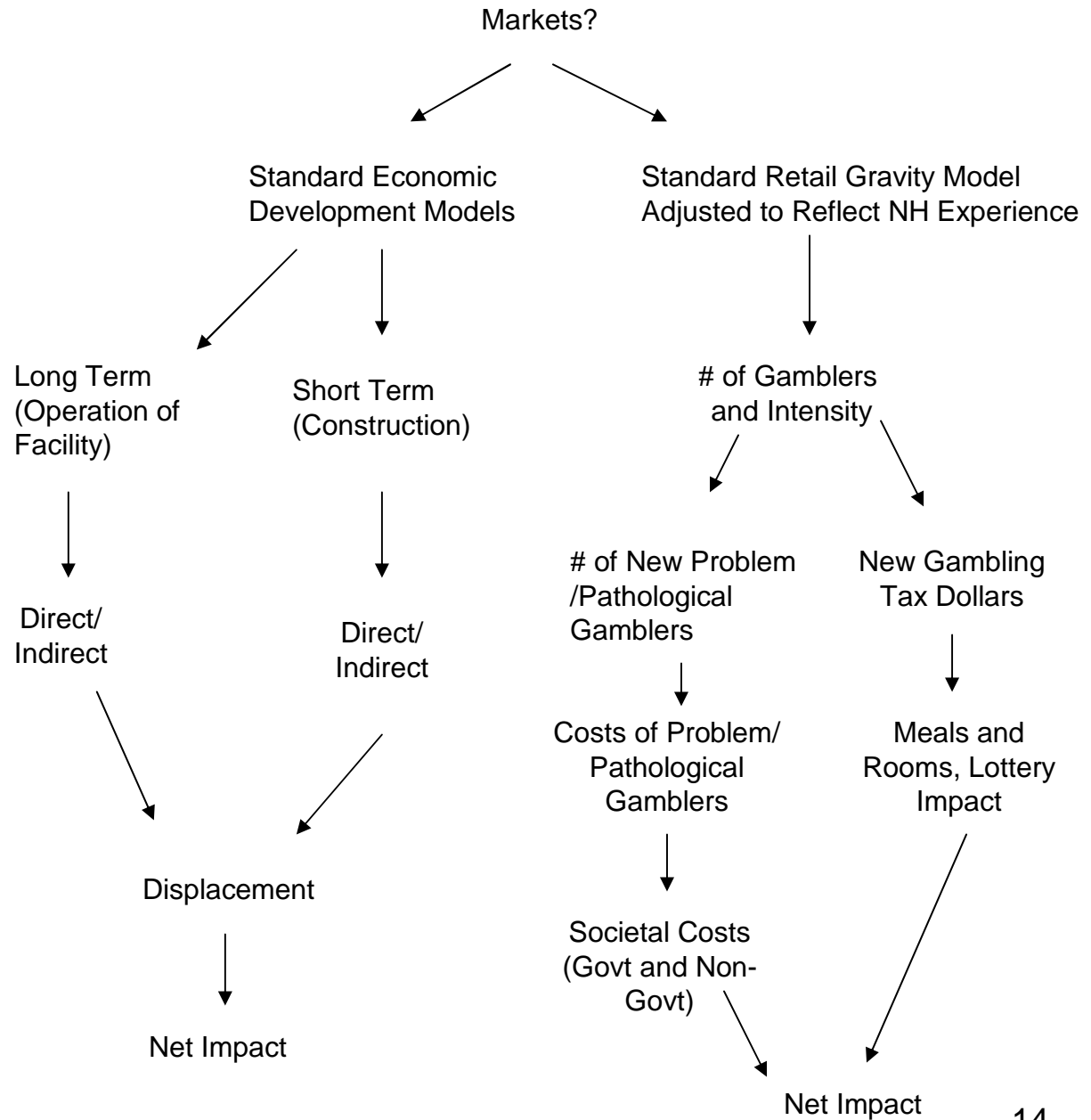
- Take as Inputs
 - Location
 - Size
 - Type
 - Massachusetts Action
- Produce as Outputs
 - Economic (jobs, product)
 - Net Revenue
 - Crime
 - Social Costs to NH and local communities

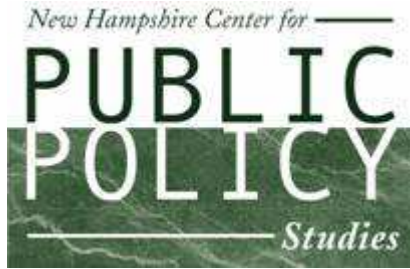
5 Sites

- North Woods
- Southern NH
- Ski Country
- Southwestern NH
- Lakes Region

↑
Sites IDed by
Commission to give a
sense of the impact of
location.
Model can be used to
simulate other sites.

