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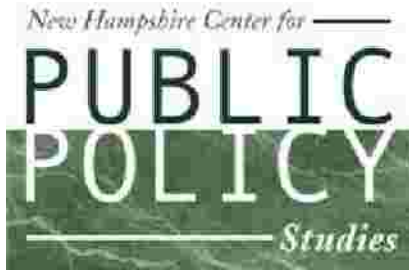
Kimon S. Zachos

Gambling and New Hampshire

Senate Ways and Means

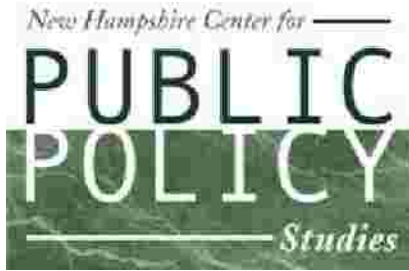
Steve Norton, Executive Director
NH Center for Public Policy Studies

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



Goals of Current Study

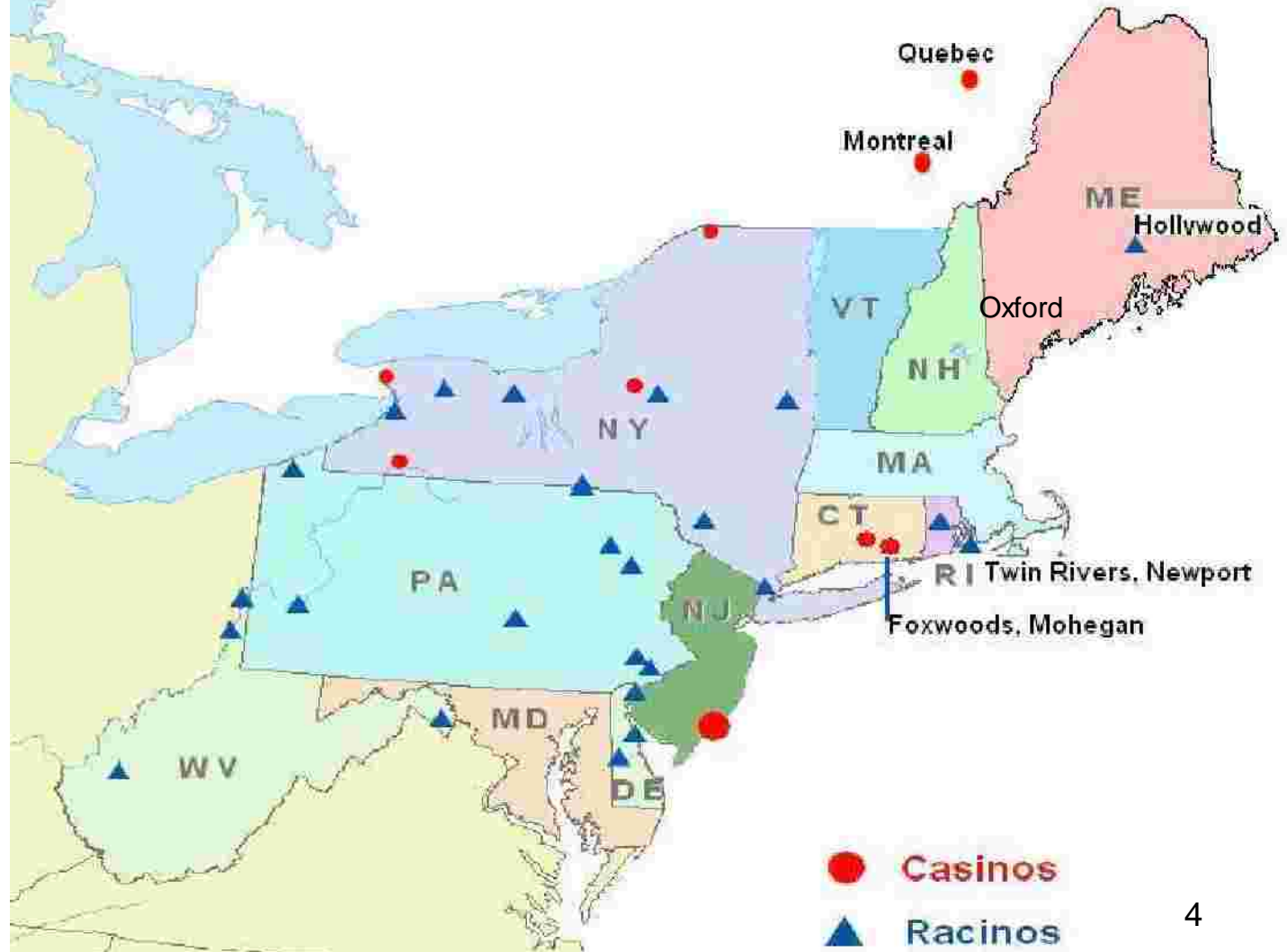
- Update our original work to reflect changes in the market and other factors.
- Provide a general understanding of the impact of tax rates, markets, and timing on the potential size of
 - Ongoing revenues to the state
 - A license fee
 - Jobs (economic development)



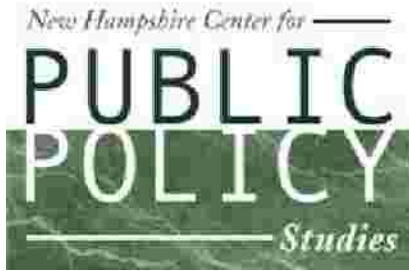
Cautions about Estimates and Assumptions

- Impact assessments are VERY sensitive to assumptions.
 - Is it a \$100m dollar investment or a \$450m investment?
 - Is it 1,000 slots or 5,000 (or 3,000)?
 - How long will it take to set up the regulatory structure, meet obligations to engage community in a conversation, and create an auction process?
 - When will Massachusetts act?

