

SB 2893
Proposed SD 1

EDT-WAM



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development & Tourism

before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
SENATE COMMITTEE ON WAYS AND MEANS**

Wednesday, February 29, 2012
10:15 a.m.

State Capitol, Conference Room 211

in consideration of
SB 2893 Proposed SD1
Relating to Gambling

Chairs Fukunaga and Ige and Members of the Committees on Economic Development and Technology, and Ways and Means:

The Department of Business, Economic Development & Tourism (DBEDT) does not have any position on the issue of gaming in and of itself, however, we would like to comment on the current language of the bill.

This measure proposes to establish a Gambling Commission to perform a comprehensive analysis of the costs and benefits of various types of gambling. The Gambling Commission is proposed to be placed within DBEDT for administrative purposes, however, DBEDT does not have the resources or expertise to undertake such an initiative.

Several socio-economic studies have already been conducted on both sides of the issue of gambling. A new report consisting of primary and secondary information with recommendations that would have to stand up to the scrutiny of the experts, both for and against gambling, would cost at least \$500,000. DBEDT does not have the resources or expertise to undertake such an initiative.

Thank you for the opportunity to offer comments.

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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PETER B. CARLISLE
MAYOR

DOUGLAS S. CHIN
MANAGING DIRECTOR

CHRYSTN K. A. EADS
DEPUTY MANAGING DIRECTOR

February 29, 2012

The Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development and Technology
The Honorable David Ige, Chair
Senate Committee on Ways and Means
Twenty-Sixth Legislature
Regular Session of 2012
State of Hawaii

RE: Testimony of Mayor Peter Carlisle on S.B. 2893, Proposed S.D. 1, Relating to Gambling.

Chair Fukunaga and members of the Senate Committee on Economic Development and Technology, Chair Ige and members of the Senate Committee on Ways and Means, Mayor Peter Carlisle submits the following testimony in opposition to S.B. 2893, proposed S.D. 1.

The purpose of the proposed S.D. 1 is to establish a gambling commission to perform a comprehensive analysis of the costs and benefits of various types of gambling.

I understand the allure of gambling as a quick and attractive fix to our economic problems. However, I oppose this bill as I believe that it is unnecessary for the reasons below.

It has been shown that gambling acts as a regressive tax which falls most heavily on those who can least afford it. In addition, it has been estimated that the rate of problem or pathological gamblers in Hawaii's population will range from 1.4% to over 6% of the residents. These gamblers will first borrow from friends or family and when that is no longer possible, they often turn to stealing from friends, family and employers. Even without legalized gambling opportunities in the state, we have seen cases involving a county treasurer and a county relocation officer who stole county funds in order to pay off large gambling debts. I believe that instances like this may become more frequent and severe if legalized gambling is permitted and more accessible in Hawaii.

I would like to point out to that even without gambling, Hawaii already attracts visitors with our beautiful scenery, wonderful climate and unique culture. And as most tourists visit here

with a finite budget, I fear that the money they currently spend in our local shops and restaurants will be spent on gaming instead.

Finally, I also note that the commissioners as set forth in this bill are not required to come from sectors likely to be impacted or have specific experience in areas likely to be affected by gambling, such as the county police or tourism representatives. The only requirement for selection to the commission is an appointment by the Governor, the Senate President or the House Speaker.

Thank you for this opportunity to testify before you.

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

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PETER B. CARLISLE
MAYOR

LOUIS M. KEALOHA
CHIEF

DAVE M. KAJIHIRO
MARIE A. McCAULEY
DEPUTY CHIEFS

OUR REFERENCE **JM-TA**

February 29, 2012

The Honorable Carol Fukunaga, Chair
and Members
Committee on Economic Development
and Technology
The Honorable David Y. Ige, Chair
and Members
Committee on Ways and Means
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Fukunaga and Ige and Members:

SUBJECT: Senate Bill No. 2893, Proposed S.D. 1, Relating to Gambling

I am John McEntire, Major of the Narcotics/Vice Division of the Honolulu Police Department, City and County of Honolulu.

The Honolulu Police Department opposes Senate Bill No. 2893, Proposed S.D. 1, Relating to Gambling.

There have already been numerous studies completed throughout the nation regarding the financial and social effects of gambling.

Each of these studies, to include a study commissioned by the United States Congress, has confirmed that gambling causes problems such as bankruptcy, theft, embezzlement, suicide, child abuse and neglect, divorce, incarceration, and homelessness.

We do not believe there is a need to create a task force to analyze the viability of an activity that has already been proven to exacerbate the above-mentioned financial and social problems. Furthermore, this bill does not address issues such as the financial interests, education or experience, criminal history, or other biases of task force members that could affect their findings or recommendations.

The Honorable Carol Fukunaga, Chair
and Members
The Honorable David Y. Ige, Chair
and Members
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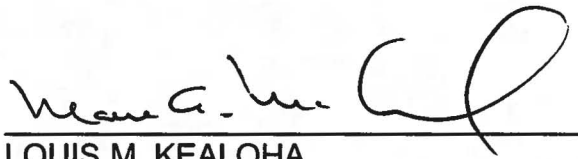
In keeping with our conviction of sustaining and enriching communities, the Honolulu Police Department is opposed to Senate Bill No. 2893, Proposed S.D. 1, Relating to Gambling.

Thank you for the opportunity to testify.

Sincerely,


JOHN McENTIRE, Major
Narcotics/Vice Division

APPROVED:


for LOUIS M. KEALOHA
Chief of Police

Radcliffe & Associates, LLC

222 South Vineyard Street, Suite 401, Honolulu, HI 96813-2453 Phone (808) 524-4459 Fax (808) 599-4340

February 29, 2012

Senator Carol Fukunaga, Chair
Senator David Ige, Chair
Committee on Economic Development & Technology
Committee on Ways & Means
Hawaii State Capitol, Room 211

RE: SB 2893, SD1 Relating to Gambling—SUPPORT

Chairs Fukunaga and Ige, and Members of the Committee on Economic Development & Technology and the Committee on Ways & Means:

My name is John Radcliffe and I support SB 2893, SD1 as an effort for the Legislature and the Governor to carefully examine the issues related to gaming and come to a conclusion about what to do.

When we began this odyssey to bring casino gaming to Hawaii, we, the local people of Hawaii, were spending over half a billion dollars a year gambling on the mainland. More than a decade later we are spending twice as much.

When we began, our ERS and EUTF had a manageable unfunded liability. Today, that unfunded liability is at \$24.7 billion and rapidly rising and we have done nothing to stem that tide.

A decade ago, Japan had no casinos and the idea of building them in that country was unthinkable. Today Japan is on track to build ten casinos. A decade ago, Singapore made gambling a felony crime. Today casinos account for about 18% of Singapore's national economy.

In the United States, dozens of casinos have opened while we in Hawaii have so far refused to take a chance on our own future. Hawaii definitely needs the funding that a casino will bring, so I see SB 2893, SD 1 as an opportunity for us all.

Thank you for the opportunity to submit written testimony.

Respectfully Submitted,

John H. Radcliffe
President, Radcliffe & Associates, LLC



**TESTIMONY OF MICHAEL POLLOCK,
MANAGING DIRECTOR OF SPECTRUM GAMING GROUP
REGARDING SB 2893**

FEBRUARY 29, 2012

Thank you for this opportunity to provide written testimony. My name is Michael Pollock, managing director of Spectrum Gaming Group. Our team have been analyzing and observing the evolution of the gaming industry around the world for more than three decades.

We pioneered studies on the social and economic impacts of gaming, starting in New Jersey 30 years ago, and have since practiced this specialty in markets ranging from Massachusetts and Connecticut to Florida and Illinois. Our studies have taken us as far as Guam and Korea, so we understand what a study needs to accomplish and how it should be carried out.

Spectrum is neither an advocate nor an opponent of legalized gaming, and has always taken an independent approach to these issues, recognizing the need to analyze all markets based on the individual goals, assets and policies within each state, region or country that we study. Our goal is simply to shed light on any gaming debate, not heat.

We support the notion of a serious study of the potential impacts of gaming in Hawaii. In advance of any such study, Spectrum points out some necessary caveats that must be taken into consideration by policymakers that we have gleaned from our experience:

- No two gaming markets can expect the same experience, nor should they be guided by the same public policies. Regions vary in multiple ways, from their population density to their employment, to their ease of access and to the level of existing tourism infrastructure within a region. Consequently, results will differ and gaming policy should differ as well.
- The role of the public sector – including the executive and legislative branches at all levels – does not end with the legalization of gaming,

or the creation of a regulatory body. Indeed, effective public policy mandates that the difficult tasks are just beginning at that point.

- If casinos are approved, the private sector – including, but not limited to the casino industry – cannot be fully left to its own devices, but must be guided by sufficient incentives and mandates, as necessary.

Any decision to approve casinos must be guided by some sobering realities. One of those realities is that the public sector may be called on to invest additional resources, both financial and human, to best capture the beneficial effects. For instance, the calculus that weighs this important decision must take into account a variety of factors that must be considered, including:

- Will casino traffic disrupt local neighborhoods, or exacerbate existing blockages?
- Will the pool of available labor have access to affordable, convenient transportation?
- Will gaming complement existing businesses and attractions?
- Will it alter Hawaii's existing culture or its tourism brand?

With that in mind, we caution that there can be no guarantees from Hawaii or from any entity conducting a study that all impacts will be positive or negative. Winners and losers will be created by the introduction of casinos into a community. This is particularly true with respect to the social impacts of gaming, and such impacts range from problem gambling to alcohol-related traffic incidents, as well as a host of other areas. The public and private sectors must maintain realistic expectations, and guide public policy where it can be guided.

Our experience has led us to develop certain cautionary notes to help ensure that expectations are realistic. While no two gaming markets can be precisely alike, there are some commonalities, including:

- Gaming should never be viewed as a panacea to cure social ills or solve fiscal problems. It is a tool that, if effectively managed, can generate capital investment, employment and visitation that in turn would provide resources that can help address issues.
- Casinos, by themselves, cannot turn unattractive or unappealing neighborhoods or communities into attractive magnets. To effect such

a potential change often requires significant amounts of planning, financial capital and political capital.

- Casinos, by themselves, cannot turn former industrial areas or other non-tourist sites into tourist attractions. That requires the existence, or the development, of a necessary tourism infrastructure.
- Neither the challenges nor the opportunities created by a casino industry stop at municipal boundaries.

Spectrum also believes that the competitive bidding process is more likely to advance public policy than simply awarding licenses to existing entities.

The heart of the competitive bidding process will be the establishment of guidelines that delineate the criteria for evaluating bids. We suggest that Hawaii needs to be as expansive and comprehensive as possible in its guidelines. In our experience in various markets, including as participants and close observers in the 34-year history of casino regulation in New Jersey, we note the following:

- A regulatory system should start out strictly, and then be modified as circumstances change, and as the regulators – and the public – become more comfortable and gain confidence that the process is moving in the right direction. In most cases, political and economic realities will be quickly established, making it difficult to move in the opposite direction, toward a system of stricter regulation and tighter controls. This would be particularly true in this instance, where the legislation contemplates a competitive bidding process. In such instances, the most important rules are the ones established at the outset to determine the successful bidders. Once those criteria have been established and a successful bidder has been named, the system would not allow lawmakers or regulators to go back and alter those initial criteria.
- In effect, the Hawaii Legislature must take into account the political reality that, once a casino is established and is generating tax revenue, employing people and attracting visitors, it cannot be easily undone in any practical sense. There is no “off” switch.

The public sector in Hawaii has broad discretion and powerful leverage at the outset to ensure that the successful bidder takes whatever steps are necessary to

advance the public interest on a wide variety of fronts. Such leverage would be at its zenith during the pre-licensing phase, in which applicants would recognize that they must compete against each other in their zeal and in their creativity in developing strategies to advance the public interest. Once licenses are issued, and casinos are operational, we caution that such leverage would largely disappear.

Using that leverage to require that all bidders submit comprehensive, credible plans that are in congruence with public policies can be justified by the proposed legislation, which essentially creates effective monopolies. No other private businesses that targets consumer discretionary spending, from hotels to restaurants, could reasonably expect that Hawaii would protect them from potential in-state competition. We suggest that such protection requires a corresponding commitment to ensure that marketing, human resources and other policies put forth are designed to promote the public interest.

We believe that the interests of Hawaii could be best served by adopting criteria that require the applicants themselves to delineate their potential impacts, and the policies they will adopt to ensure that they will endeavor to work in the public interest.

In short, a successful gaming industry requires the following:

- Realistic expectations.
- A willingness to take on the tasks that must be done after passage of the enabling legislation.
- A robust, comprehensive process to ensure that the bidding process – and the successful bidders – will address all the necessary issues.
- A regulatory body that is willing to make decisions that might prove to be extraordinarily difficult --- including the ability to say no to any application that is not in the best interests of Hawaii. If all the applications prove to be sub-standard, then all the applications must be rejected. If this legislation is approved, you need a board that has the ability to grant licenses to the most deserving bidders, and to deny licenses if it deems that none of the bids are deserving.

In closing, we make our final but most important point: No entity conducting a study can simply assess what the impacts of legalized gaming *will* be. Rather, a responsible, credible study will suggest what the impacts *could* be if certain policy decisions are enacted.

Thank you for this opportunity.



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Our Experience

"The analysis provides a comprehensive response to the many thoughtful questions raised by legislators and other interested groups, and reflects the integrity and financial expertise for which Spectrum Gaming is widely regarded."