Putting It All Together



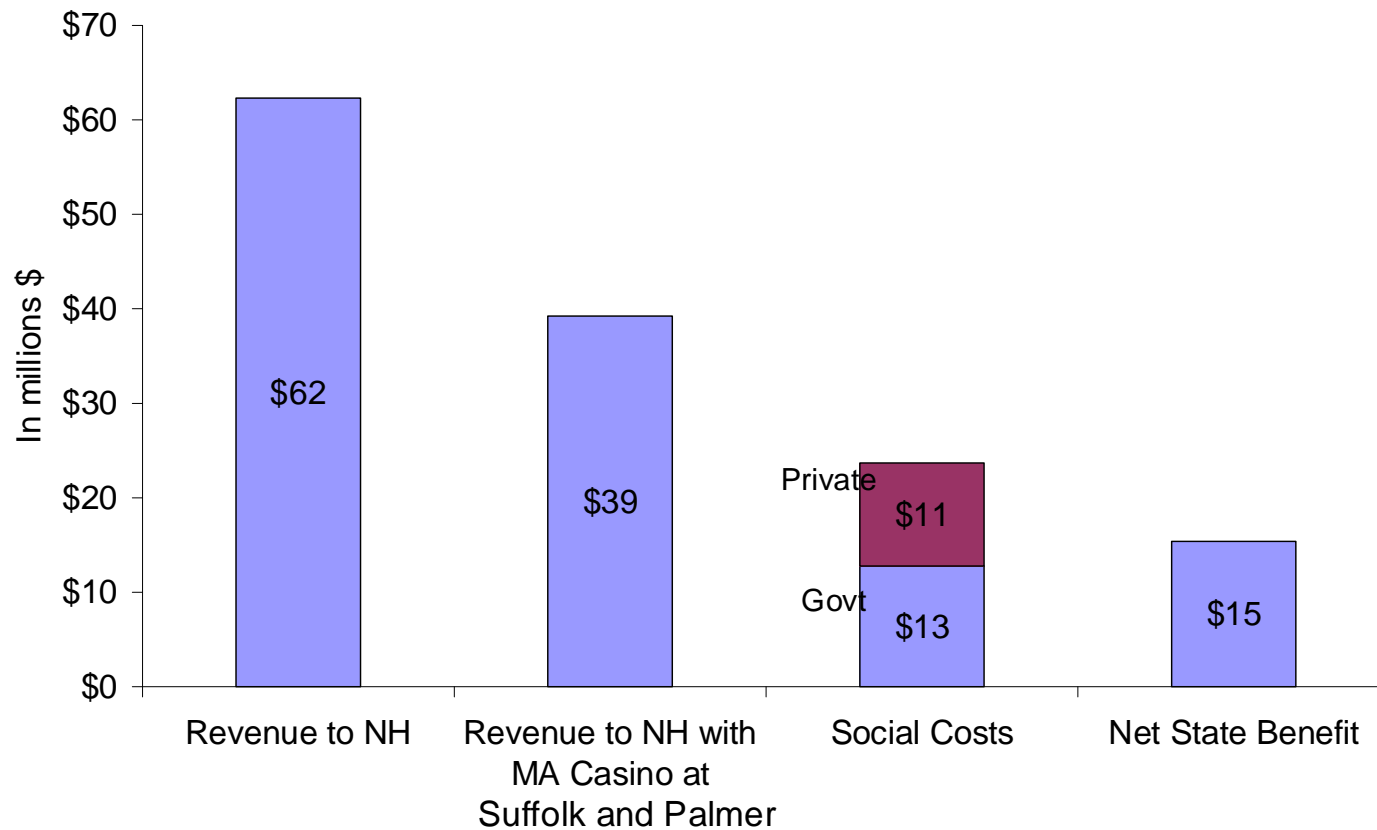


Changes to Original Study

- Gaming revenue modified based on CT casino and NH Lottery experience (-15%).
- Same job creation assumptions (economic development)
- Social costs
 - Increased Regulatory costs by general inflation
 - Increased other social costs at medical services inflation rate