Geographic Distribution of Casinos & Racinos In the Northeast

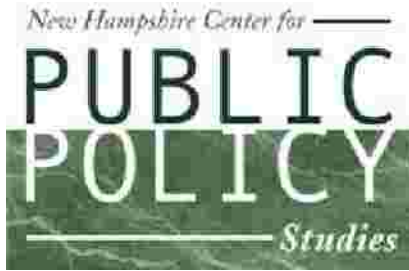


Source: Barrow



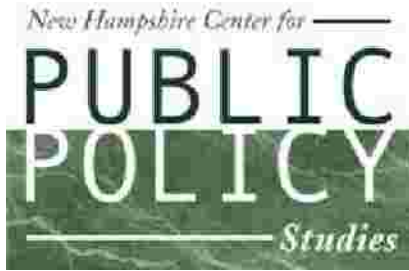
Maine Update

- 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)



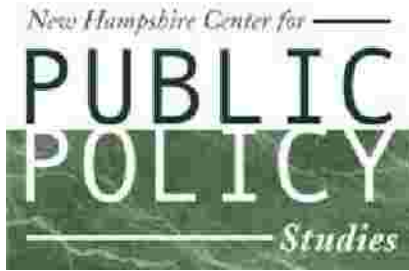
Massachusetts Update (November 2011 Law)

- 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



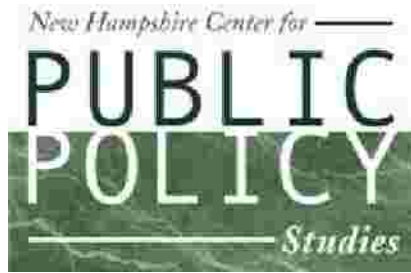
Massachusetts Update (11 applications on 1/15/13)

- 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.

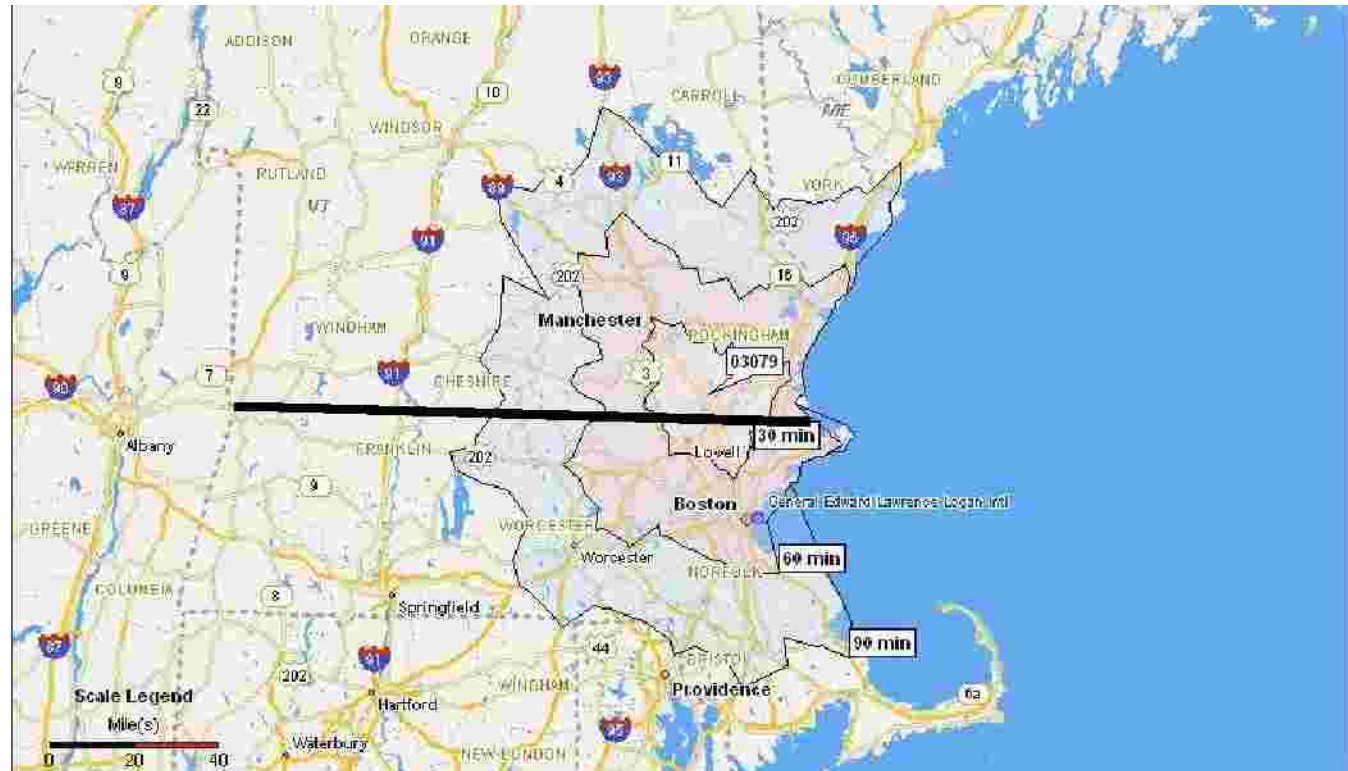


Markets in New England

- 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.



NHCPPS Model Update

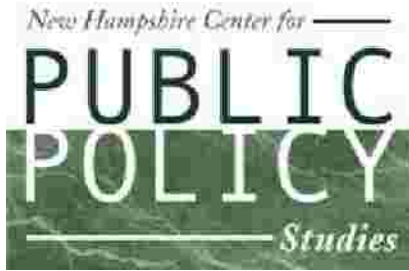


Drive time analysis used as the foundation of a gravity model which assumes the more amenities, the greater the attraction.

Adjusts for NH specifics: Tourist multiplier

Allows us to simulate Massachusetts impact

Tested models against existing markets



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

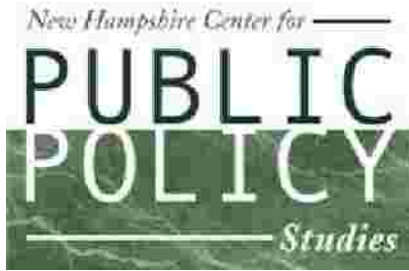
5 Sites

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



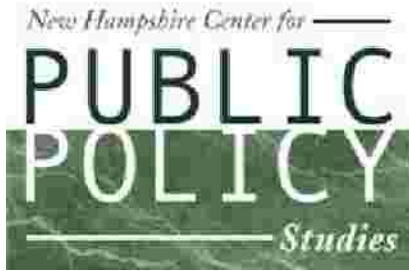
Sites IDed by Commission to give a sense of the impact of location.

Model can be used to simulate other sites.