- Daniel O'Connell, Massachusetts Secretary of Housing and Economic Development

Public- and private-sector clients worldwide count on Spectrum Gaming Group to provide independent, unbiased research and analysis that helps to shape public policy and guide investment decisions. Although the vast majority of our reports are confidential, some clients do enter them in the public domain. Following are Spectrum reports that have been made public over the last two years:

- [Spectrum Gaming Group testifies before U.S. Senate Indian Affairs Committee, October 6, 2011](#)
- [Internet Gambling Developments in International Jurisdictions: Insights for Indian Nations](#)
Prepared for the National Indian Gaming Association and Member Indian Nations and Tribes | October 4, 2010

- [Analyzing Potential Challenges, Opportunities Facing Indiana's Casino Industry](#)
Prepared for Casino Association of Indiana | October 19, 2009
- [ATLANTIC CITY'S FUTURE: Leveraging Opportunities, Meeting Challenges](#)
Prepared for Jones Lang LaSalle | October 13, 2008
- [GAMBLING IN CONNECTICUT: Analyzing the Economic and Social Impacts](#)
Prepared for the State of Connecticut, Division of Special Revenue M. Jodi Rell, Governor Michael Fedele, Lieutenant Governor | June 22, 2009
- [COMPREHENSIVE ANALYSIS: Projecting and Preparing for Potential Impact of Expanded Gaming on Commonwealth of Massachusetts](#)
Prepared for the Commonwealth of Massachusetts, Deval L. Patrick, Governor Timothy P. Murray, Lieutenant Governor | August 1, 2008
- [Atlantic City Visitor Profile 2008](#)
Prepared for Atlantic City Convention & Visitors Authority, Jeffrey S. Vasser, President | Fall, 2008
- [New Hampshire Gaming Study Commission Testimony](#)

We believe that a firm can be judged by the company it keeps. Some of our satisfied clients include:

Private Sector

- Avista Capital
- Bear Stearns
- Borgata Hotel Casino & Spa
- Boyd Gaming Corp.
- Casino Association of Indiana
- Casino Association of New Jersey
- CIBC World Markets
- Clairvest Group
- Credit Suisse
- Elad Properties
- Empire Resorts
- Eton Park Capital
- Gensler Architects
- Jones Lang LaSalle
- Guam Hotel and Restaurant Association
- Hard Rock Hotel
- Harrah's Entertainment
- Hong Kong Jockey Club

Public Sector

- Atlantic City Convention and Visitors Authority
- Broward County, Florida
- Commissioner of Financial Institutions – Puerto Rico
- Connecticut Division of Special Revenue
- Delaware State Lottery
- Government of Queensland, Australia
- Government of Panama
- Kansas Racing & Gaming Commission
- Maine State Gambling Control Board
- Maryland Lottery Commission
- Massachusetts Office of Housing and Economic Development
- The Netherlands Gaming Control Agency
- New Jersey Casino Reinvestment Development Authority
- Pennsylvania Department of Revenue
- Philippine Amusement and Gaming Control Corp.
- Puerto Rico Tourism Company, Gaming Division
- Republic of Croatia
- Rostov Oblast, Russia

- House of Blues Entertainment
- International Game Technology
- Jefferies & Co.
- Jones Lang LaSalle
- Las Vegas Sands
- Morgan Stanley
- Philadelphia Park
- Pinnacle Entertainment
- Sandell Asset Management
- Scientific Games
- Shuffle Master
- Strategic Value Partners
- Trump Entertainment Resorts
- Wynn Resorts

- San Jose, CA, Office of City Manager
- Singapore Ministry of Home Affairs
- St. Lucia Gaming Authority
- U.S. Virgin Islands Casino Control Commission
- West Virginia Lottery

Native American

- Cherokee Nation
- Gila River Indian Community
- Little River Band of Ottawa Indians
- Mashantucket Pequot Tribal Nation
- National Indian Gaming Association (NIGA)
- Navajo Gaming Enterprises
- Oneida Indian Nation
- Pokagon Band of Potawatomi Indians
- Pueblo of Ohkay Owingeh (formerly San Juan Pueblo)
- Seneca Nation of Indians
- Tohono O'odham Nation

Public Policy

Governments regularly call on Spectrum's expertise when debating public policy. Our principals have testified before the following government bodies:

- International Tribunal, The Hague
- Illinois Gaming Board
- Iowa Racing and Gaming Commission
- U.S. Senate Select Committee on Indian Gaming
- U.S. Senate Subcommittee on Organized Crime
- Massachusetts Joint Committee on Bonding, Capital Expenditures and State Assets
- U.S. House Congressional Gaming Caucus
- National Gambling Impact Study Commission
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Casino Control Commission
- Pennsylvania Gaming Control Board
- Pennsylvania House Policy Commission on Gaming
- Indiana Gaming Study Committee

- New Hampshire Gaming Study Commission
- New Jersey Senate Legislative Oversight Committee
- Ohio Senate Oversight Committee
- Ohio House Economic Development Committee

Our disclosable jobs in recent years include the following:

- Spectrum was retained by the National Indian Gaming Association to prepare a comprehensive report that examined the evolution of Internet gaming in Europe to glean lessons and provide advice for tribal councils that are considering the opportunities and threats posed by the legalization of online gaming in the US.
- Spectrum developed a comprehensive study in Massachusetts (see the link above) that examines the potential economic and social impact of three casino resorts. This study examines a wide variety of areas, from projecting revenue and employment to suggesting strategies to maximize the benefit of gaming for restaurants and other small businesses. The report offers comprehensive analyses on several critical subjects, from crime to problem gambling.
- Spectrum produced a detailed examination of the impact of all forms of gaming, including casinos, lottery and pari-mutuel wagering on Connecticut (see the link above). The study includes a 3,000-response survey of adults, and examines such trends as migration patterns of adults into and out of Connecticut in counties that host casinos.
- Spectrum conducted a study for the Casino Association of Indiana (see the link above) that projected the impacts from potential expanded competition in Ohio, Kentucky, Illinois and Michigan. The study, which was presented publicly to the Indiana Gaming Study Committee, also suggested how changes in public policy with respect to taxes and other requirements could encourage capital investment and help protect Indiana's gaming industry.
- Spectrum was retained by the Government of Singapore to conduct due diligence investigations of all applicants for the proposed Marina and Sentosa integrated resorts. The government recently retained Spectrum for a second major research project.
- Spectrum served as the interim casino manager for the Crystal Palace Casino in Nassau, Bahamas, for a nine-month period in 2006-2007. During this engagement Spectrum completed numerous audits and reviews of operations, accounting and marketing. Under Spectrum's management, the casino experienced significant increases in both table games and slot gross revenues.
- Spectrum was retained by two major gaming corporations as their primary outside gaming advisory on business operations and marketing. Additionally for these two entities, Spectrum provides independent metric analysis and critique of their operating results and business planning on an ongoing basis.
- Spectrum was an advisor for a major gaming company that has been evaluating the acquisition of a casino operation in the eastern United States. Spectrum's role has been to evaluate current physical and financial operations, as well as evaluate employee service levels. Spectrum is also assisting in reviewing market potential projections along with providing five-year cash flow analysis and EBITDA analysis.
- Spectrum examined the feasibility of Plaza Las Vegas, a proposed major casino hotel on the Las Vegas Strip (as well as its proposed predecessor on the same site, Montreux). This study includes assessing the reasonableness and the likelihood of achieving the projected revenue and profitability levels. This study requires a high level of experience and understanding of the dynamic Las Vegas market.

- Spectrum, with partner BDO Unicon of Moscow, was retained by the Rostov Oblast of Russia to assess the feasibility of the federal government's planned Southern Gaming Zone on the Azov Sea. Spectrum analyzed comparative gaming zones worldwide, surveyed prospective international operators, performed a feasibility study and conducted a consumer profile study.
- Spectrum has worked with the private-equity and merchant banking divisions of Bear Stearns and Credit Suisse to analyze potential investments in various markets throughout the United States. Among our services, we analyzed the potential risks and returns, weighed competitive issues and analyzed the political environment.
- Spectrum performed a detailed feasibility study for a potential stand-alone casino hotel in Atlantic City. The analysis included examinations of the political and competitive landscape, the market demographics, access to the site, and suggested positioning strategies.
- Spectrum was retained by the Gila River Indian Community to perform a comprehensive amenity study and related analyses in anticipation of a significant expansion of the tribe's gaming and related facilities at Wild Horse Pass.
- Spectrum was retained by the Pokagon Band of Potawatomi Indians tribal government to plan, develop and implement the regulatory process that accompanied the development of a major casino project.
- Spectrum has performed numerous studies and has acted as a leading business advisor to the Seneca Gaming Corporation in New York. We have conducted analysis of the current gaming businesses as well as performing market analysis of potential opportunities.
- Spectrum performed a detailed study for the Ohkay Casino, a tribal operation in San Juan Pueblo, NM, to determine the feasibility of adding a conference and special events center, as well as a hotel expansion. The study included projections of cash flow, and suggested marketing strategies as well.
- Spectrum undertook an economic analysis study for Little River Band of Ottawa Indians in Michigan. We evaluated potential casino markets in the region and prepared preliminary financial projections. We also reviewed and evaluated the tribe's existing casino resort and made recommendations relative to expansion of that facility.
- Spectrum was retained by Empire Resorts, developer of a planned Indian casino in New York, to produce a report to be evaluated by the U.S. Bureau of Indian Affairs that would project revenue, and determine differing levels of visitation based on changes in capital spending.
- Spectrum conducted a study for the South Jersey Transportation Authority that analyzed the economic impacts of increased passenger air service at Atlantic City International Airport.
- Spectrum has been retained by a tribal casino in New York to review and evaluate its operations and internal controls, with an eye toward identifying potential cost savings and to assure compliance with minimum internal control standards (MICS).
- Spectrum was engaged by the Casino Association of New Jersey to perform several studies, including evaluating the potential impact of slot machines at New Jersey race tracks on the casino industry.
- Spectrum has been retained by the Atlantic City Convention & Visitors Authority to produce its Atlantic City Visitor Profile, based on 3,000 interviews, that will be used by the casino industry and others to understand who visits Atlantic City, why they visit, how they spend their money, and to determine visitor preferences.
- Spectrum was retained by the Casino Association of New Jersey to evaluate the economic impact that increased casino revenue taxes would have on the gaming industry in Atlantic City. In addition, the state Legislature in New Jersey considered the legalization of racinos at state licensed racetracks. Spectrum performed extensive economic analysis, which evaluated the impact of this legislation on

Atlantic City casinos, employment and vendors in South New Jersey.

- Spectrum was retained by the Atlantic City Convention & Visitors Authority to project the growth of nongaming spending in Atlantic City as a result of legislation to encourage the development of entertainment/retail districts. Spectrum projected the number of hotel rooms and spending levels, and also analyzed the impact of the legislation on the ACCVA's ability to market to new conventions and meetings.
- Spectrum was retained by Tropicana Casino and Resort in Atlantic City, while it was owned by Aztar, to develop and implement a guest-satisfaction program. Along with program development, Spectrum conducted various consumer research projects to quantify the metrics of guest satisfaction and translate the results into tangible EBITDA performance.
- Spectrum performed a feasibility study on behalf of an Atlantic City operator as to the addition of a hotel tower adjacent to an existing property. This study included market analysis, cost estimates and pricing strategies.
- Spectrum analyzed the potential growth in the Atlantic City market from young adults who would be attracted by the addition of a House of Blues venue. This study was performed on behalf of House of Blues in advance of its investment in the Atlantic City market.
- Spectrum professionals served as expert witnesses in litigation related to the collapse of a parking garage at Tropicana, prior to the opening of The Quarter. Our work in that matter included analyzing the potential impact of that collapse on revenue and profitability.
- Spectrum was retained by a developer in Wilmington, DE, to analyze the potential market and determine the feasibility of a casino hotel. We suggested the optimal size, mix of amenities and the opportunity to bring in a major casino operator to manage the facility. We also forecast employment opportunities that would be created by this project, and suggested strategies to attract convention business and retail development.
- Spectrum served as the casino-expert members of the development team in the planning, building, furnishing, licensing and preparation for operation of the casino in the Westin Rio Mar Beach Resort and Country Club, a \$180 million, 600-room, full-service destination resort in Puerto Rico. Major tasks included conducting a thorough market analysis of all competing and planned resorts and casinos, and developing the mix of table games and electronic games.
- Spectrum analyzed the potential growth in the Atlantic City market from young adults who would be attracted by the addition of a House of Blues venue. This study was performed on behalf of House of Blues in advance of its investment in the Atlantic City market.
- Spectrum conducted a comprehensive audit of a major table game operation in the Bahamas. A complete evaluation of all policy and procedures as they relate to table game operations was conducted, and credit policies were reviewed for not only regulatory compliance, but also maximum effectiveness. In conjunction with this assignment Spectrum conducted a detailed premium table customer profitability analysis to determine which customers are producing the maximum earning benefit.
- Spectrum prepared a comprehensive analysis on the Bahamas for Harrah's Entertainment prior to that company's investment in Nassau. That report included a geographic overview of the country, its history, gaming history, culture, political structure, travel issues relative to maximizing tourist travel to the destination, and many other issues that were relevant to any potential investment decision.
- Spectrum played a leading role in the emerging Vietnam market. We were retained by a leading slot manufacturer in 2003 to assess the potential slot market in Vietnam, and the legislation relating to opening of slot parlors in Hanoi and Ho Chi Minh City.
- Spectrum undertook a comprehensive analysis of the Vietnamese gaming market and regulatory system in 2005 on behalf of a leading US gaming operator, and prepared a highly detailed feasibility study for a proposed casino hotel in Danang.
- Spectrum has worked with various private-equity and hedge funds, as well as with the merchant banking divisions of securities firms, to

analyze potential investments in various markets throughout the United States. Among our services, we analyzed the potential risks and returns, weighed competitive issues and analyzed the political environment. We also work with these clients after such investments have been made to help them understand gaming trends, and to point out potential opportunities and risks.