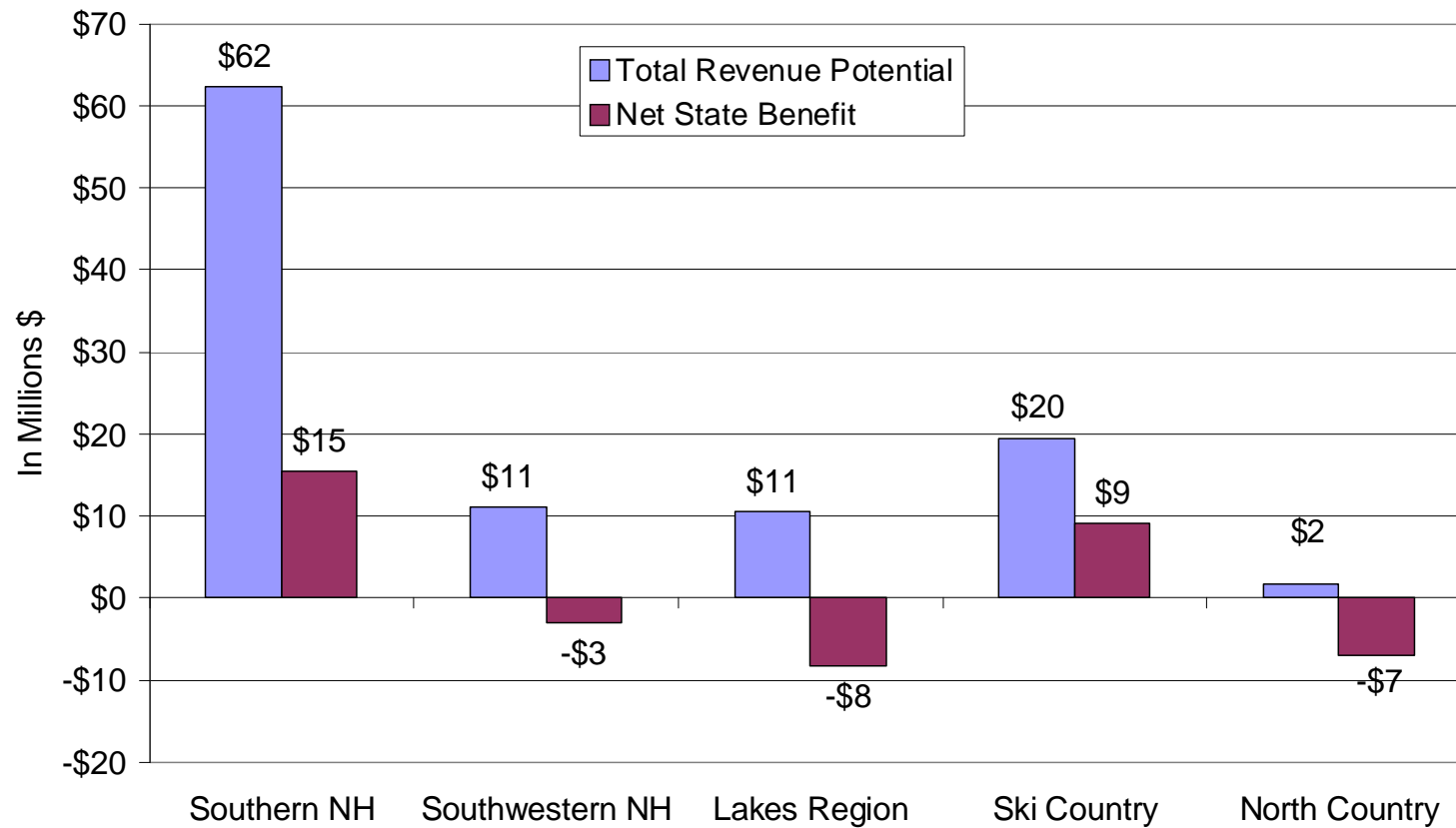
Calculating Net Benefit: Southern NH Racino (\$100m Investment)