Fundamental Assumptions of NHCPPS Models

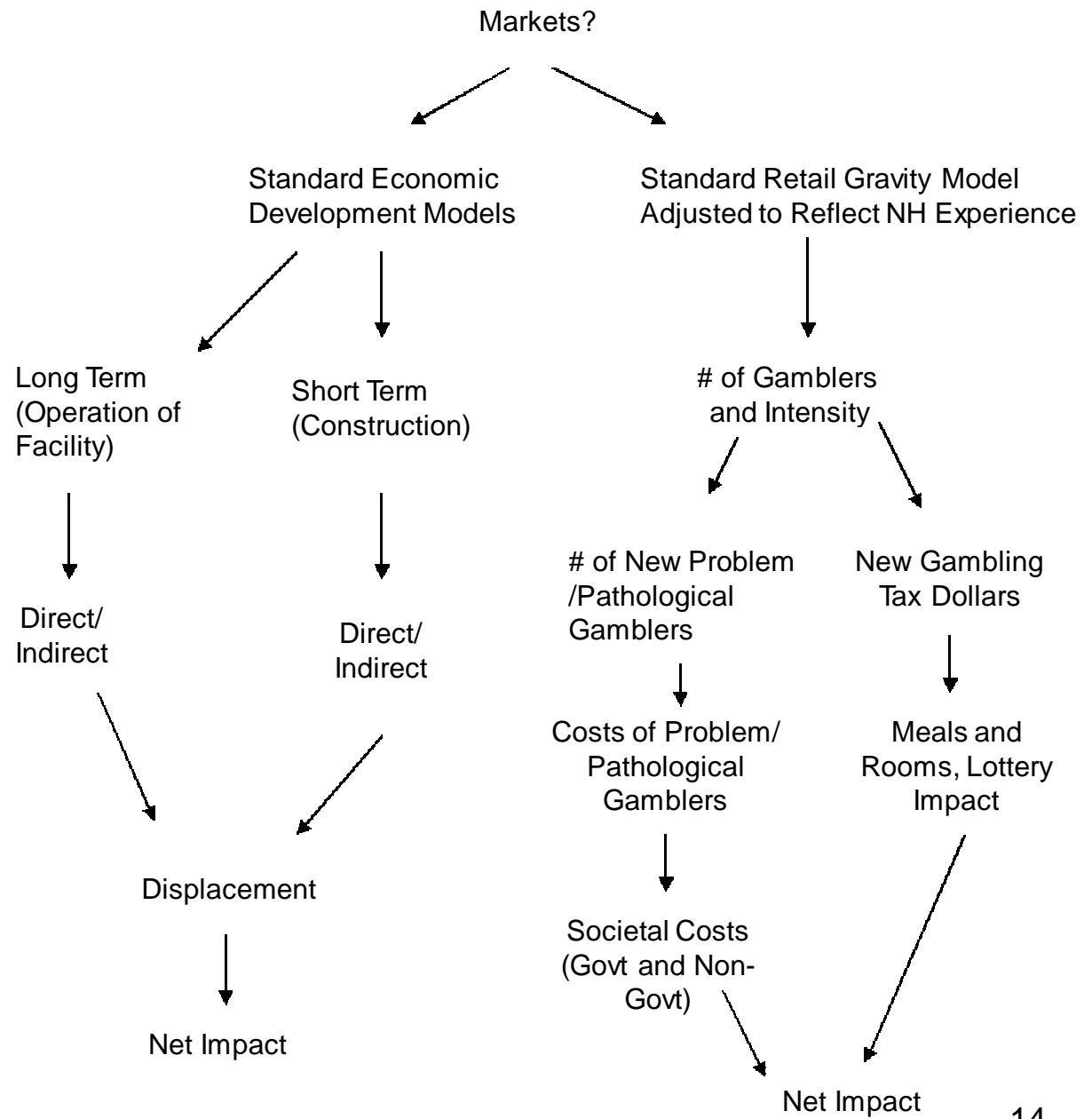
- The placement of a casino in New Hampshire (or closer to New Hampshire) will increase the number of people that gamble.
- The farther individuals have to travel, the less likely they are to go to a casino in New Hampshire. And ... the closer you are to a casino, the more likely you are to go to a casino.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

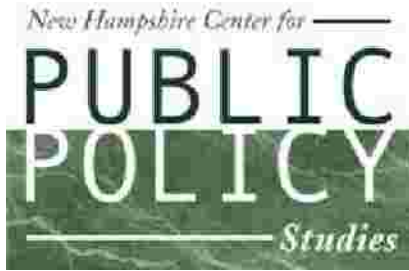


Changes to Original Study

- 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

Putting It All Together

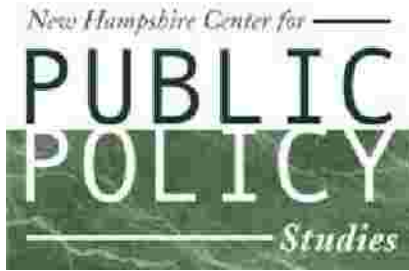




A new facility creates new gamblers, new revenues, and new problems

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

Our model estimated 1,4 million visitors.
A percentage will develop problems.