- Spectrum was retained by the Guam Hotel and Restaurant Association to perform a detailed economic study of that island's hospitality industry, and to recommend a strategy to attract capital investment and invigorate its tourism economy. Spectrum performed a detailed economic study of that island's hospitality industry, and to recommend a strategy to attract capital investment and invigorate its tourism economy.
- Spectrum was retained by Pinnacle Entertainment to project the economic impact of a proposed casino hotel in Wyandotte County, KS that would include a major convention center.
- Spectrum was retained by two applicants for Category 2 licenses in Pennsylvania. Trump Entertainment Resorts hired Spectrum to assist in preparing economic-impact reports for a potential project in Philadelphia, while Matzel Development hired Spectrum to prepare economic and feasibility studies for a casino hotel, along with a separate report for a retail, dining and entertainment complex, as well as a detailed economic-impact report.
- Spectrum completed a detailed economic and financial impact study for Sullivan County, NY, government designed to guide the county – at the heart of the Catskills – as it plans to host as many as three casino hotels. The report, now a public document, details impacts in various areas, ranging from education to housing to tourism. This was followed by a similar report for nearby Orange County, NY.
- Spectrum performed a reasonableness study for a gaming project to be constructed in Penghu Island, Taiwan. The project was contingent upon the passage of legislation in Taiwan legalizing casino gaming. Our study evaluated financial projections prepared by a developer seeking a casino license and evaluated the potential market segments that would visit the casino. We also looked at transportation systems designed to bring patrons to this proposed property.
- Spectrum has been retained since 2003 as Gaming Advisors to the Gaming Division of the Puerto Rico Tourism Company and the Commissioner of Financial Institutions. In that capacity one of our tasks has been to rewrite and update gaming regulations for Puerto Rico's 18 operating casinos. This was the first major review of the regulations in Puerto Rico in more than 15 years.
- Spectrum was retained by the Gaming Division of the Puerto Rico Tourism Company to analyze the impact on casinos of a smoking ban, and was additionally retained for a separate study to analyze the impact on casinos of adding video lottery terminals to off-track betting parlors and, separately, adding video lottery terminals in retail locations.
- Spectrum assisted government officials in Queensland, Australia, and New South Wales, Australia, in the development of comprehensive systems of casino controls.
- Spectrum supervised, on behalf of the government of Queensland, the opening of the Conrad International Hotel and Jupiter's Casino.
- Spectrum assisted officials of the Government of Panama in a study of the Panamanian casino industry and its possible privatization. Studied the organizational structure of the Casinos Nacionales, its budget and approaches to casino regulation.
- Spectrum assisted government officials in the Turks and Caicos Islands in the establishment of casino operating controls.
- Spectrum performed several marketing audits for casino hotel operators in Puerto Rico that recommended strategies to maximize revenue and profitability. These studies required detailed examination of the market, extensive interviews with management and personnel at all levels, and a thorough analysis of the entire operation. The report ultimately recommended new business models designed to grow revenues, and leverage existing assets without requiring the additional investment of capital.

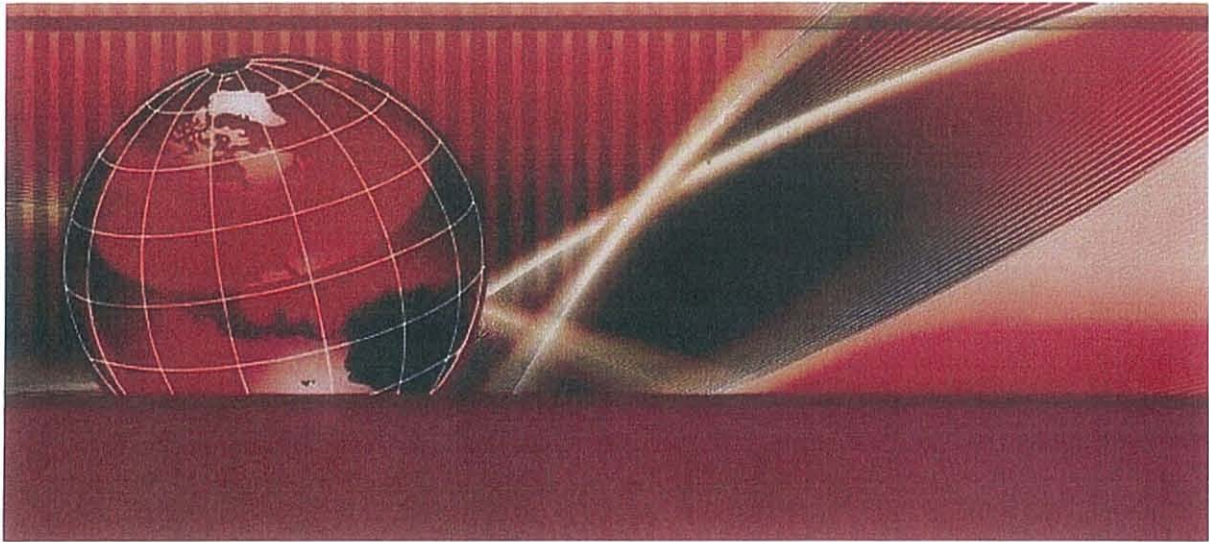
- Spectrum served as an expert witness for the Republic of Croatia in arbitration conducted under the auspices of the UNCITRAL Arbitration Rules. Our work included testifying at the Permanent Court of Arbitration at the Peace Palace, the Hague, Netherlands.
- Spectrum conducted a market analysis and feasibility study for a proposed casino in Prague. Our work included extensive on-site work, as well as providing a comprehensive examination of the political, economic, cultural and regulatory risk factors.

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GAMBLING IN CONNECTICUT:

Analyzing the Economic and Social Impacts

Prepared for the State of Connecticut, Division of Special Revenue
M. Jodi Rell, Governor
Michael Fedele, Lieutenant Governor
June 22, 2009



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Executive Summary

The economic and social impacts of legalized gambling in Connecticut can fairly be described as happenstance. They are the result of a chance confluence of policies, plans, legal actions and economic trends that had little to do with each other – but yet have collectively served to create a variety of positive and negative effects.

Some of the policies that have shaped these impacts range from the active – such as the decision a half-century ago to minimize regional government – to the passive – such as the absence of a coordinated gaming and tourism policy.

While state officials in various areas are clearly taking the issue of developing and implementing gaming policy seriously, they are required to live with the results created by this half-century of disparate policies and plans.

Indian Gaming

Of the various forms of legalized gambling in Connecticut, Indian gaming has had the most pronounced impact. The two destination casino resorts, Foxwoods Resort Casino and Mohegan Sun, attracted 24 million visits between them in 2007. They draw revenue into Connecticut from out of state that, in turn, gets redistributed to create even more jobs and profits – all of which leads to the consumption of goods and services from other businesses and industries. Such a scenario is vital to the establishment of a strong and competitive economic base.

The two casinos are responsible directly and indirectly for \$1.2 billion worth of personal income in Connecticut. Since 1992, they have accounted for about 12 percent of the net new job growth in Connecticut.

The 25 percent contribution on gross slot win totaled \$30 million in Fiscal Year 1993, when the Mashantucket Pequot Tribal Nation first put “video facsimile devices” (slot machines) onto the floor of its Foxwoods casino. In FY 2008, the figure mushroomed to \$411.4 million, thanks to expansions at Foxwoods and the October 12, 1996, opening of Mohegan Sun.

To put the amount in context, the state’s corporate income tax – which collects revenue from every corporation in the state – generates \$750 million in revenue. The Mashantucket Pequot And Mohegan Fund, consisting of just two entities, generates about 60 percent of what the corporate income tax generates. Casino revenue was the fifth-highest source of revenue for Connecticut in FY 2007.

Through December 2008, Connecticut’s 169 municipalities and state government shared \$4.87 billion as a result of money generated through slot royalties; the state government received about \$3.3 billion and the state’s towns roughly \$1.6 billion.

About half of the patrons who visit the two casinos are from out of state, which means that much of the casino contribution to the state is paid for by non-Connecticut residents.

The two tribal casinos have boosted tourism in southeastern Connecticut. The Mashantucket Pequots, for example, built the \$193 million Mashantucket Pequot Museum and

Research Center. It is the world's largest and most comprehensive Native American museum, attracting nearly 300,000 visitors in the last three fiscal years ending September 30, 2008.

Both casinos have alliances with scores of hotels in the region, some of which were built in recent years to take advantage of the presence of the casino resorts.

Vendors in nearly 90 percent of the state's 169 communities benefit from casino purchases of goods and services. The two casinos in 2007 directly employed more than 21,000 people, generating an annual payroll of nearly \$700 million. The total number of direct, indirect and induced jobs created in Connecticut is about 30,000.

The Lottery

The Connecticut Lottery is one of the most successful lotteries in the country, with gross sales of \$957 million in 2007. Twenty-nine percent of that amount went to the state's General Fund.

In its first fiscal year of operation in 1972, the Connecticut Lottery's weekly game (which was discontinued in 1985) generated more than \$17.2 million in total sales. Instant games were added to the mix in 1976, daily games in 1977 and the Lotto in 1984.

The Lottery added Cash Lotto in 1992 and Powerball in 1996. Instant and daily games accounted for 83 percent of total Lottery gross sales in FY 2007. Through FY 2008, the Connecticut Lottery generated sales of \$18.4 billion. And notably, most of the sales were generated after Foxwoods and Mohegan Sun opened.

According to our survey of Connecticut gamblers, lottery games are the most frequent gambling activity played either monthly (29 percent) or weekly (8 percent).

The Connecticut Lottery Corporation ("CLC") has put forth a comprehensive Voluntary Code of Good Practice that crystallizes its views on such issues as underage and problem gambling. While we have not evaluated similar codes in other states, we note that Connecticut voluntarily eschews certain games that would be legal in other states because they might offer more of an underage appeal. For example, the CLC does not allow the use of cartoon characters in its games, even though such images may be used successfully in other states to promote lottery sales.

Connecticut devotes marketing resources toward broadcast advertising designed to minimize underage gambling. CLC President Anne M. Noble, in discussing the Lottery's ad campaigns, described the situation as a necessary "tension of opposites" in trying to grow the Lottery but with an eye toward responsible gaming. She said that they develop, out of their advertising budget, public-service announcements to run at a ratio of one for every two ads promoting the Lottery.

Our research has determined that there is no correlation between lottery sales and poverty in which anyone can reasonably conclude that poorer residents of Connecticut are more inclined to play the lottery.

Spectrum conducted a statewide survey of lottery retailers, who were asked various questions, including whether they hired additional staff to meet the demands of selling lottery tickets. About 20 percent of the respondents indicated that they had. If we extrapolate the results of that sub-set to Connecticut retailers at large, it would indicate that about 974 individuals,

working about 15 hours per week each, are employed to handle lottery sales. Their total annual payroll – based on an average hourly rate of \$9, according to the survey – is about \$130,000.

The CLC's view that casinos are competition has likely resulted in lost opportunities for lottery sales to out-of-state residents, who – from a public-policy perspective – represent the ideal customers. Their lottery purchases are more likely to displace discretionary purchases in their own states, rather than in Connecticut.

Off-Track Betting

The state introduced pari-mutuel wagering on dog racing, jai alai and off-track betting (“OTB”) in 1976. The first greyhound racing facility, Plainfield Greyhound Park, opened that year as did jai alai frontons in Bridgeport and Hartford. Milford Jai Alai opened in 1977. In 1995, the Bridgeport Jai Alai closed and was converted to the Shoreline Star Greyhound Park. That same year, Hartford Jai Alai was converted into an OTB facility.

The state's last jai alai fronton, in Milford, closed in 2001 and the two greyhound parks ceased live dog racing in 2005. Live horse racing is still authorized by statute, but no horse track has ever operated. The only pari-mutuel betting opportunity is at OTB facilities.

The state operated OTB from its inception in 1976 to 1993, when it sold the operation to Autotote Enterprise, Inc. (“AEI”), which merged with Scientific Games Corporation in 2000. AEI is a subsidiary of Scientific Games. AEI continues to operate the state's Off-Track Betting system. Wagers can be placed at OTB facilities in the following municipalities: East Haven, Norwalk, Waterbury, Torrington, Bristol, New Britain, Hartford, Windsor Locks, New Haven, Milford and Bridgeport. The different venues can collectively accommodate up to 9,000 patrons at any given time. Both Foxwoods and Mohegan Sun offer off-track betting through their racebooks, but operate independently. The casino racebooks do not report revenues.

Off-track betting gross sales have declined. In 2007, the amount wagered fell to \$233 million, generating \$4.8 million for the state's General Fund. The \$233 million wagered in 2007 is lowest since the \$224 million wagered in 1995. Payments to municipalities that host off-track betting facilities totaled \$3.8 million in FY 2007, the lowest it has been since 1997.

Charitable Gaming

Connecticut was one of the early adopters of charitable gaming regulations. The state legalized bingo in 1939. Bazaars and raffles were introduced in 1955, and sealed tickets in 1987. Qualified organizations must first obtain approval from the local municipality and the Division of Special Revenue before they can hold a fundraising event. Bingo is the state's most popular form of charitable gaming, followed by raffles and bazaars and sealed tickets.

The presence of “Las Vegas nights” resulted in a federal court ruling that opened the door for Indian gaming. The General Assembly repealed the Las Vegas-nights law on January 6, 2003.

Charitable gaming, like OTB, has also seen significant declines in gross receipts for non-profit organizations. Nonetheless, the games generated more than \$16.1 million for the organizations in 2007, and \$1.3 million for the state's General Fund.

The changing workforce at the casinos

Although Indian casinos have been an economic juggernaut, there is a serious need to diversify the workforce in southeastern Connecticut. In the early 1990s, the region faced an economic crisis with large defense-spending cutbacks and downsizing in related manufacturing. From 1988 to 1993, it lost approximately 10,000 jobs, including nearly 4,800 manufacturing jobs. During the 10-year period from 1993 to 2003, the region lost another 10,000 manufacturing jobs. At the same time, it added more than 20,000 service jobs, most created as a result of the construction of the two Indian casinos.

The average salary (1993-2003) for the service jobs was \$33,000, compared to \$67,000 for manufacturing jobs. From 2001 to 2006, southeastern Connecticut lost 2,357 jobs that paid \$65,000 or more.

As a result of the change in labor-market dynamics, the service-producing sector of the region's economy now employs about eight out of every 10 workers in southeastern Connecticut.

Policy makers need to address the need to diversify the workforce as the trend could challenge long-term economic growth prospects for the region.