Calculating Benefit to the State of Expanding Gambling (\$100m Investment, 1,000 VLTs and Table Games) in Southern NH Including Only Revenue and Social Costs



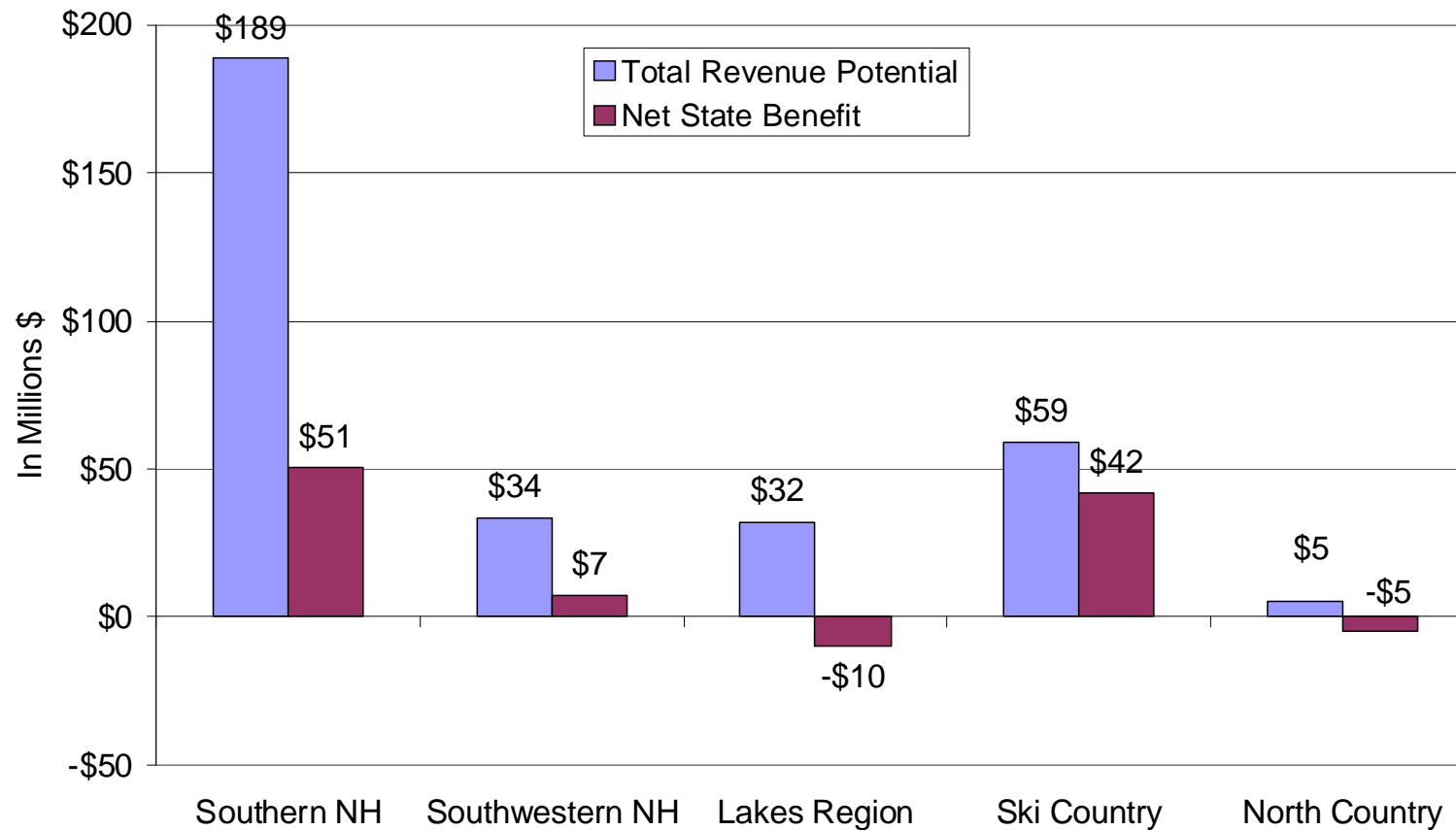
Market Size Determines the Net Benefit

Benefit to the State of Expanded Gambling (\$100m Investment, VLTs and table games) Including Social Costs and Massachusetts Expansion (Suffolk and Palmer)