Estimated Social Costs

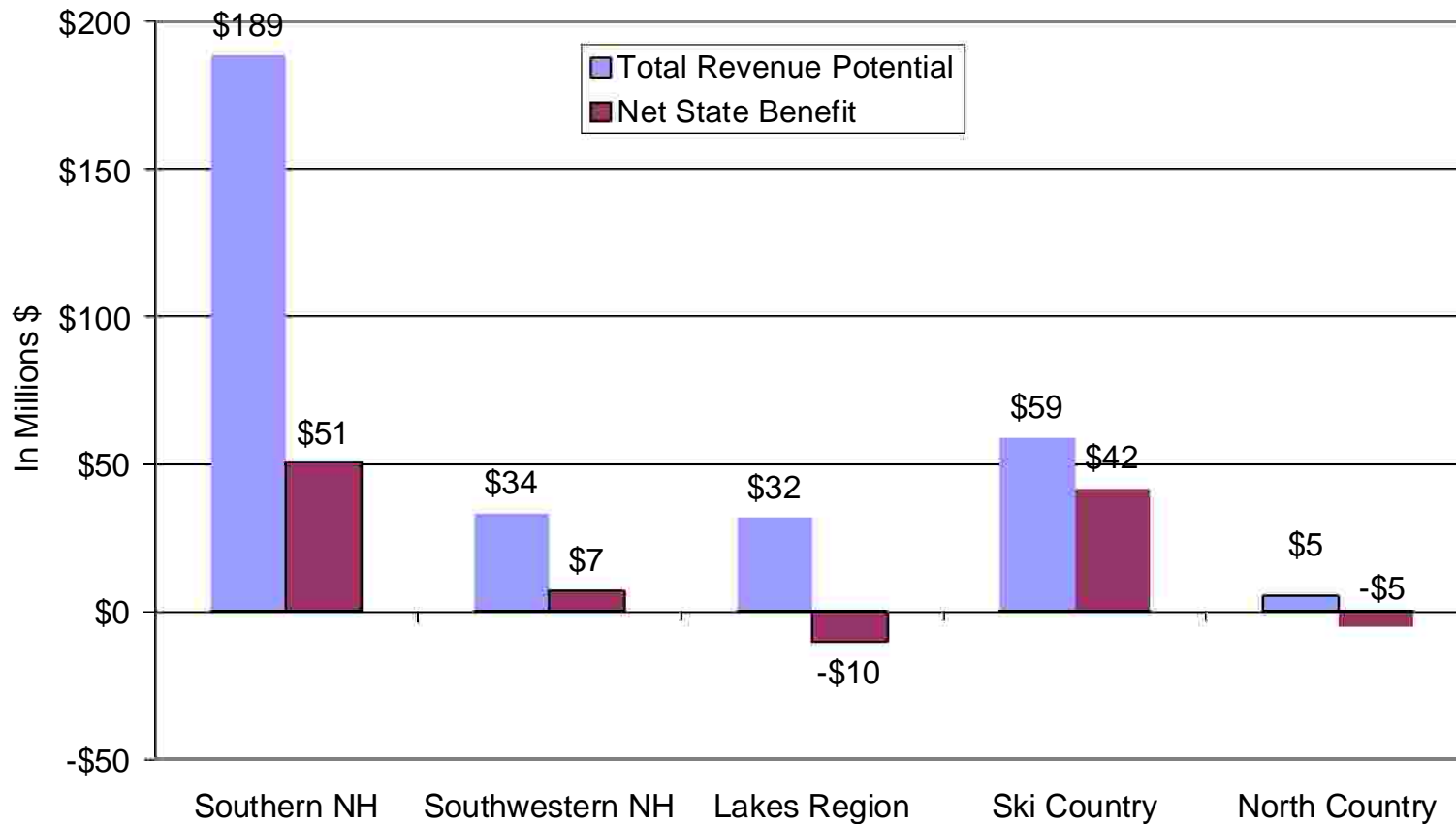
National Opinion Research Center at the University of Chicago (1999)
 Annual estimates of social costs (in 2007 dollars)

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

Treatment costs for DHHS were estimated by DHHS

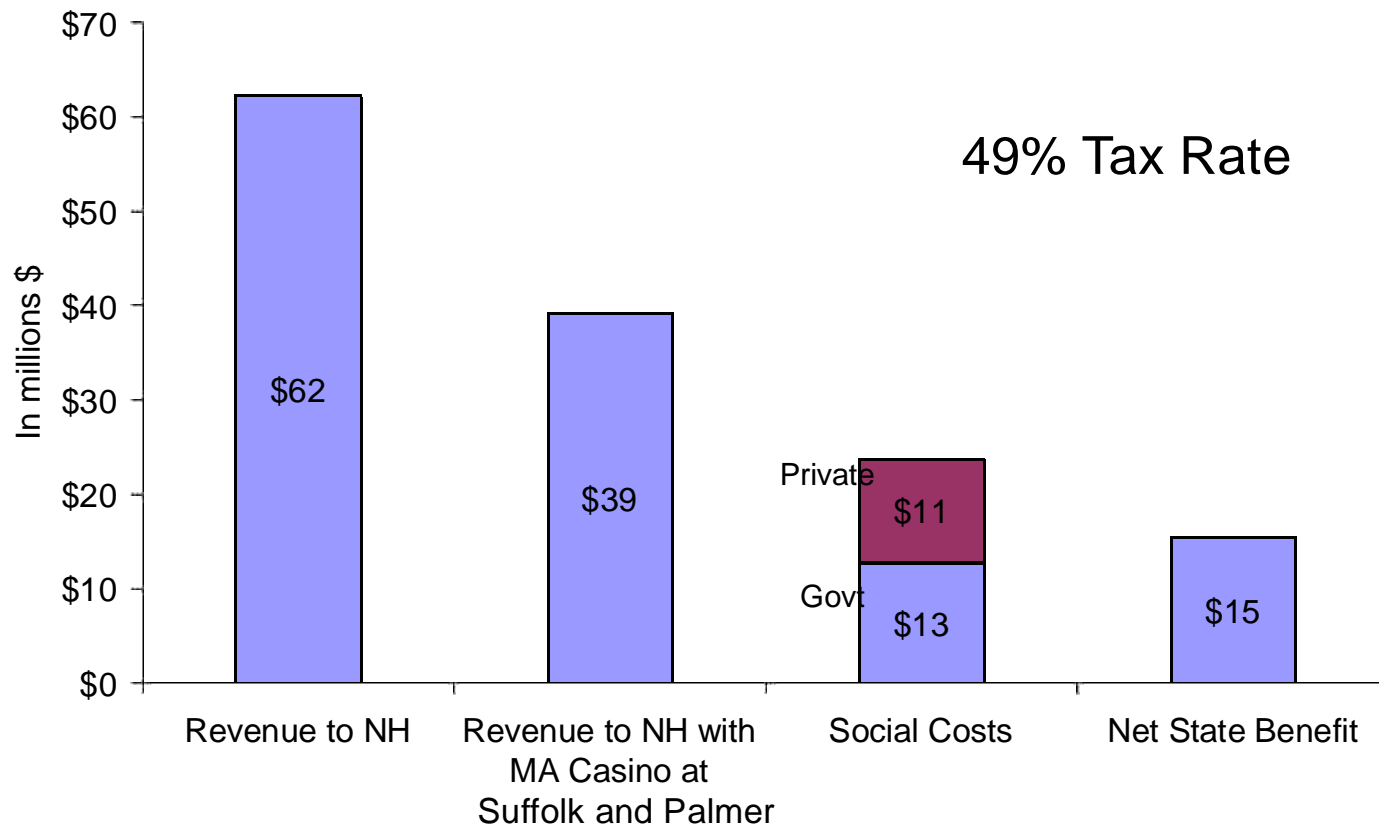
Prior assumptions in our model on size, tax rates and therefore revenue appear irrelevant given new legislation