Are taxpayers picking up part of the tab for casino regulatory costs?

The agreements negotiated with the Indian tribes require them to pay for all "reasonable and necessary" regulatory costs. That money is in addition to the 25 percent contribution on gross slot win. At issue is whether the state can recover its indirect costs.

State Attorney General Richard Blumenthal issued an opinion in 1998 that said the state could and should recover all of its indirect costs. Blumenthal concluded that "proper and accepted accounting practices" require that such costs be recovered.

Yet, despite the opinion, the state has – according to information provided to us in the course of this research – failed to collect all of those costs, putting Connecticut taxpayers in the position of paying for a portion of regulatory costs, something that was not supposed to occur based on the agreements negotiated with the tribes.

At our request, the state Office of Policy and Management provided us with budget data for the regulatory agencies from the 2004 to 2008 fiscal years. It shows that the state sustained deficits totaling nearly \$16 million during that period – \$8.6 million at Mohegan Sun and \$7.3 million at Foxwoods.

Are municipalities getting their fair share of the casino revenue?

The direct dollar amount from Indian gaming flowing into the state's General Fund increased from \$24 million in FY 1994 to \$340 million in 2007. By comparison, the amount allocated for distribution to municipalities has stayed relatively constant during the same period. In FY 2007, the state's 169 municipalities split \$86.3 million, \$2 million less than they received in 1994.

Looking at it another way, the General Assembly allocated 78 percent of the state's gaming revenue to municipalities in the 1994 fiscal year, the first full year of Indian gaming. In 2007, the figure fell to just 21 percent.

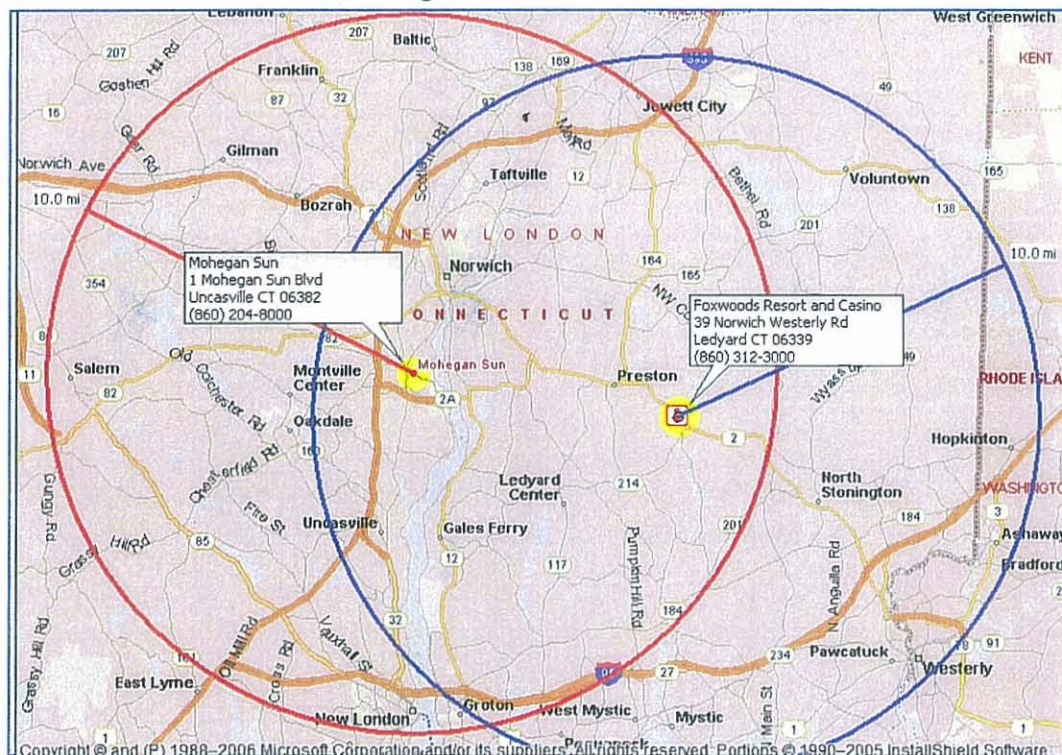
In interviews with Spectrum Gaming Group, municipal officials throughout Connecticut continually emphasized the need to restore the funding formula to a more balanced level to

enable municipal officials to reduce property taxes. The expectation was that the state's 169 municipalities would receive the lion's share of the slot contribution funds when then Governor Lowell Weicker entered into a Memorandum of Understanding ("MOU") with the Mashantucket Pequot Tribal Nation that permitted video facsimile machines or slot operations at Foxwoods.

Casino-related impacts on southeastern Connecticut

As part of this report, the state of Connecticut specifically asked Spectrum Gaming Group to analyze casino-related impacts among the municipalities within a 10-mile radius of the casinos. They included Bozrah, Franklin, Griswold, Groton, Ledyard, Lisbon, Montville, New London, North Stonington, Norwich, Preston, Salem, Sprague, Stonington, Voluntown and Waterford. Spectrum contacted each municipality to determine if Indian gaming had impacted them in either a positive or negative way. Details are presented in a separate section.

Figure 1: Area within 10 Miles of Mohegan Sun and Foxwoods



From the day slot-machine gaming began in 1993, towns close to the casinos bitterly complained that the formula to distribute the Mashantucket Pequot And Mohegan Fund failed to consider local gaming-related impacts.

The state distributes funds based, in part, on the amount of state-owned property in a town and whether a town has hospitals or private colleges. Such property is tax exempt. The state distributions are meant to offset the loss of the tax-exempt property. The formula also takes into account property values, per-capita income and population.

Some of the perimeter municipalities have documented impacts such as increased traffic accidents, DUI arrests and the need for special programs to help non-English speaking students learn the English language.

In recent years, the General Assembly increased the compensation to some of the perimeter municipalities, but local officials say it is not nearly enough, and the level of funding often depends on the state's fiscal health.

Norwich, the largest municipality in the region, is coping with a number of problems. It is located within eight miles of both casinos. DUI arrests have more than doubled since 1992. Montville and Ledyard have also experienced significant increases. Roughly 20 percent of the motorists in Montville, Ledyard and North Stonington arrested for DUI acknowledged to police that their last drink was at a casino. One such motorist was charged with manslaughter in March 2009 for allegedly causing a fatal accident by driving the wrong way on I-395.

Norwich Public School administrators identified on a yearly basis nearly \$2 million in casino-related costs. In order to handle the influx of immigrant workers attracted to casino jobs, the district had to create English for Speakers of Other Languages ("ESOL") program because students speak nearly 30 different languages. They come from Haiti, Peru, the Dominican Republic and Eastern Europe. In addition, thousands of Chinese-speaking workers were recruited from New York City in late 2001 to work at the casinos.

Norwich Public Schools reported the following to us:

- In 1999, it enrolled 40 ESOL students. Today, the figure stands at nearly 400.
- About half of the ESOL students are proficient in math; less than a third in reading.
- The district, as of the 2008-2009 school year, operates two bilingual programs – one in Spanish and another in Haitian Creole. It may soon have to offer a third program in Mandarin Chinese.
- Budgets cuts forced the district to eliminate a full-day kindergarten program, close an elementary school and use outdated textbooks.

The City of Norwich copes with significant impacts as well. City officials estimate casino-related costs to be anywhere from \$1 million to \$2.5 million a year. They include:

- A 27 percent increase in motor vehicle accidents from 1991 to 2004.
- An increase in police overtime from \$85,000 in 1991 to more than \$280,000 in 2008.
- A 76 percent increase in calls for service from people needing the assistance of the police from 1992 to 2004.

Other area municipalities and school districts have sustained similar impacts but not to the same extent as Norwich. They include:

- Norwich Free Academy (Norwich's public high school): Its current ESOL enrollment is nearly 200, seven times the 1993 figure.
- Ledyard Public Schools: Educates children who live on the Mashantucket Pequot reservation yet receives no property taxes from families who live on land within the reservation because the Tribe is a sovereign nation.
- Montville Public Schools: Expending more resources to educate Chinese-speaking students. The number was 54 in 1994; 183 in 2007.
- Automobile and pedestrian accidents: Three casino workers walking to Mohegan Sun have been killed in car accidents in the past 16 months, the last of which was a hit and

run that occurred on April 14, 2008. The motorist was charged in early 2009 with manslaughter. Mohegan Sun has spent \$2 million to erect sidewalks and install lighting along a portion of Route 32 to cut down on the accidents.

Substandard housing, illegal conversions – casino workers

With many casino workers unable to afford housing in southeastern Connecticut, some landlords have converted single-family homes into boarding facilities. The practice is not only illegal, it is unsafe as well.

As recently as December 9, 2008, the Town of Montville's building official came across a small ranch home in Uncasville, where a landlord was in the process of converting a garage into two floors to accommodate two bedrooms and a kitchen. There were no smoke or carbon-monoxide detectors or proper emergency exits. The home itself, roughly 1,200 square feet, had another eight bedrooms.

A day earlier, Norwich housing officials inspected two single-family homes on West Thames Street that were converted into illegal boarding facilities. The same landlord owned both homes. Inspectors found beds in basements. The property owner divided the upstairs in both homes into individual rooms. All of the renovation work, including electrical, was done without permits.

Norwich added a new position, Blight Officer, in 2007 to investigate complaints of substandard housing and hotbedding.

The state Housing Prosecutor argues that a law is needed to allow building inspectors to access homes they suspect have serious code violations. Current law allows access only when the building inspector has actual knowledge of a problem or responds to a complaint as inspectors did in Montville and Norwich in December 2008.

Embezzlements

State and federal law enforcement officials made 43 embezzlement arrests in 1992, the year the first Indian casino opened. In 2007, the most recent year that statistics are available, the number increased to 214. No other state that reported 40 or more embezzlements in 1992 has had a higher percentage increase than Connecticut. The percentage increase in Connecticut from 1992 to 2007 is nearly 400 percent; nationwide the increase was 38 percent.

The FBI and state crime reports do not indicate how many of the embezzlements were gambling-related, but our research shows that many of those who stole from their employer used either part or all of the money to gamble at the two Indian casinos.

Among our findings:

- During the 11-year period ending December 31, 2008, we found 31 newspaper articles involving separate incidents that reported embezzled money in Connecticut was used to gamble at Connecticut casinos. Some involved multiple arrests. Incidents in which the embezzled money was embezzled in other states, such as Massachusetts and Rhode Island, were not included in our review.
- The embezzled amount during that time period totaled nearly \$8 million.

- Judges often sentenced the embezzlers to prison, ruining their lives as well as the lives of their families.
- Some of the embezzlers stole from public agencies. Tax collectors in the municipalities of Ledyard and Sprague stole \$300,000 and \$105,000, respectively; a payroll clerk at the Vernon Board of Education embezzled \$105,000. While there have been no embezzlement incidents in The Town of North Stonington, it imposes special internal controls to protect taxpayers in response to the rash of embezzlements in southeastern Connecticut. Its auditor charges for the service.

Problem Gambling

The National Council on Problem Gambling defines problem gambling as behavior that causes disruptions in any major area of life: psychological, physical, social or vocational. The term “problem gambling” includes, but is not limited to, the condition known as “pathological” or “compulsive” gambling, a progressive addiction characterized by increasing preoccupation with gambling; a need to bet more money more frequently; restlessness or irritability when attempting to stop; “chasing” losses and loss of control manifested by continuation of the gambling behavior in spite of mounting, serious negative consequences.

To measure the extent of problem gambling (sometimes referred to as chronic gambling), Spectrum commissioned a research study involving 3,099 participants 18 years or older. Surveyors questioned 2,298 participants through a random dial digit (RDD) telephone survey, and an additional 801 people participated through a separate online-panel survey. The purpose of implementing an online survey was to test the substitutability of using an online panel in place of a telephone panel and to capture individuals without a land line. There is a dedicated section within the report that provides a summary of the panel survey findings.

Participants were classified based on answers to questions from two widely accepted gambling screens: the South Oaks Gambling Screen (“SOGS”) and the NORC (National Opinion Research Center) DSM-IV Screen for Gambling Problems (“NODS”). DSM stands for the Diagnostic and Statistical Manual of Mental Disorders, a 1,000-page manual published by the American Psychiatric Association. It provides diagnostic criteria for mental disorders. The manual has been revised four times.

We then developed estimates for prevalence rates using Connecticut’s adult population (18 years and older) of 2,666,750. Prevalence rates measure the extent to which individuals could be classified as problem gamblers or probable pathological gamblers. The word probable is used because only a trained clinician can diagnose a pathological gambler. All telephone survey responses are not diagnoses.

The majority of the results provided in this report are generated from the phone survey to allow direct comparison to the 1997 WEFA report titled: *A Study Concerning the Effects of Legalized Gambling on the Citizens of the State of Connecticut*.

It would not be prudent to combine the phone and online surveys in the Spectrum Study to come up with one prevalence rate as the surveys involved two different samples. The phone survey was random in that there were no limitations placed on participants. It is more accurate due to the use of RDD of general population versus the panel, where participants opt in based on

recruitment efforts by marketing companies. In addition, the telephone survey involved nearly three times as many participants, resulting in a lower sampling-error margin.

The results of the telephone survey yielded the following SOGS lifetime numbers for probable pathological gamblers: 1.5 percent, (40,001 people)

The results of the surveys yielded the following NODS lifetime rates for probable pathological gamblers: 1.2 percent, (32,001 people)

The margin of sampling error for the 2,298 phone interviews is ± 2.1 percentage points at the 95 percent confidence level. This means that there is less than a 1-in-20 chance that the findings will deviate more than ± 2.1 percentage points from the actual population parameters.

For at-risk gamblers, a category that is only detected through the NODS screen, the lifetime number is 192,006. At-risk gamblers are defined as gamblers who during their lifetime can be classified as at risk of becoming problem gamblers. These are people who scored at a level on the gambling screen that was below that of a problem gambler but fell into a category described as at risk of becoming a problem gambler.