Size of Investment Matters --> Size and Gravity of the Facility

Benefit to the State of Expanded Gambling (\$500m Investment, VLTs and table games) Including Social Costs and Massachusetts Expansion (Suffolk and Palmer)

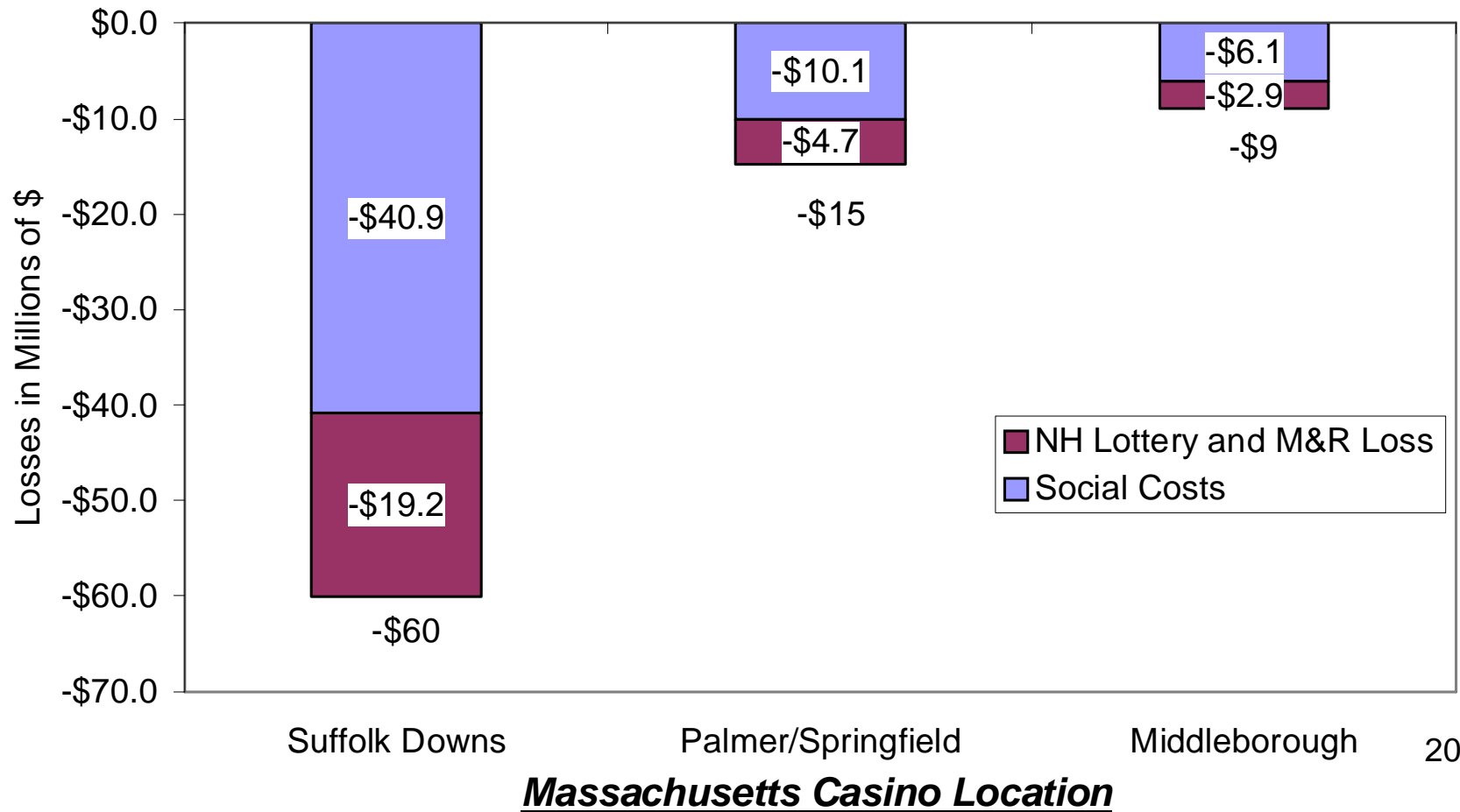


Boston Location Brings Casino Gambling to NH



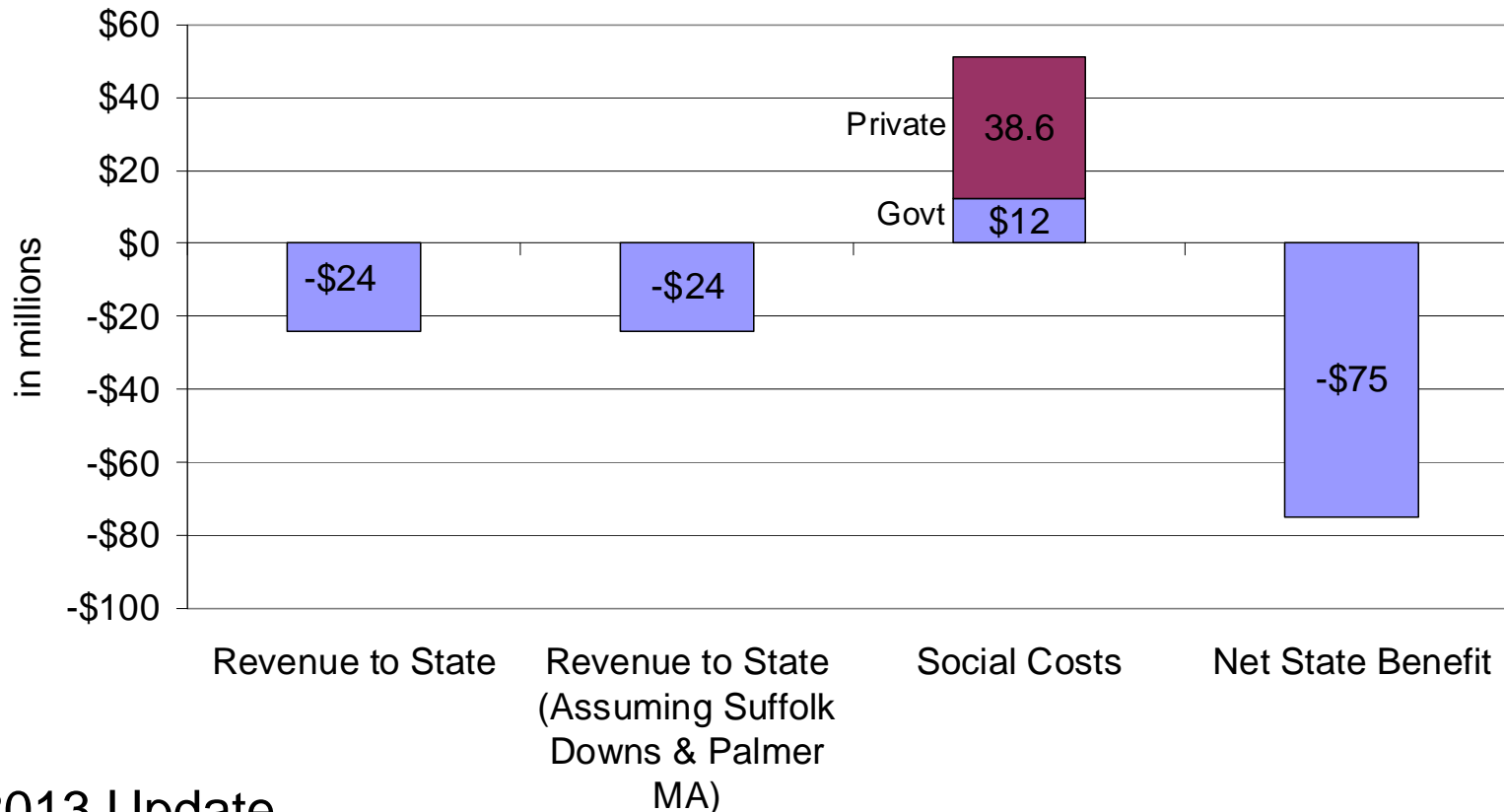
Greater Boston Casino would Draw More from NH