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



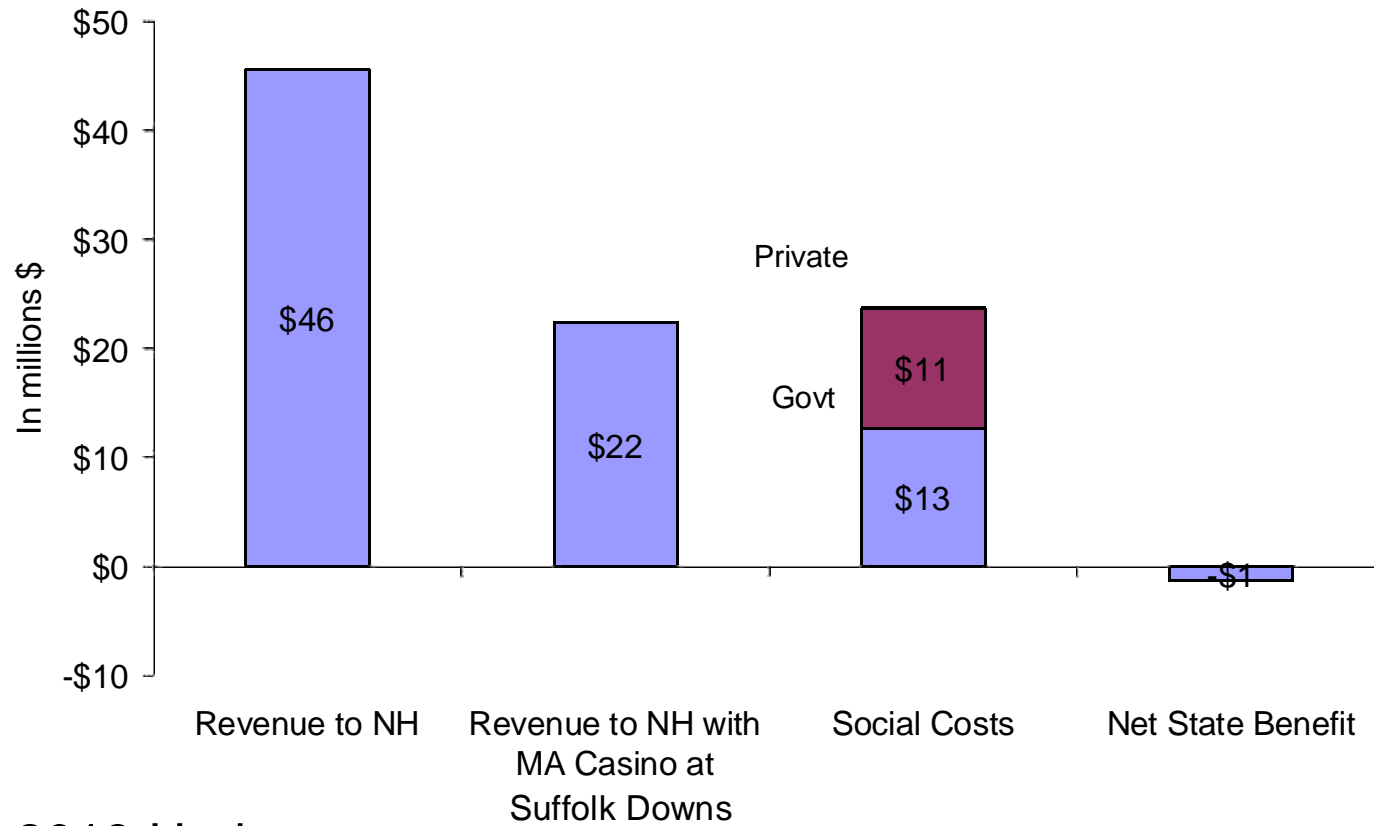
Calculating Benefit: Southern NH Racino (\$100m Investment)