The 1997 Connecticut study generated, for the most part, higher SOGS prevalence rates. Past-year probable pathological rates were 2.8 percent for the 1997 study compared to .7 percent for the current study. Past year rates for problem gamblers were 2.2 percent compared to 0.9 percent in the current Spectrum study.

Impacts

Our telephone survey compared the lifetime gambling habits for problem and probable pathological gamblers with the gambling habits of non-problem gamblers:

- 62 percent gambled until their last dollar was gone compared to 12 percent for non-problem gamblers
- 29 percent gambled to pay off debts compared to 4 percent for non-problem gamblers
- 13 percent sold possessions to finance gambling compared to 1 percent for non-gamblers
- 26 percent borrowed to finance gambling compared to 1 percent for non-gamblers

Pathological gamblers are also more likely to suffer from mental health conditions such as mood disorders, depression and anxiety disorders.

Treatment Programs

Connecticut's outpatient problem gambling treatment program, established in 1982 in Middletown, is the oldest, continuously operating program in the nation. It has expanded to include a network of 17 sites that are operated through "The Bettor Choice," which is overseen by Problem Gambling Services ("PGS"), an agency within the Department of Mental Health and Addiction Services ("DHMAS").

The 17 clinics provide services at little or no cost to the problem gambler, which is important because the problem gambler is often unable to pay for treatment. Bettor Choice employs 22 clinicians, all of whom have master's degrees or higher along with several years of experience in treating problem gambling. In our opinion, they are dedicated to helping problem gamblers combat their addiction.

In 1996, the state had just one clinic, which saw 100 clients. In FY 2008, the figure was 922 clients. Still, as the prevalence rates show, there are thousands of residents who are either problem or probable pathological gamblers, which means Bettor Choice sees only a small fraction of them.

While Connecticut on a per-capita basis compares favorably with most states in funding for problem-gambling programs, there are other states that do much more, and obtain higher success rates. Oregon is one. It operates a residential program; Connecticut does not. Oregon also spends \$1.2 million to promote its gambling treatment and prevention programs; PGS has no budget to promote its services.

An effective promotion budget would significantly increase the number of clients seeking treatment. Bettor Choice administrators acknowledge that an outreach effort is critically needed to promote the program in minority areas.

The most commonly mentioned support group or 12-step program mentioned in our interviews and focus groups was Gamblers Anonymous ("GA"). GA, like other support or 12-step programs, does not involve professional intervention. Instead it relies on peer support, and is often used as a "way of getting through day to day." GA offers free membership to anyone who is a problem gambler or a recovering problem gambler.

Treatment is also available from psychologists and psychiatrists throughout the state. There are a number of research and treatment centers that have assisted problem gamblers. They include:

- The Problem Gambling Clinic at the Connecticut Mental Health Center, a joint effort of the center and Yale's Department of Psychiatry. During the past 10 years, the clinic has seen approximately 300 patients. Treatment is free.
- The Gambling Treatment and Research Center, located at the University of Connecticut Health Center. Its main source of funding is through grants from the National Institutes of Health. The center has treated more than 1,000 individuals with gambling problems.
- The Alliance Behavioral Services in Groton. It provides outpatient treatment for gambling addictions among other mental health disorders. There are set fees for services.

About This Report

The state of Connecticut, Division of Special Revenue, retained Spectrum Gaming Group to conduct a comprehensive analysis of the social and economic impacts of all forms of legal gambling in Connecticut. State law requires that such a study be conducted to determine the types of gambling activity in which citizens are engaging, and the desirability of expanding, maintaining or reducing the amount of legalized gambling in the state. The last Connecticut gaming-impact study was completed in June 1997.

The General Assembly authorized the study through the budget that was adopted during the special session in June 2007. In executing this study, which was led by Spectrum Vice President for Research Michael Diamond, we listened to a wide variety of interests throughout the state, regardless of their stated or potential position on the issue of legalized gambling. Our role in all such meetings was to understand the concerns of others and be respectful of their views. We interviewed more than 150 people with an eye toward listening to their ideas and seeing gaming through their perspective.

The interviews were conducted by experienced Spectrum professionals and associates who have performed similar work in jurisdictions around the world. We were assisted in this Connecticut project by a variety of other professionals, with doctorates and other advanced degrees in certain sub-specialties, including experienced professionals working for Richard Stockton College of New Jersey and Ypartnership of Orlando, Florida.

We conducted four different focus groups to assist us in developing our study to address certain topics, such as the impact that gambling has had on the lives of problem gamblers and whether casino gambling has been beneficial for Connecticut. Questions were also asked of participants in an at-random telephone survey commissioned by Spectrum, which was based on responses from focus groups.

Thanks to our primary subcontractor, Hartford-based M.P. Guinan Associates, we enhanced our visits with her assistance during the course of this research. Under the leadership of Mary Phil Guinan, the firm provided essential guidance and support.

We note, with particular appreciation, that we had extraordinary access to management and staff at both Foxwoods and Mohegan Sun; both willingly and enthusiastically assisted us in our research. The executives and staff members who participated from the casinos are too numerous to mention here. We are grateful to all of them for their participation.

The following table lists the organizations that participated. It should be noted these groups were often contacted multiple times, and they provided access to a wide variety of officials and experts. We are grateful for their time and support.

Figure 2: List of Organizations Participating in This Study

Public Agencies (CT unless otherwise indicated)	Organizations, Private entities
Commission on Culture and Tourism	Chamber of Commerce Eastern Connecticut
Eastern Regional Tourism District	Connecticut Council on Problem Gambling
Uncas Health District	Connecticut Citizens Against Casinos
Southeastern Connecticut Council of Governments	Mohegan Sun Casino
Department of Consumer Protection, Liquor Control Division	Mohegan Tribal Gaming Authority
Division of Criminal Justice, New London State's Attorney	The Mohegan Tribe
Division of Criminal Justice, State Housing Prosecutor	Foxwoods Resort Casino
Division of Special Revenue	Mashantucket Pequot Tribal Nation
Office of Policy and Management	William W. Backus Hospital, Norwich
Department of Revenue Services	Chinese & American Cultural Assistance Association, New London County
Connecticut Lottery	Len Wolman, chairman and CEO of Waterford Group
Division of Problem Gambling Services, Lori Ruggle, Executive Director	Mystic Coast and Country Travel Industry Association
Bettor Choice Program (For Problem Gamblers)	Greater Mystic Chamber of Commerce
Statewide Organized Crime Investigative Task Force	Metro Hartford Alliance
General Assembly's Office of Fiscal Analysis	Greater Hartford Convention and Visitors Bureau
New Jersey Division of Gaming Enforcement	Olde Mystic Village
Southeast Area Transit (SEAT)	AC Linen Supply
Eastern Connecticut Workforce Investment Board	Norwich Free Academy
US Naval Base	Autotote Enterprises

While we cannot list all the individuals who participated in the development of our research, we pay special note to the many public officials who willingly offered their time and advice. This list includes the following:

Figure 3: List of Public Officials Interviewed for this Study

Waterford First Selectman Daniel Steward	Norwich Mayor Benjamin Lathrop
Waterford Police Chief Murray Pendleton	Norwich City Manager Alan Bergren
North Stonington First Selectman Nicholas Mullane	Norwich Police Chief Louis Fusaro
Preston First Selectman Bob Congdon	Norwich Police Captain Timothy Menard
New London Mayor Kevin Cavanagh	Norwich Social Services Director Beverly Goulet
New London Police Captain William Dittman	Norwich Social Work Supervisor Lee-Ann Gomes
Rebecca Bombero, Management and Policy Analyst, New Haven	Norwich Public Utilities Division Manager Kerri Kemp
Kevin O'Connor, former US Attorney for the District of Connecticut	Norwich Regional Adult Education Director Mary Berry
Senator Donald Williams, D-29, President Pro Tempore	Norwich Superintendent of Schools Pamela Aubin
Representative Thomas Reynolds, D-42	Norwich School Board member Charles Jaskiewicz
Senator Andrea Stillman, D-20	Norwich Otis Library Director Bob Farwell
Groton Town Manager- Mark Oefinger	Montville Superintendent of Public Schools David Erwin
Senator Edith Prague, D-19	Montville Sergeant John Rich, Resident State Trooper
First Selectman Salem- Bob Ross	Montville Mayor Joseph Jaskiewicz
Representative Jack Malone, D-47	Montville Department of Senior & Social Services Director Kathleen Doherty Peck
Senator Andrew Maynard, D- 18	Montville Fire Marshal Raymond Occhialini
First Selectman East Lyme- Paul Formica	Montville Sergeant Michael Collins, Resident State Trooper
Connecticut Lottery Corporation President and CEO Anne Noble	Montville Building Official Vernon Vessey
Connecticut Lottery Corporation Vice President of Sales & Marketing Paul Sternburg	Montville Tax Assessor Lucy Beit
Connecticut Lottery Corporate Counsel & Director of Government Affairs James F. McCormack	Ledyard Superintendent of Public Schools Michael Graner
US Naval Base Chaplain Joe Cotch	Ledyard Mayor Fred Allyn Jr.
Ledyard Tax Assessor Paul Hopkins	Ledyard Public Works Director Steven Masalin

About Spectrum Gaming Group

Spectrum Gaming Group (“Spectrum,” “we” or “our”), founded in 1993, is an independent research and professional services firm serving public- and private-sector clients worldwide. Our principals have backgrounds in gaming operations, economic analysis, law enforcement, due diligence, gaming regulation, compliance and journalism.

Spectrum professionals have been studying the impacts of gaming for more than three decades and are among the pioneers in this particular discipline. Spectrum has studied the economic and social impacts of legalized gambling throughout the United States and elsewhere, from New Jersey, Illinois, Louisiana, Kansas and Pennsylvania to Guam and South Korea.

Spectrum does not advance any pro-gaming or anti-gaming viewpoint, which means that we do not downplay or ignore examples, arguments or evidence that might contain either positive or negative implications.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. The interest of past or potentially future clients never influences our work.

Each Spectrum project is customized to our client’s specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. Our mandate is not to tell clients what they want to hear; we tell them what they need to know. We will not accept, and have never accepted, engagements that seek a preferred result.

Among our most recent public-sector clients are the Commonwealth of Massachusetts, Broward County (FL), West Virginia Lottery Commission, the New Jersey Casino Reinvestment Development Authority, the Atlantic City Convention and Visitors Authority, the Singapore Ministry of Home Affairs, Rostov Oblast (Russia), and the Puerto Rico Tourism Company. Recent private-sector clients include the Casino Association of New Jersey, Harrah’s Entertainment, Morgan Stanley, the Pokagon Band of Potawatomi Indians, and the Seneca Nation of Indians.

We maintain a network of leading experts in all disciplines relating to the gaming industry, and we do this through our offices in Ascona, SUI; Atlantic City, Bangkok, Guangzhou, Harrisburg, Hong Kong, Las Vegas, Macau, Manila and Tokyo.

Conclusion

The core purpose of this report was to outline the impacts of all forms of legalized gambling on the citizens of Connecticut, to help enlighten legislators and other public officials and to guide them as they establish and refine a gaming policy. As DOSR Executive Director Paul A. Young noted in a press release announcing that this report would be developed:

“We are hoping to realize a very respectable product that will be helpful to officials in the executive, legislative and municipal branches of government in addressing gaming-related policy issues⁴⁶⁷.”

That goal has guided us throughout the research and writing of this report. Through the research, which included meetings with state and local officials, business leaders and residents, we sensed some widely held hopes and frustrations. As noted in our introduction, elected officials, as well as agencies such as the DOSR, recognize the need for comprehensive policies and are developing and implementing such policies to the best of their abilities.

Connecticut, however, is limited in what it can do because of factors beyond its control. Such factors include:

- Tribal agreements that cannot be renegotiated unless both parties agree to do so.
- Policies, such as the decision to eliminate county governments, that limit the ability to address issues on a regional basis.

As a result, Connecticut’s gaming industries – and the impacts they generate – are allowed to evolve, based largely on market forces.

Many of those we interviewed, as well as state and regional reports that we reviewed, reiterate the theme that the absence of regional planning has hamstrung officials in their efforts to address these impacts.

We harken back to – and reiterate – other themes that underlie this study:

- Gaming in its various forms is not fully woven into the state’s tourism policies, which has resulted in lost opportunities to enhance gaming’s value – as well as state revenues – by not fully leveraging spending from out-of-state residents. Hotel officials complained to us that marketing programs are much too fragmented.
- The state has not, from the standpoint of optimizing the benefits of gaming, sufficiently invested in such areas as transportation or job training that could make it easier to capture out-of-state visits, or to marry job opportunities at casinos with existing pockets of unemployment or under-employment. The result has been a failure to diversify the workforce.

Connecticut is not the only state to recognize that the impacts of gaming do not stop at municipal boundaries. Still, because Connecticut made an affirmative decision to reduce regional planning by eliminating county government, and because Connecticut casinos are among the most successful in the world, the state offers some of the most vivid examples as to what can occur in the absence of regional planning.

⁴⁶⁷ Division of Special Revenue press release, Feb. 28, 2008.

Connecticut was one of the first states to have Indian gaming, as it was forced on it by the federal courts. Being one of the first has one significant drawback: You are not in a position to learn from the mistakes of others.

We do not suggest that Connecticut officials cannot work with the private sector to develop gaming policies. They can, and they should.

Those who view this report as a potential blueprint for future gaming policy must recognize that Connecticut has a combination of assets and drawbacks that would affect the ability to develop and implement new policy.

The assets include a highly successful gaming industry, as well as a sizable contingent of public and private officials who appear ready and willing to work together toward common goals. From the CLC to executives at the two Indian casinos to elected officials at the local and state levels, there is no shortage of able leadership.

The drawbacks include a political and legal landscape in which it would be difficult – but not impossible – to reach consensus, as well as an inability to influence those factors that are outside the control of Connecticut policymakers. This includes everything from global economic policies to decisions by other states to legalize or expand their own gaming industries.

The economic and social impacts listed in this report result from a variety of policies made, and those that were not made. These policies – whether developed in recent months, or 50 years ago – have consequences.