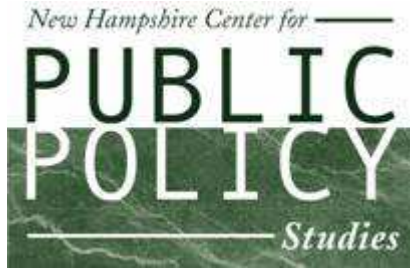
Net State Revenue and Social Cost Loss (Million \$) to New Hampshire for
 Massachusetts Casinos at:



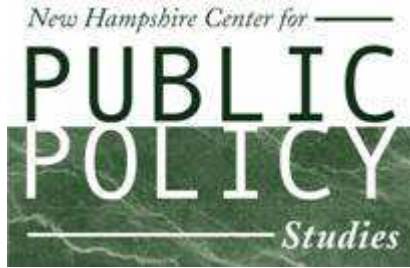
NH Does Not Expand

Calculating Benefit to New Hampshire of Expanded Gambling in Suffolk Downs and Palmer, MA, Large Facilities (\$500m Investment) Including Only Revenue and Social Costs





For Estimating Revenue ... Timing is Everything



We will now analyze based on timing

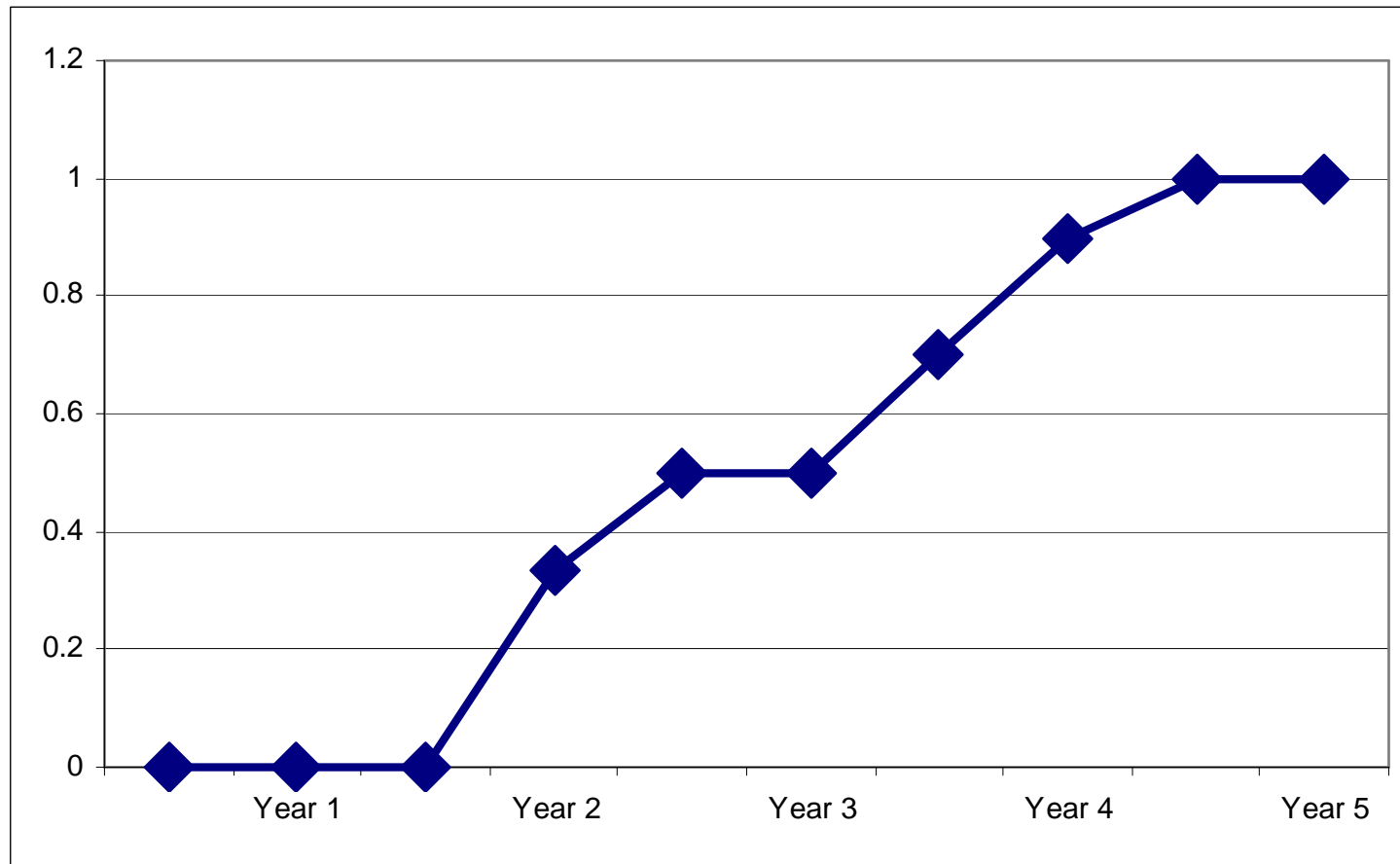
Hypothetical Description of Time's Role in Understanding Impact of Gambling										
		FY 2011: July 1, 2010	FY 2012: July 1, 2011	FY 2013: July 1, 2012	FY 2013	FY 2014				
Economic Development										
	Construction (18 Months)	█	█							
	Operations			█	█	█	█	█	█	█
Revenues										
	License Fees	█								
	Net State (Gambling, M&R, Lottery)			█	█	█	█	█	█	█
Social Costs										
	Net Benefit to Lowered Unemployment		█	█	█	█	█	█	█	█
	Pathological Gambling Behavior			█	█	█	█	█	█	█
	Impact of Pathological Gambling				█	█	█	█	█	█