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



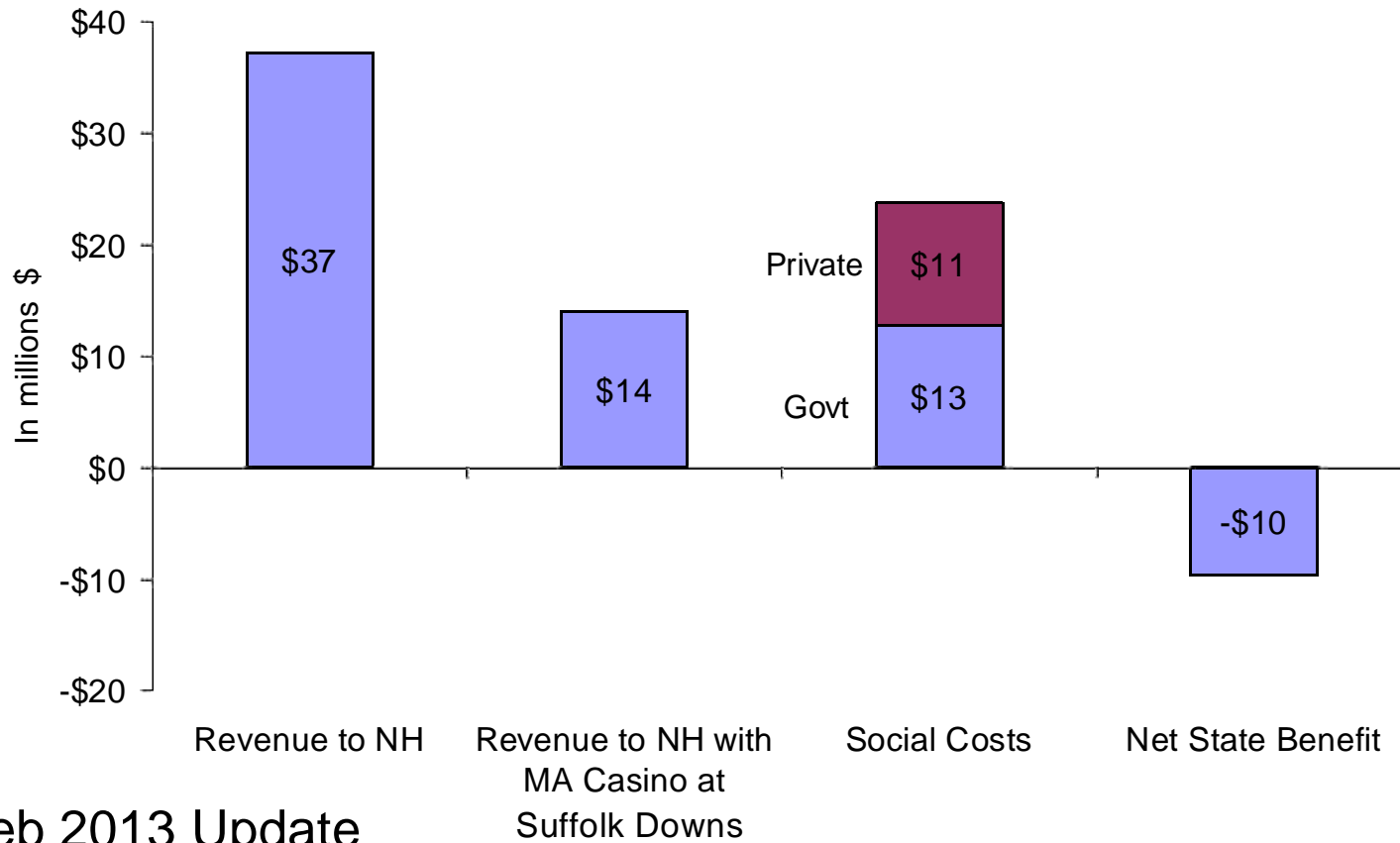
30% Tax Rate

Calculating Benefit to the State of Expanding Gambling, Large Facility
 (\$100m Investment, 1,000 VLTs and Table Games) in Southern NH
 Including Only Revenue and Social Costs, 30% Tax Rate



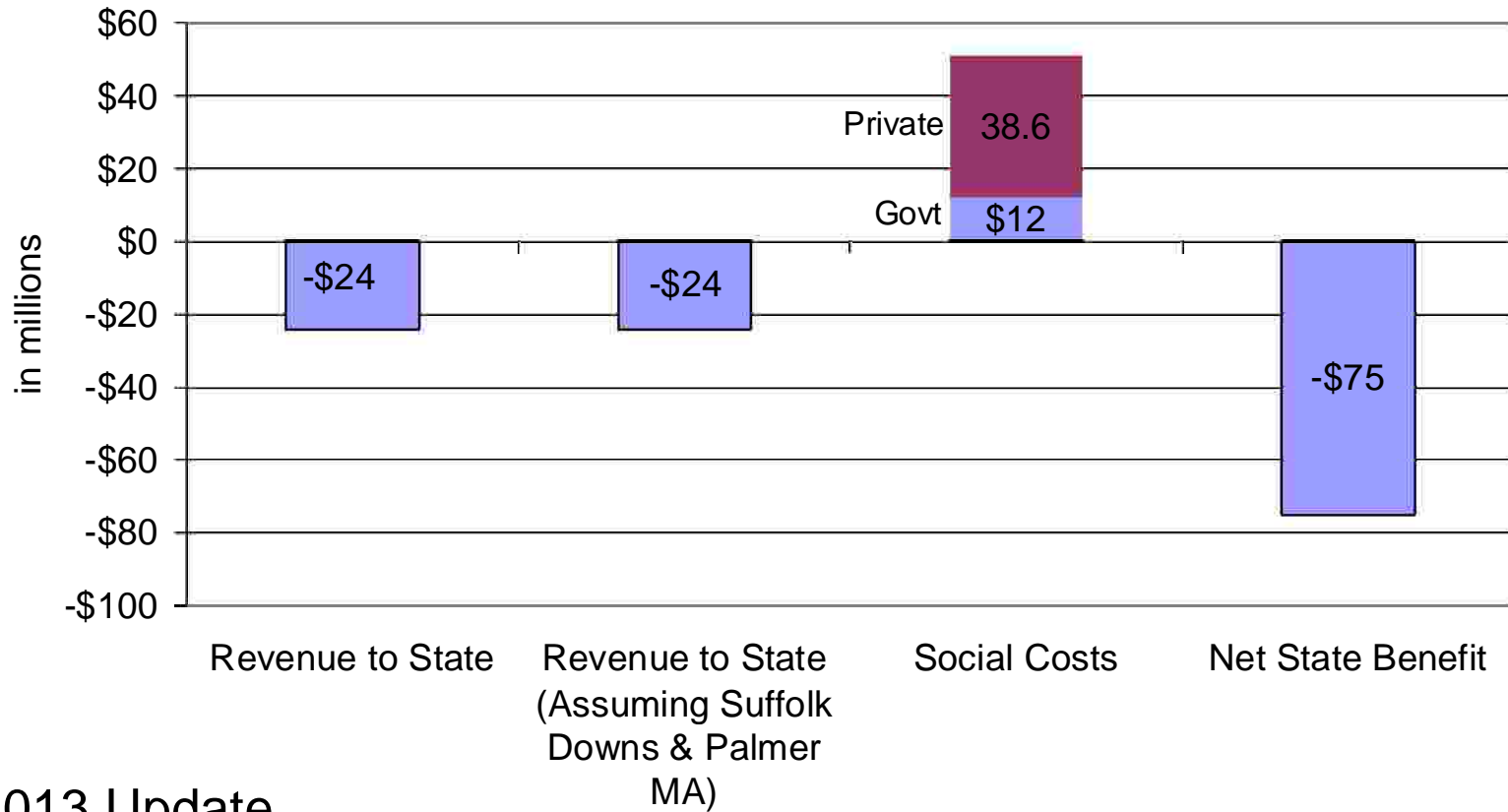
25% Tax Rate

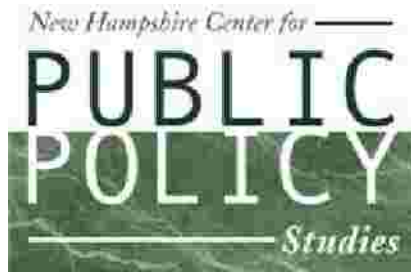
Calculating Benefit to the State of Expanding Gambling, Large Facility
 (\$100m Investment, 1,000 VLTs and Table Games) in Southern NH
 Including Only Revenue and Social Costs, 25% Tax Rate