Spectrum suggests that, if this report is to have value going forward, policymakers should heed that cautionary note. Gaming policies may require a great effort to reach a consensus. For example, tribal agreements cannot be renegotiated unless all parties are willing to do so, and such a consensus would not be achievable unless all parties see benefits.

The General Assembly and the executive branch should review whether Connecticut taxpayers are picking up the tab for a portion of the regulatory costs involved in overseeing Indian gaming. The agreements called on the Indian casinos to pay for all regulatory costs, but as this report has demonstrated, that has not happened.

In addition, Connecticut's Problem Gambling Services division has experienced a more than six-fold increase in its caseload from 2001 to 2008 while state funding has increased 123 percent during that same time period. It is difficult for PGS to fulfill its mission without adequate funding. Almost all of PGS funds come from the Connecticut Lottery Corporation. None of it comes directly from the 25 percent contribution on slot machine gross win from Foxwoods and Mohegan Sun.

A gambler's addiction affects many more people than just the individual gambler. As we have pointed out in this report, there is the cost of prosecuting and incarcerating those who commit crimes to gamble. And Connecticut has certainly seen its fair share of gambling-related crimes.

Another impact that needs to be addressed is the negative effects sustained by the towns close to the casinos. By any measure, those impacts are significant and include a dramatic increase in highway traffic, a rise in driving-while-intoxicated arrests, increased costs related to ESOL programs and a myriad of social problems as well. A housing shortage has resulted in the conversion of single-family homes into illegal boarding facilities.

As this report has noted, though, the positive impacts of the casinos should not and cannot be overlooked. They include tens of thousands of new jobs, nearly \$4.7 billion in contributions to the General Fund as of the end of FY 2008 as well as significant and lasting contributions to charitable causes in southeastern Connecticut.

Gaming policies require significant investments, such as improved roadways, employment training and mass transit that would improve access between pockets of unemployment and job opportunities.

It is incumbent on policymakers to identify and develop a statewide policy that maximizes the benefits of gambling in Connecticut and minimizes as much as possible the negative impacts.

Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

Testimony on SB 2893

Wednesday, February 29, 2012, 10:15 a.m.
State Capitol, Conference Room 211

Welina Kakou,

We are Aupuni O Hawaii an advocate for the betterment of the (n) ative Hawaiians. We've placed our objections in most measurement through this legislative body for promoting gaming. As stated our object to this measure is the principle cause of the statistical rate on crime in "Hard gambling" after a casino opens its door of city. LAS VEGAS and ALANTIC CITY gets the top bill for this award in the highest crime related offenses contributed to gambling. US News & World Report analysis found crime rates in casino communities to be 84 percent higher than the national average and the list goes on and on. Tourism is not immune to this statistic, the crimes against hard core gamblers (vacationers) is often the victim for assaults. Any type of gambling is a misnomer for financial success.

First of all, the continue ideology of "Hard gambling" for commerce is dangerous, irresponsible, and malicious to think this iniquitous venture would be the savior for the state's woes. This dangerous venture will only bring unsavory activities, social disparity for the communities, and the encumbrance on an already stretched social and public safety agency that will come with gaming. Like the many progenies of gaming measurements that went before this body of legislation, we feel the analytical attempt to critique an unproven management in gaming is egregious to the communities at large. This analytical process is like a police arriving at a crime scene after the fact of prevention to a murder.

To reiterate our objection AGAIN! This measure and future ones for gaming is a disservice to all communities in the islands. For if the state continues this route of gaming, this state will be known as the Pacific Hub for Crimes and Tourism, where most resources would focus on the safety for our visitors. We will not support this measure for this will be the precursor of increase crimes for a band-aid solution that a paltry analytical resolution would provide.

Me ka Ha'aha'a
Samson and Bill Brown
Aupuni O Hawaii, Board Member

Hawai'i Coalition Against Legalized Gambling

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Website hcalg.org

Member Organizations

Advocates for Consumer Rights
Animal Rights Hawaii
Buddhist Peace Fellowship
Christian Voice of Hawaii
Church of Jesus Christ of Latter-day Saints
Church of Perfect Liberty
Common Cause Hawaii
Disciples of Christ
Hale Kipa
Hawaii Assemblies of God
Hawaii Association of International Buddhist
Hawaii Christian Coalition
Hawaii Conference of Seventh-day Adventists
Hawaii Conference of the United Church of Christ (UCC)
Hawaii District United Methodist Church
Hawaii Family Forum
Hawaii Pacific Baptist Convention
Hawaii Rainbow Coalition
Hawaii Religions for Peace
Hawaii Youth Services Network
Honolulu Friends Meeting (Quakers)
Honolulu Police Department
Institute for Religion and Social Change
The Interfaith Alliance Hawaii
Kokua Council
League of Women Voters of Hawaii
Life of the Land (Hawaii)
Dr. Martin Luther King, Jr. Coalition Hawaii
Mestizo Association
Muslim Association & Islamic Center of Hawaii
Pacific Gateway Center
Presbytery of the Pacific
Saints Constantine & Helen Greek Orthodox Church
Smart Business Hawaii
Soto Zen Mission of Hawaii
Temple Emanu-El
Windward Coalition of Churches
The Woman's Board of Missions for the Pacific Islands (UCC)

Cooperating Organizations

Chamber of Commerce of Hawaii
Catholic Diocese of Honolulu
Hawaii Bankers Association
Hawaii Business Roundtable
Hawaiian Humane Society
Hawaii State PTSA

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair

Senator Glenn Wakai, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

Wednesday, February 29, 2012

10:15 am, Conference Room 211

TESTIMONY OF DIANNE F. KAY OPPOSING SB 2893 SD 1

The establishment and funding of a gambling commission to analyze the costs and benefits of gambling would seem to be a waste of time and money and could result in unwanted consequences.

Why conduct a gambling study when recent polls and surveys indicate that local residents do not want gambling here? A Civil Beat poll of 1,358 likely voters, conducted on January 18 and 19, 2012, found that 59% of likely voters think that gambling should remain illegal in Hawaii. Only 33% indicated that gambling should be legal here. A majority of every age group opposed legalized gambling in Hawaii with 71% between the ages of 35 and 49 opposed to gambling.

A *Star-Advertiser* poll conducted among 771 registered voters between January 26 to February 5, 2012 showed that opposition to a casino at one location was 64%. Only 34% were in support of a single casino. 72% of registered voters polled were opposed to casinos at more than one location.

If one casino or one type of gambling is legalized, others would follow. Once the Hawaii state gambling statutes are revised and legalized gambling is established, gambling laws will be difficult to repeal.

Why should the social and economic costs of gambling be analyzed? Gambling addiction, increased crime, bankruptcies, suicides, divorce, child and spousal abuse, and lost revenue from local businesses gambling would not be issues of concern if legalized gambling were kept out of Hawaii.

On February 24, 2012 the Hawaii Tourism Authority issued an optimistic report that visitor arrivals and spending rose for all islands in all markets in January and announced that further expanded growth of tourism is anticipated this year. Legalizing Gambling in Hawaii would have a negative impact on the tourism industry. Visitors appreciate Hawaii's unique island culture, its pristine beaches and natural beauty. Tourists and local residents, as indicated in the polls, do not want Hawaii to become a destination for gambling with its attendant problems.

We hope the members of the EDT and Ways and Means Committee will look beyond the financial enticements offered by the gambling industry to alleviate a temporary economic situation and consider the future of Hawaii for our children and grandchildren.



Email to: EDTTestimony@Capitol.hawaii.gov
Hearing on: Wednesday, February 29, 2012 @ 10:15 a.m.
Conference Room #211

DATE: February 27, 2012

TO: **Senate Committee on Economic Development & Technology & Committee on Ways & Means**

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

FROM: Allen Cardines, Jr., Executive Director

RE: Opposition to SB 2893 Relating to Gambling

Mahalo for the opportunity to testify. I am Allen Cardines, **representing the Hawaii Family Forum.** Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii, representing a network of various Christian Churches and denominations. We oppose this bill that would establish a gaming commission and ask that you REJECT THIS BILL.

We should be proud that Hawaii is among only two States (Utah and Hawaii) in the nation where all forms of gambling remain illegal. Proponents of legalized gambling in Hawaii boast of its promise of economic revitalization and prosperity. This may sound like a good idea for Hawaii but greater scrutiny reveals a far different story. While it may be true that legalized gambling could potentially yield new jobs, the potential greater negative economic impact must also be considered. Not unlike the social costs associated with other addictive behaviors, compulsive gambling wreaks havoc on individuals, families, and communities. Our specific concerns about this bill relate to the following:

1. We are concerned that the gambling commission members, as selected, may not be impartial.
2. We see no need to analyze the costs and benefits of various types of gambling since we are opposed to the introduction of legalized gambling (in any form) into Hawaii.
3. We believe that the introduction of any one form of gambling could lead to the introduction of all other forms.
4. The social costs, damage to small businesses, and increased crime would far exceed any economic benefits.
5. The tourism industry would be irreparably damaged.
6. Our island lifestyle and scenic beauty would be altered forever.

It seems to me Hawaii is rather akamai for its continued rejection of legalized gambling. As we all know, Hawaii is special. This issue is no different - we are one of only three states in the nation that can boast of no legalized gambling. Let's keep it that way!

**Board of Directors**

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Executive Director

Victor Geminiani, Esq.

February 27, 2012

To: Senator Carol Fukunaga, Senate Chair, Committee on Economic Development and Technology
 Senator David Y. Ige, Senate Chair, Committee on Ways and Means
 From: Victor Geminiani, Executive Director
 Hawaii Appleseed Center for Law and Economic Justice
 Re: Testimony in opposition of SB2893
 Scheduled for a hearing on February 29, 2012

Dear Chair Fukunaga, Chair Ige, and committee members:

Thank you for an opportunity to testify in strong opposition to SB2893 which would establish a gambling task force to perform a comprehensive social and financial analysis of the different types of gambling and their impact on the State in order for legislators to make informed policy decisions.

My name is Victor Geminiani and I am the Executive Director of the Hawaii Appleseed Center for Law and Economic Justice (formerly Lawyers for Equal Justice). Hawai'i Appleseed Center for Law and Economic Justice (LEJ) is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance and to complement the assistance provided by existing legal services providers in the state. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

In its position as an advocate for people living in poverty, LEJ has been examining the potential impact of gambling on Hawai'i's low income residents. Multiple studies from around the country have shown that gambling has a disproportionate negative impact on low-income individuals and disadvantaged communities. We are thus opposed to introducing gambling in any form for the following reasons:

- First, legalized gambling and lotteries are unlikely to solve Hawai'i's economic challenges and, as with other revenue sources, the benefits will fluctuate widely depending on the economy.
- Moreover, based on the experience of other states, even if Hawai'i did recognize some economic gains, gambling revenues are unlikely to fund services for the poor.
- Not only do low income people generally fail to receive many benefits from gambling revenues, but they bear the brunt of gambling's economic harms by experiencing a form of regressive taxation and predatory practices. Jobs that are created by gambling are, on a national average paid \$11.25 an hour while the self-sufficiency income standard is \$11.59.
- Finally, the presence of casinos has a tendency to increase problem or pathological gambling, particularly for residents of disadvantaged, low-income neighborhoods. Their presence has also been shown to increase crime in the area. The National Gambling Impact Study Commission found that the litany of gambling related harms is woefully long, including job loss, substance abuse, crime, divorce, child abuse and neglect, domestic violence, and homelessness. Besides harming families that are already poor, these results can drive more into poverty.

Hawai'i Appleseed Center for Law and Economic Justice

February 27, 2012

Page 2 of 2

Given the empirically demonstrated harms of gambling, Hawai'i should not turn to gambling as a quick fix for budget shortfalls.

Again, thank you for providing us with an opportunity to testify in opposition to SB2893.

Aloha,

A handwritten signature in black ink, appearing to read "Victor". The signature is fluid and cursive, with a long horizontal stroke at the end.

Victor Geminiani,
Executive Director



Legalized Gambling's Effects on Low-Income Individuals

◆ Introduction

While many states have come to rely on legalized gambling and lotteries to bolster their budgets, the effects on low-income and disadvantaged individuals have failed to receive adequate consideration. When examined, empirical evidence from around the country demonstrates the disproportionate negative impacts that legalized gambling and lotteries have on low-income and disadvantaged individuals.

First, legalized gambling and lotteries are unlikely to solve Hawaii's economic issues, and based on other states' models, even if the state did recognize economic gains, gambling revenue is unlikely to fund services for the poor. Second, not only do low income people fail to receive many benefits from gambling revenues, but they bear the brunt of gambling's economic harms. Lotteries are a major concern because they are readily accessible throughout the state and low income people have consistently been shown to spend a larger share of their money on lottery tickets. The presence of casinos has a tendency to increase problem or pathological gambling, particularly for residents of disadvantaged, low-income neighborhoods; they also have been shown to increase crime in the area.

It is important to note that Hawaii's unique tourism economy and population may result in very different outcomes than those on the mainland. However, the negative effects on low-income people and other disadvantaged populations do not support the introduction of legalized gambling or a lottery.

◆ The expansion of gambling is not be a sustainable solution to budget shortfalls.

The long-term growth of gambling revenues is uncertain.

While states' revenue from gambling grew rapidly from 1998-2008, growth has slowed, with a drop in 2008-9 revenues, followed by a small increase in 2010.¹ Gambling revenue is a significant but small part of state budgets, constituting between 2.1%-2.5% of state own-source revenues, which include taxes and charges;² lotteries remain the primary source of gambling revenue among the states.³

States frequently expand gambling to cover budget shortfalls or fund new programs, implicitly assuming that gambling revenues are similar to other sources of revenue such as taxes. Much of the

¹ Back in the Black: States' Gambling Revenues Rose in 2010. Lucy Dadayan and Robert B. Ward. The Nelson A. Rockefeller Institute of Government. June 23, 2011 at 1. Available at http://www.rockinst.org/pdf/government_finance/2011-06-23-Back_in_the_Black.pdf.

² *Id.* at 4.