How long does it take for license fees to be paid post legislative action?

How long does it take for facility to 'ramp' up?

Can one realistically expect revenues in 14-15?

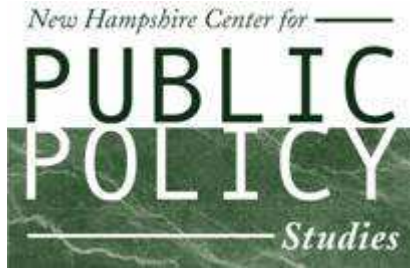
Based on Bangor, ME
5 Year Ramp Up → Suggests no Revenue
from operations in 2014-15



How long does it take for facility to 'ramp' up?

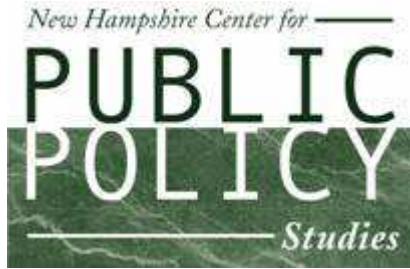
Can one realistically expect revenues in 14-15?

License Fee (Price Paid to Operate Casino) is theoretically a function of market potential, size of facility and tax rates



Examples don't provide complete guidance on license fees

- Legislation passed in Indiana in 2007 allowing slot machines in Indiana's two horse racing facilities also mandated a total fee from each track of \$250 million.
 - Hoosier Park slot rev \$215m, Indiana Downs slot rev \$238m in 2011.
 - 40% tax rate
- License fee in Pennsylvania is \$50 million. Pennsylvania's 10 casinos each take in \$200 to \$300 million in slot revenue annually.
 - 55% tax rate

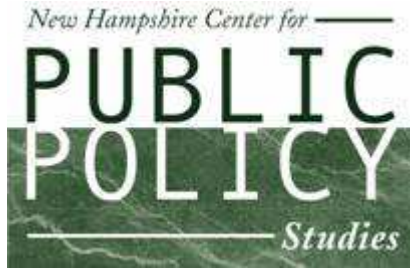


New England License Fees

- **Massachusetts Casinos:**
 - Casinos (3) \$85 million license fee, 25% tax rate
 - Slot Parlor (1) \$25 million license fee, 49% tax rate
- **Maine License Fees are small (casino operator license \$250K), but casino licenses after 9/1/12 are \$5 million.**
- **Rhode Island casino license fee is \$100 million, payable in three equal installments. Twin River slot revenue \$434 million in 2011.**
- **Jeff Hooke, a Maryland investment banker, argues that Maryland and Massachusetts casino licenses should be as high as \$500 million each.**

Summary

- Market potential exists but there are limits to the market.
- The size (\$100m with 1,000 slots?) and placement of the facility (ies) significantly impacts the potential revenue.
- Revenue from operations of a casino/racino unlikely to be available for 2014-2015 budget.
- License fees very sensitive to market size, potential revenues, new competition, and tax rates.



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