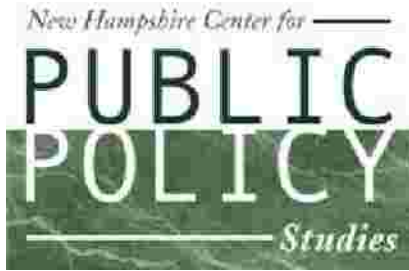
If Massachusetts expands

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

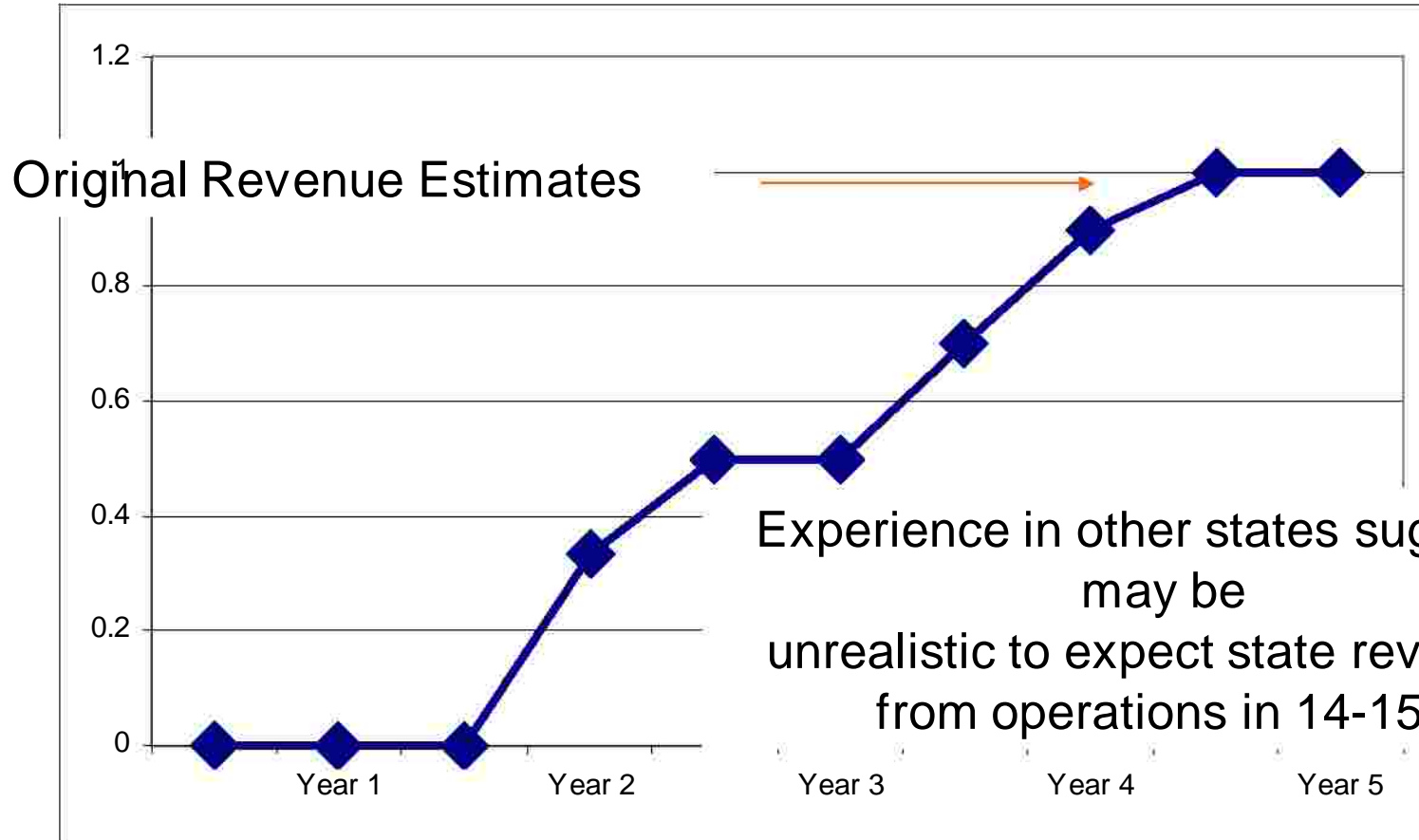
Hypothetical Description of Time's Role in Understanding Impact of Gambling										
		FY 2011: July 1, 2010	FY 2012: July 1, 2011	FY 2013: July 1, 2012	FY 2013	FY 2014				
Economic Development										
	Construction (18 Months)	█	█							
	Operations			█	█	█	█	█	█	█
Revenues										
	License Fees	█								
	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?

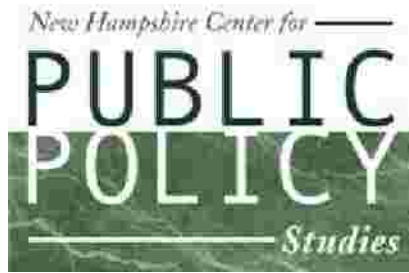
Can one realistically expect revenues in 14-15?

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



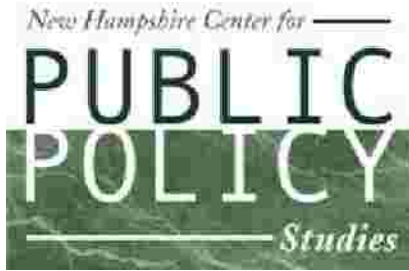
How long does it take for facility to 'ramp' up?