³ *Id.* at 7.

growth in gambling revenue from 1998-2010 is a result of governments expanding gambling activity.⁴ However, gambling revenues have grown at a significantly slower pace than other forms of state revenue.⁵ At the same time, the rate of spending increases on government programs such as education will generally outpace any increases in gambling revenues.⁶ It is ultimately an unreliable source of revenue that represents only a quick fix for the state.

The substitution effect may result in ancillary harms to Hawaii's other businesses.

Given the size of Hawaii's tourism industry, the substitution, or "cannibalization" effect of legalized gambling is likely to be particularly problematic. The potential economic effects of a casino depend on whether or not the casino is likely to attract tourists to the area.⁷ Effects will vary greatly by region and there are many concerns on the mainland that are unlikely to apply to Hawaii. Since Hawaii already has a highly established tourist industry with many attractions, models or case studies from other states are unlikely to transfer completely. Regardless, it seems likely that legalized gambling will likely result in tourists spending money on gambling rather than other forms of entertainment. In Hartford, Connecticut, the number of pop and rock music shows at the performing arts center took a serious dive after casinos opened fifty miles away and is now operating at a one million dollar deficit.⁸ Casinos may also have an effect on restaurants and bars, since they typically include such amenities on-site.

In a state such as a Hawaii, with a very large number of tourists, this seems far less likely to actually attract new visitors. Given the cost of traveling to Hawaii for many mainlanders, it seems unlikely that Hawaii will serve as a direct alternative to a gambling hotspot like Las Vegas. Thus the cannibalization effect appears even more probable here than in other states since gambling will likely not be a lure in itself for tourists, but rather an alternative to spending money on other forms of entertainment.

A similar displacement effect may result in reduced GET revenues and taxes on other items such as alcohol, tobacco, and fuel.⁹ While studies have determined different rates of displacement, they have consistently found that sales and "sin tax" revenues fall as gambling or lottery spending rises.

Gambling does not create high-paying jobs.

⁴ *Id.* at 2.

⁵ "For The First Time, A Smaller Jackpot: Trends in State Revenue from Gambling. Lucy Dadayan and Robert B. Ward. The Nelson A. Rockefeller Institute of Government, September 21, 2009 at 18. Available at http://www.rockinst.org/pdf/government_finance/2009-09-21-No_More_Jackpot.pdf.

⁶ *Id.* at 19.

⁷ Memorandum. Federal Reserve Bank of Boston, Sep. 14, 2006 at 3. Available at <http://www.bos.frb.org/economic/neppc/memos/2006/brome091406.pdf>.

⁸ With casinos, theaters fear competition for big acts. Priyanak Dayal. Worcester Telegram & Gazette, Sep. 15, 2011. Available at <http://www.telegram.com/article/20110915/NEWS/109159480>.

⁹ Gambling in the Golden State 1998 Forward. Charlene Wear Simmons. California Research Bureau, California State Library, May 2006 at 92-3. Available at <http://ag.ca.gov/gambling/pdfs/GS98.pdf>.

The national median wage in the gambling industry is \$11.25,¹⁰ while the self-sufficiency income standard for a single adult requires a wage of \$11.59, and a single adult with one child needs to earn \$18.41 to be considered self-sufficient.¹¹ So while legalizing gambling may create jobs, they will not even meet the self-sufficiency standard.

◆ **Lotteries are highly regressive sources of revenue.**

Low-income people spend more on the lottery, effectively redistributing income.

Low-income people may see the lottery as their best way of enriching themselves. The potential payoff, combined with the modest price of an individual lottery ticket, is alluring. Of course, excessive spending on the lottery can sink the poor further into poverty. Not only does the lottery drain income, but it also promotes spending instead of saving, since a household could have instead invested the sum it spent on the lottery.¹²

Lotteries have often been described as a “tax” because the ticket price is higher than what the government needs to run the lottery. People with lower incomes spend more on the lottery, as well as spending a larger share of their income on the lottery. A household making under \$12,400 spends five percent of its gross income playing the lottery, while a household earning ten times as much (\$124,000) spends just 0.33% of its income on the lottery.¹³ In North Carolina, the poorest counties in the state have the highest per capita gambling rates.¹⁴

Studies around the country have demonstrated that low-income people may up a large percentage of lottery players. A study in South Carolina showed the disparities between disadvantaged and privileged socioeconomic groups:¹⁵

- People in households earning under \$40,000 are 28% of the state’s population, but constitute 31.3% of lottery players and 53.4% of frequent players.
- People without a high school diploma are 8.9% of the population, 10.5% of lottery players, and 20.8% of frequent players.
- The 25.1% of South Carolinians whose highest level of education is a high school diploma or a GED are 24.3% of lottery players but 33.3% of frequent players.

¹⁰ This includes all occupations, including “white collar” positions, within the gambling industry, not just service workers. May 2010 National Industry-Specific Occupational Employment and Wage Estimates: Gambling Industries. Bureau of Labor Statistics. Available at http://www.bls.gov/oes/current/naics4_713200.htm.

¹¹ Economic self-sufficiency is defined as the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies. Self-Sufficiency Income Standard: Estimates for Hawaii 2008. Department of Business, Economic Development and Tourism. December 2010. Available at <http://hawaii.gov/dbedt/main/about/annual/2010-reports/self-sufficiency-2010.pdf>.

¹² A Nation in Debt: How we killed thrift, enthroned loan sharks and undermined American prosperity. Barbara Dafoe Whitehead, 9. Available at <http://stoppredatorygambling.org/wp-content/uploads/Whitehead-A-Nation-in-Debt.pdf>.

¹³ A Nation in Debt at 9.

¹⁴ Hope and Hard Luck. Sarah Ovaska, NC Policy Watch. Dec. 17, 2010. Available at <http://www.ncpolicywatch.com/2010/12/17/hope-and-hard-luck/>.

¹⁵ S.C. studies show poor, black most likely to play lottery often. John Lyon. Arkansas News Bureau, July 26, 2009. Available at <http://arkansasnews.com/2009/07/26/sc-studies-show-poor-blacks-most-likely-to-play-lottery-often/print/>.

- Black individuals make up 19.7% of the population, but are 23.2% of lottery players and 38.4% of frequent players.

Serious financial issues generally do not stop individuals from purchasing lottery tickets. Given the higher participation rates of low-income individuals, it is unsurprising that a portion of government benefits appears to be spent on the lottery. State lottery ticket sales have been shown to increase during the same week that government transfer payments for benefits like TANF and Social Security are distributed.¹⁶ Surveys from around the country have found that around 20% of homeless individuals have gambling problems or even consider gambling to be a cause of their homelessness.¹⁷

On a broader scale, lottery revenues have historically increased in bad economies; many state economies experienced record revenues even in 2008.¹⁸ By 2010, despite the economy remaining in poor health, gambling revenues started to rise again.¹⁹

Lottery revenues generally do not fund social services for the poor.

Interestingly, lotteries generally do not support causes such as substance abuse treatment, services for people with disabilities, reentry programs, or domestic violence organizations—programs that are particularly important to low-income people due to their lack of access to resources. Instead, lotteries often fund causes such as education that are widely supported across income groups that have even resulted in disproportionate benefits for the more privileged households that spend less on the lottery.²⁰ For example, lottery-funded merit scholarships in Florida disproportionately benefit higher socioeconomic households. Households with lower socioeconomic status tend to pay more in lottery “taxes” yet receive less of the scholarship benefits, effectively redistributing funds from lower-income households to wealthier ones.²¹

Even programs that are funded by lotteries may see expenditures reduced as lawmakers put more money into payoffs in an effort increase revenue.²² Funds may also be used to cover shortfalls in already-existing programs rather than the new ones they promised to fund.²³ In states that used lottery revenues to fund schools, only 1-5% came of their funding came from the lottery in the mid-2000s.²⁴

¹⁶ Running the Numbers on Lotteries and the Poor: An Empirical Analysis of Transfer Payment Distribution and Subsequent Lottery Sales. Andrew P. Weinbach and Rodney J. Paul. International Atlantic Economic Society, 2008. 333-344 at 334. Available at <http://stoppredatorygambling.org/wp-content/uploads/Running-the-Numbers-on-Lotteries-and-the-Poor-An-Empirical-Analysis-of-Transfer-Payment-Distribution-and-Subsequent-Lottery-Sales.pdf>.

¹⁷ Poverty and Casino Gambling in Buffalo. Sam Magavern and Elaina Mulé. Partnership for the Public Good, Jan. 19, 2011 at 6. <http://www.ppgbuffalo.org/wp-content/uploads/2010/06/Poverty-and-Casino-Gambling1.pdf>. This policy brief provides a particularly helpful overview of the impact of gambling on low income individuals.

¹⁸ Sweet Dreams in Hard Times Add to Lottery Sales. Katie Zezima, New York Times. Sep. 12, 2008. Available at http://www.nytimes.com/2008/09/13/us/13lottery.html?_r=1&scp=2&sq=Emily%20Haisley&st=cse.

¹⁹ Back in the Black: States' Gambling Revenues Rose in 2010 at 1.

²⁰ A Nation in Debt: How we killed thrift, enthroned loan sharks and undermined American prosperity at 10.

²¹ Some Futures Are Brighter Than Others: The Net Benefits Received By Florida Bright Futures Scholarship Recipients at 122. Harriet A. Stranahan and Mary O. Borg. Public Finance Review, Vol. 31 No. 1, January 2004.

²² Hope and Hard Luck. Sarah Ovaska, NC Policy Watch. Dec. 17, 2010. Available at <http://www.ncpolicywatch.com/2010/12/17/hope-and-hard-luck/>.

²³ *Id.*

²⁴ For Schools, Lottery Payoffs Fall Short of Promises. Ron Stodghill and Ron Nixon. New York Times, October 7, 2007. Available at

In some states, lottery revenues replaced state money in education funding, while others have increased the size of the lotteries to compete for players and thus further reduced the amount of money going toward schools.

◆ **Legalized gaming can exacerbate social problems, often at the expense of socioeconomically disadvantaged people.**

Neighborhood disadvantage, geographic proximity to casinos, and legalization of additional forms of gambling all lead to higher rates of gambling problems.

Geographic proximity and neighborhood disadvantage have significant effects on the rates of problem and pathological gambling.²⁵ Living close to a casino significantly increases the risk of problem or pathological gambling; while there may be confounding variables, there is a strong argument for the theory that the proximity of a casino could lead to higher rates of problem gambling. Disadvantaged neighborhoods also have much higher rates of pathological or problem gambling.²⁶

- A casino within ten miles of the home is associated with a 90% increase in the odds of being a pathological or problem gambler.²⁷
 - Individuals who live within ten miles of a casino have more than twice the rate of pathological or problem gambling as those who live further away.²⁸
- Respondents who lived in the ten percent most disadvantaged neighborhoods had twelve times the rate of pathological or problem gambling (10%) compared to those who lived in the ten percent most advantaged neighborhoods (0.8%).²⁹
 - For every one standard deviation in neighborhood disadvantage, the odds of being a problem gambler increase by 69%.³⁰
 - The prevalence of gambling in the ten percent most disadvantaged neighborhoods (72 times/year) was twice as much as in the ten percent least disadvantaged neighborhoods (29 times/year).³¹
- For states with zero or one forms of legal gambling, the prevalence of gambling is 66%, versus 77-87% in the states with two to six forms of legal gambling.³²
 - For every additional form of legal gambling, the likelihood of an individual gambling in the past year increased by 17%.³³

http://www.nytimes.com/2007/10/07/business/07lotto.html?sq=lottery%20payoffs%20fall%20short%20of%20promises&st=cse&scp=1&pagewanted=all#&wtoeid=growl1_r1_v4/

²⁵ The Relationship of Ecological and Geographic Factors to Gambling Behavior. John W. Welte et al. *Journal of Gambling Studies*, Volume 20, Number 4, Winter 2008. 405-423. Available at http://www.noslots.com/documents/Welte_Gambling_Demographics.pdf.

²⁶ *Id.* at 413. "Neighborhood disadvantage," measured by a method used in other social sciences studies (percentage of households on public assistance, percentage of families headed by a female, percentage of unemployed adults, and poverty rate).

²⁷ *Id.* at 418.

²⁸ *Id.* at 421.

²⁹ *Id.* at 418.

³⁰ *Id.* at 417-8.

³¹ *Id.* at 418-9.

³² *Id.* at 419.

- The average number of times gambled is also lower in states with zero or one forms of legal gambling (23 times) versus states with two to six forms of legal gambling (40-50 times).³⁴

The most disadvantaged spend more on gambling and are more likely to be problem gamblers. For example, in Lehigh County, Pennsylvania, 48% of people earning less than \$20,000 a year said they were “likely” or “very likely” to gamble at a newly opened casino—the most likely out of any income bracket. Conversely, those with the most disposable income—those earning more than \$100,000—were the least likely to gamble, with only 20% saying they were likely or very likely to gamble.³⁵

The costs of gambling are high for people already facing disadvantages. Individuals in substance abuse or psychiatric treatment are four to ten times as likely to be problem or pathological gamblers.³⁶ In addition, there are many social costs, including negative financial effects, such as bankruptcy or job loss, which push people deeper into poverty.³⁷

Casinos have been shown to increase crime rates.

Not only do casinos increase problem or pathological gambling in their area, but casinos have also been empirically shown to increase the rates of serious crimes. An exhaustive study published in 2001 measured crime rates from 1977-1996 as regions outside of Nevada introduced gambling.³⁸ The study found that casinos resulted in increased crime rates of all seven FBI Index I crimes (murder, rape, robbery, aggravated assault, burglary, larceny, and auto theft) except murder. Crime was initially low, but increased over time.³⁹ Around 8.6% of property crimes and 12.6% of violent crimes in casino counties were attributable to casinos, resulting in an average annual cost of \$75 per adult per year in 1996.⁴⁰ These costs do not include related social costs such as direct regulatory costs, those related to employment and lost productivity, and increased social service and welfare costs.⁴¹

Unsurprisingly, some gamblers will turn to theft and financial crimes as a result of addiction.⁴² The introduction of casinos has also been associated with increased alcohol-related fatal traffic accidents, presumably because casinos often serve alcohol to their customers.⁴³

³³ *Id.* at 418.

³⁴ *Id.* at 419.

³⁵ Gambling Behaviors and Perceptions of the Effects of Gambling in Lehigh Valley: 2009 Survey of Residents. Michael Moser Deegan et al. Lehigh Valley Research Consortium, Feb. 2010 at 7. Available at http://www.lehighvalleyresearch.org/files/articles/GAMBLING_REPORT_2009_final.pdf.

³⁶ “Pathological Gambling,” Marc N. Potenza, et al. *Journal of the American Medical Association*, July 11, 2001, p. 141.

³⁷ Gambling in the Golden State, *supra* at 135-6.

³⁸ Casinos, Crime, and Community Costs. Earl L. Grinols and David B. Mustard. *The Review of Economics and Statistics*, 88, 1, February 2006, 28-45. Available at <http://www.maine.com/editions/2006-05-15/images/20060531000107C.pdf>. Page numbers cited are from the version posted at this URL.

³⁹ *Id.* at 1.

⁴⁰ *Id.* at 17.

⁴¹ *Id.* at 17.

⁴² Gambling addiction leads many down criminal road. Jeremy Boren, *Pittsburgh Tribune-Review*. June 19, 2011. Available at http://www.pittsburghlive.com/x/pittsburghtrib/news/s_742867.html.

◆ **The gaming industry has frequently targeted Asian American customers.**

Another source of concern is that the mainland gambling industry has made significant outreach and marketing efforts to Asian Americans customers.

- Some of the methods used include targeted advertising and presence at cultural events, free transportation or meals, Asian performers, and adding Asian-style games to their floors.⁴⁴
- Many Asian Americans have grown up viewing gambling as socially acceptable or as a part of their culture, making them more vulnerable to casinos' marketing tactics.⁴⁵

It seems likely that, in addition to targeting the tourist market (many of whom are Asians themselves), the gaming industry will target the local Asian American community, leading to a disproportionately negative effect on low-income Asian Americans.⁴⁶

◆ **Conclusion**

Legalized gambling, including lotteries, often negatively impact the entire community, but the harms are even greater for those living in poverty. The people with the least to lose are the ones who end up spending the most, yet they generally receive the fewest benefits and face greater harm. Areas already prone to socioeconomic disadvantage and crime may have these problems exacerbated by the presence of casinos. Casinos and lotteries also engage in predatory tactics that disproportionately draw in low-income individuals. While lottery practices are not identical to those in casinos, evidence around casino gambling indicates that there may be analogous risks. Moreover, the purported economic benefits are far from certain. Research shows that the risks to low-income people are serious and we should not turn to legalized gambling and lotteries as a quick fix solution to address budget gaps.

⁴³ The impact of casinos on fatal alcohol-related traffic accidents in the United States. Chad D. Cotti and Douglas M. Walker. *Journal of Health Economics*, 2010. Available at <http://stoppredatorygambling.org/wp-content/uploads/Journal-of-Health-Economics-Impact-of-Casinos-on-Fatal-Alcohol-related-Traffic-Accidents.pdf>.

⁴⁴ "Asian Americans and Problem Gambling." Michael Liao. *Problem Gambling Prevention*, at 4. Available at <http://www.napafasa.org/pgp/PGP.Asian%20Americans%20and%20Problem%20Gambling%20Rev.11.0321.pdf>.

⁴⁵ *Id.* at 2.

⁴⁶ See "Dept. of Miserable Jobs: Sugarhouse's Asian Marketing Executive" on Young Philly Politics for more examples of how the gambling industry targets Asian Americans, including targeting Asian American seniors, providing transportation from Asian American neighborhoods to casinos, and advertising in Asian languages. Available at http://youngphillypolitics.com/dept_miserable_jobs_sugarhouse039s_asian_marketing_executive. More analysis is available at *Gambling in the Golden State*, *supra*, 130-1. Available at <http://ag.ca.gov/gambling/pdfs/GS98.pdf>.



LEAGUE OF
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League of Women Voters of Hawaii

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Committee on Economic Development and Technology
Committee on Ways and Means
Chair Name, Vice Chair Name

Wednesday, February 29, 2012, 10:15 am Room 211
SB2893, SD1 — RELATING TO GAMBLING

TESTIMONY

Grace Furukawa, Legislative Committee, League of Women Voters of Hawaii

Chairs Fukunaga and Ige, Vice-Chairs Wakai and Kidani and Committee Members:

The League of Women Voters of Hawaii opposes SB2893, S.D.1. We feel this commission, which is really a study of gambling in Hawaii is a totally unnecessary, wasteful cost to our taxpayers. We already have many independent studies from the mainland, including the National Commission on Gambling. Which concludes that there should be NO EXPANSION OF GAMBLING?

In Hawaii multiple organizations testifying against any form of gambling state it would be detrimental to our citizens, tourists and businesses, as well as cause an increased amount of crime. Please note also that any comprehensive study of gambling in Hawaii would need much more than the 6 months allotted and should require that the results be open to citizen review and comment.

Thank you for the opportunity to submit testimony.

From: Hawaii County Unit of Hawaii Coalition Against Legalized Gambling

Susan Dursin, State HCALG Board Member

To: Committee on Economic Development and Technology

Senator Carol Fukunaga, Chair

Senator Glenn Wakai, Vice Chair

To: Committee on Ways and Means

Senator David Ige, Chair

Senator Michelle Kidani, Vice Chair

Hearing: Wednesday, February 29, 2012, 10:15 a.m., State Capitol, Room 211

TESTIMONY

Chairpersons and Committee Members:

The Hawaii Unit of HCALG opposes SB2893 SD1, which would establish a gambling commission to analyze the costs and benefits of various forms of gambling in Hawaii.

The selection of commission members is entirely at the discretion of the appointing parties: the Governor, the President of the Senate and the Speaker of the House. With the exemption from Section 26-34 of the HRS, no review process exists to ensure wide representation on the commission or lack of conflicts of interest. Public input into the selection process is nonexistent.

The term "commission" raises questions. In much legislation, "gambling commission" refers to a regulatory body having important oversight powers. With the legalization of gambling in Hawaii, would this commission become the basis for a regulatory entity?

This bill focuses entirely on financial viability and revenue with no regard for social effects or other intangibles, such as possible harm to the tourist industry. It shows no awareness of the immense difficulty of gathering hard statistics.

The possibility of a thorough, balanced report done in four months by nine, unpaid volunteers (who presumably have a full life apart from this commission) is very slight. While the Department of Business, Economic Development and Tourism is taxed with the administration of the commission and its work, they already have testified (in reference to another bill) that they lack the resources to conduct full investigations. They could not offer the commission much research capability.

Establishing an information-gathering body is unnecessary. Vast amounts of information already have been presented to the Legislature. Some of that information came from studies conducted over many months or years. The studies drew from hundreds of sources. They employed scientific principles.

This bill directs a commission to submit a report which is nothing more than a list of revenue projections. It would not recognize or assess the full range of negative impacts that gambling holds for Hawaii. In the end, it raises many questions and is not necessary.

Thank you very much for the opportunity to submit testimony.

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2012 7:48 PM
To: EDTTestimony
Cc: jeannine@hawaii.rr.com
Subject: Testimony for SB2893 on 2/29/2012 10:15:00 AM

Testimony for EDT 2/29/2012 10:15:00 AM SB2893

Conference room: 211
Testifier position: Oppose
Testifier will be present: No
Submitted by: Jeannine Johnson
Organization: Individual
E-mail: jeannine@hawaii.rr.com
Submitted on: 2/24/2012

Comments:

I lived in Illinois for a few years and the neighborhoods all around their casinos are slums. Is that what we want? More homeless and people in slums surrounding casinos?

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 28, 2012 7:46 AM
To: EDTTestimony
Cc: jkarbens@aol.com
Subject: Testimony for SB2893 on 2/29/2012 10:15:00 AM

Testimony for EDT 2/29/2012 10:15:00 AM SB2893

Conference room: 211
Testifier position: Oppose
Testifier will be present: No
Submitted by: John P. Karbens
Organization: Individual
E-mail: jkarbens@aol.com
Submitted on: 2/28/2012

Comments:

Please do not spend public funds for a commission which will "study" legalizing an form of gambling in Hawaii. Please do not create any commission related to studying gambling. The composition of the commission proposed in this bill is not fair. The appointees selected by inside politicians to fill the positions may represent only one side of the issue of legalizing gambling in Hawaii. The premises on which this bill are based represent a new form of broken trust in elected administrative and legislative politicians in Hawaii.

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2012 8:34 PM
To: EDTTestimony
Cc: noelmuraki@live.com
Subject: Testimony for SB2893 on 2/29/2012 10:15:00 AM

Testimony for EDT 2/29/2012 10:15:00 AM SB2893

Conference room: 211
Testifier position: Support
Testifier will be present: Yes
Submitted by: Noel S. Muraki
Organization: Individual
E-mail: noelmuraki@live.com
Submitted on: 2/24/2012

Comments:

SB. 2893

1 of 4

Ponder the Thought

People & materials of this government are taxed for revenue by the State & City & County. Several ways of getting these taxes has been implemented to compensate for the economic system. As you know for the past 3 yrs. plus & present, the economic system has been bleak (but true). With the revenue at hand the present politicians has not resolved the Dire situation we are now in. It is time to ponder the thought of limited gaming that would generate multi billions annually. This would alleviate some of the Dire situations like, Health & Wellness, Education for our Children & many others.

Ponder the thought of utilizing advance technology for mountain (cave) & underground dwellings. Also alternative energy in Methane, this & the issues mention previously would create jobs. I am faxing a few proposals that can be adjusted for the future if God Willing.

*Humble Advocate:
Noel S. Muraki*

*SB. 2893**2*

Testimony

Definition of Lottermit is, a limit of 100 tickets or less bought for a maximum of 4,000,000 or less people buying \$1.00 each ticket.

Example

This Lottermit concept would be played every 3 months 4 times with in a calendar year.

The analogy & concept of Lottermit held every quarter is illustrated as follows.

500,000 people would not purchase tickets for various reasons.

3,500,000 people would be able to purchase tickets.

2,000,000 people who purchased 10 tickets for a \$1.00 each ticket, this would amount to \$20,000,000.

1,000,000 people who purchased 20 tickets for a \$1.00 each ticket, this would amount to \$20,000,000.

500,000 people who purchased the maximum 100 tickets for a \$1.00 each ticket, this would amount to \$50,000,000.

Total gross would be \$90,000,000.

Gross Distribution

Winner would receive \$4,000,000.

Proprietor who sold the winning ticket would receive \$200,000.

Cost for operation every 3 months, \$2,800,000.

Total revenue for 3 months, \$83,000,000

Total annual revenue, \$996,000,000.

Supporting Distribution

Supporting SB 641 would alleviate some of the dire situations such as, CHILD ABUSE, DOMESTIC VIOLENCE. TAXES & help the DISABLED, ELDERLY, EDUCATION, MEDICAL, AGRICULTURE & HOMELESS.

Also it is essential that you, the Lawmakers & HVB has the same common goal to increase the employment for our citizens & the influx of tourist to this State by offering complimentary Lottermit tickets for the tourist.

Thank You for letting me express my suggestions & GOD BLESS.

Concern Citizen:

Noel S. Muraki;

Ph. 293-2522 or e-mail noelmuraki@live.com

SB-2893

Phase 1: *Literary Journalism of Gamco (Control & Limited Gambling)*

As a concern citizen & in keeping with the Aloha Spirit of Hawaii, Gamco (C&LG) would be one alternative to increase revenue. create jobs, alleviate some tax burdens & contribute to the people to have a choice & opportunity for a better quality of life. In displaying the Aloha Spirit would be not to let fellow citizens become compulsive gamblers & lose family, home, property, dignity & serious regrets which are unfortunate situations. What is most unfortunate & legal are automobiles, airplanes, alcohol & cigarettes which in the pass at present & future have caused & will cause millions of deaths, disabled & ruin lives of people. Nevertheless production of these things continue to exist. Yes we do have a choice to use these things or not & yet gambling is still illegal. I urge lawmakers to ponder the thought, are we living in the shadow of hypocrisy & not letting the light of honesty shine through? Three viable reasons to legalize gambling is one, only GOD can foresee the future. Two, this concept of Gamco (C&LG) is new, unique & considers choices may it be good or not in comparison to automobiles, airplanes, alcohol & cigarettes. Three, other States do not have the special quality of the Aloha Spirit like Hawaii. My suggestion is we should try it before deciding, then a positive conclusion would be in order. Or a referendum by the voting public would be just & not dictated. My question to lawmakers is, have we lost the American ingenuity & forgotten part of the Constitution that says, for the people by the people? Also as adults do we have a choice to choose our own destiny, like the things we use today that is legal, tragic & deplorable?

Phase 2: *Gamco (C&LG)*

A alternative option would be control & limited electronic video slot machines with variety of games played with a gaming card only. Obtaining a gaming card would be issued by the State of Hawaii or other designated establishment. The suggested dollar amounts on gaming cards would control & limit a player to \$500 dollars to \$1200 maximum annually, depending on the players income. All table games would be prohibited such as poker, craps, blackjack, baccarat, roulette wheels & all other games that is not control & limited by electronic gaming cards.

Advocate for the Constitution:

Noel S. Muraki

SB-2893

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Closing Thoughts

On this day the 29 of February 2012 all testimonies & statements presented on gambling in Hawaii would be guessing, assuming & comparing by citizens for or against this issue. Here is a few facts on this issue. Fact: Gambling was never legal in Hawaii. Fact: 48 states are recieving revenue from their gambling taxes. Fact: Legalizing gambling in Hawaii would be another alternative of generating revenue. Fact:Laws can be changed for good or bad like alcohol, cigarettes & fireworks. Finally, only GOD can foresee the future. Thank You for letting me express my concerns.

Sincerely:

Noel Muraki