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



Data on License Fees

Facility	State	Market Size (millions)	Slots #	License Fee (millions)	Tax Rate
Suffolk Downs	Massachusetts	\$598	5,000	\$85	25.0%
Palmer/Springfield	Massachusetts	\$299	5,000	\$85	25.0%
Hollywood Casino	Maine	\$60	1,000	\$0.250	49.1%
Oxford Casino	Maine	\$120	1,000	\$0.250	49.1%
Twin River	Rhode Island	\$475	4,751	\$100	72.7%
Newport Grand	Rhode Island	\$50	1,100	\$100	72.7%
Mohegan Sun	Connecticut	\$700	6,000	Minimal	25.0%
Foxwoods	Connecticut	\$613	7,000	Minimal	25.0%
Delaware Park	Delaware	\$220	2,487	\$80	56.9%
Dover Downs	Delaware	\$200	2,736	\$80	56.9%
Harrington Raceway	Delaware	\$118	1,816	\$80	56.9%
Mohegan Sun @ PD	Pennsylvania	\$310	2,400	\$50	55.0%
Philadelphia Parx	Pennsylvania	\$538	3,400	\$50	55.0%
Harrah's Chester	Pennsylvania	\$397	2,900	\$50	55.0%
Presque Isle Downs	Pennsylvania	\$233	2,000	\$50	55.0%
Meadows	Pennsylvania	\$338	3,500	\$50	55.0%
Mount Airy	Pennsylvania	\$216	2,400	\$50	55.0%
Penn National - Hollywood	Pennsylvania	\$305	2,500	\$50	55.0%
Sands Bethlehem	Pennsylvania	\$403	3,000	\$50	55.0%
Rivers	Pennsylvania	\$353	2,900	\$50	55.0%
SugarHouse	Pennsylvania	\$120	1,700	\$50	55.0%
Prince George's County	Maryland	\$585	3,000	\$18	66.0%
Boot Hill	Kansas	\$40	1,000	\$25	25.0%
Hoosier Park	Indiana	\$215	1,857	\$250	40.0%
Indiana Downs	Indiana	\$238	1,997	\$250	40.0%
Des Plaines	Illinois	\$280	2,000	\$425	50.0%
Chicago	Illinois	\$500	2,000	\$435	50.0%

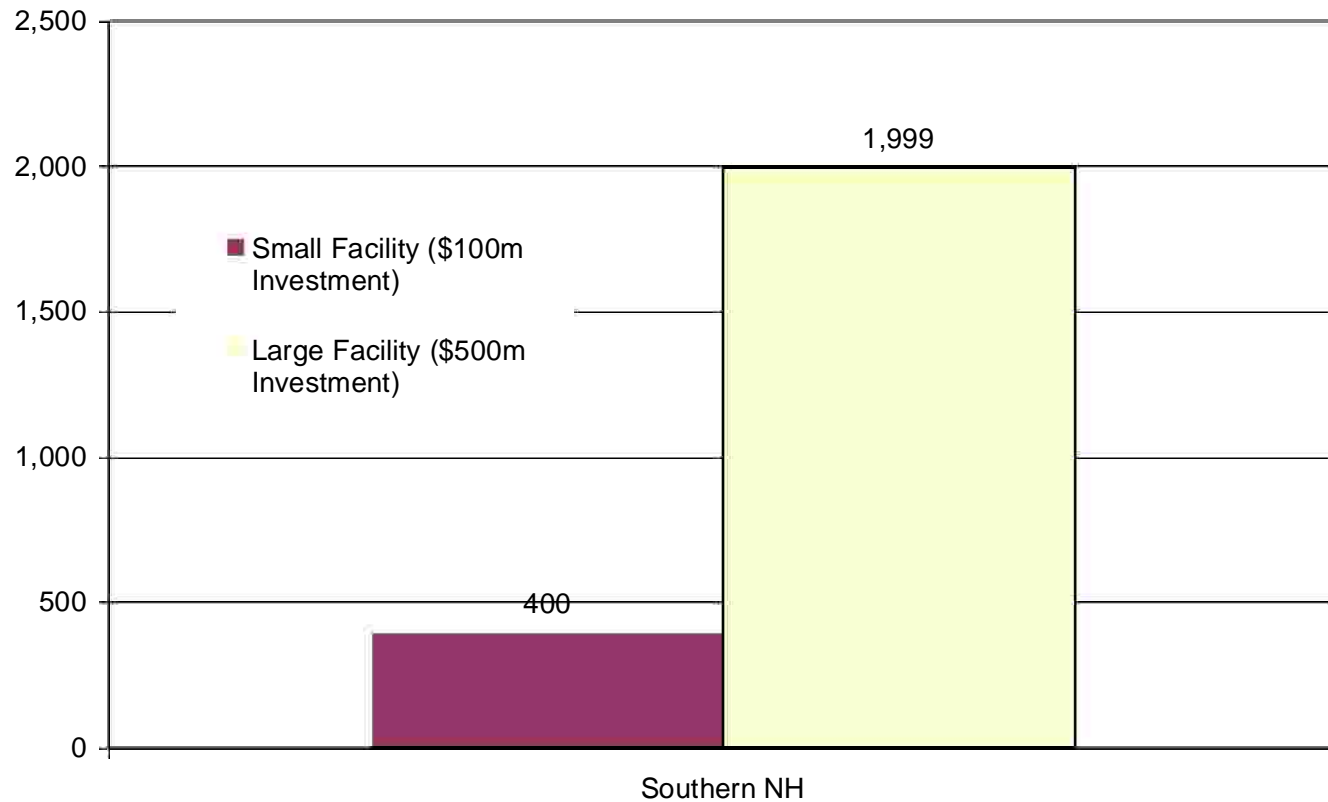


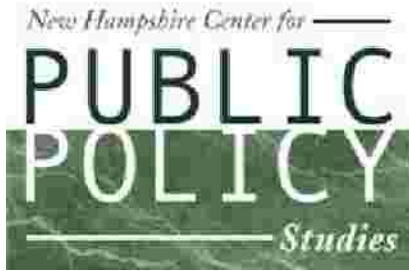
Northern New England License Fees

- Maine License Fees are small (casino operator license \$250K), but casino licenses after 9/1/12 are \$5 million.
- Massachusetts Casinos:
 - Casinos (3) \$85 million license fee, 25% tax rate
 - Slot Parlor (1) \$25 million license fee, 49% tax rate
- Massachusetts license fees will not be available for the purposes of state revenue until 2014, more than two years after passage of legislation because it took time for
 - The regulatory structure to form
 - The public process to be understood
 - The auction 'rules and regs' to be established

Job creation estimates are very sensitive to actual \$ invested

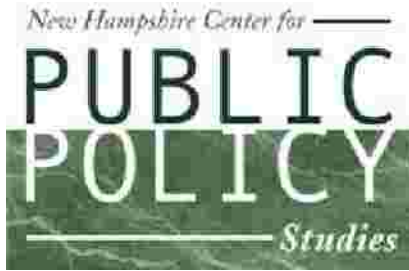
New Jobs: Operations, Direct and Indirect
VLTs and Table Games





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 to the state 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 and questions remain about the ability of a state to quickly implement



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