

## **Casino Task Force Meeting -- 9/30/02 Minutes**

In attendance: Sen. Kevin Shorey, Rep. Donna Loring, Sen. Jill Goldthwait, Rep. Janice Labrecque, Rep. Bruce Bryant, Dana Connors, Edward Strong, John Menario, Thomas Phillips, Richard Balkite, Jim Carson, Laura Yustak Smith, Kim Johnson, Judy Guay, William Childs, Vaughn Stinson, Craig Poulin.

After the introductions of Task Force members, the first presenter spoke.

Eben Marsh – Bureau of Alcoholic Beverages and Lottery Operations (BABLO). His intent was to speak on the impact of a casino on the state lottery. He first presented current and historical information and statistics related to the operation of the lottery. He noted that some of the profits go to General Fund and some go to the Heritage Fund, which supports conservation projects in state. The Lottery sold over 72 million tickets 2001. A hand out was provided to Task Force with detailed information on Lottery operations.

He explained that lottery tickets are distributed through private retailers; however, only some only sell instant lottery tickets. 5% of sales go to the retailer.

Mr. Marsh said that BABLO actively promote games through prizes, such as cars. They have a 2.6 million advertising budget.

Maine spends \$2.36 per capita on lottery tickets; this per capita amount puts Maine in the middle of states with lotteries. He noted that at this level of spending, gambling is not a problem. He further noted that of the 39 states with lotteries, 23 have casinos.

Mr. Marsh discussed statistics on who plays the lottery. More women than men play -- 80% of Mainers have played the lottery. He explained that BABLO is working to keep Mainers interested by developing new games.

After this summary, Mr. Marsh discussed the possible impact of a casino on the Maine lottery. He mentioned that there is one research paper that is very good. He also mentioned that was some anecdotal information. The information he found indicated that with introduction of a casino there was some negative impact on lottery revenues. This was true in some states more than others. However, the impact was not substantial -- not more than a %20 reduction. He also noted that the introduction of "powerball" helped in Connecticut to bring lottery revenues back up.

Mr. Marsh also indicated that video lottery has had a limiting affect on state lotteries. In all cases, incremental revenues from a casino more than offset lowered lottery revenues. Overall, there was an increase in total state revenues. He cautioned that we should not necessarily apply these results to Maine – specific circumstances may change the outcome.

Connecticut conducted a study that supports that a casino did not have an adverse affect on the lottery

John Menario asked if, given the large amount of money spent, does the State of Maine provide any funding to study gambling problems. Mr. Marsh said that it does not provide funding. He noted that a bill was created a few years back but was withdrawn when BABLO agreed to put out responsibility and moderation message. He said that it has not emerged as an issue – they have not received many requests for help with gambling problems. When asked if BABLO has contributed funds to organizations that provide assistance with gambling problems, he said they did not. He also said that the governor has not attempted to dismantle the program.

Mr. Marsh said that people have given solid support for the lottery at fairs. He used the word “fun” to describe how many people regard the lottery.

Mr. Menario inquired about whether Mr. Marsh would consider a casino to be fun. Mr. Marsh said he felt it would not be appropriate to answer.

William Childs asked about the affect of the lottery on harness racing. Mr. Marsh did not know.

Mr. Marsh noted that, in Connecticut, lottery sales initially fell after the introduction of the Casino, but then rebounded due at least in part to the introduction “Powerball”. He had no inclination to enter Maine into “Powerball”.

Mr. Marsh was asked about the type of people who buy scratch tickets> He indicated that, like the lottery in general, more women than men buy tickets and more young people buy them. He noted that the average payout in prizes for scratch tickets is 60%.

Rep. Janice Labrecque asked about the outcome of the bill to address problem gambling. She noted that BABLO was given an 800 # to give to people who had gambling problems and wondered if people were using it. Mr. Marsh said that the type of services offered did not seem appropriate so they are not using it.

Senator Goldthwait added that there was no charge on the part of BABLO to provide services to deal with the social side of the gambling. It is not part of their mission and there is no appropriation for it.

A question was posed about whether Connecticut is the exception for states when introducing a casino in a state where there is a lottery. Does state revenue typically decline? Mr. Marsh agreed that states might need to add games to make up for lost lottery revenues due to a casino.

***Kim Johnson asked about any market research that was done on market segmentation on the lottery. Danielle Fox agreed to find any research on market segmentation related to casinos.***

Chief Edward Strong added that Connecticut and New Jersey all have casinos and also have higher per capita spending on the lottery.

Jim Carson asked Mr. Marsh if he believed the lottery has been successful in raising revenue and providing fun? Mr. Marsh indicated that he thought so. He further noted that the introduction of casinos has increased total revenue for the state.

The second speaker was Kate Dufour from the Maine Municipal Association (MMA). She said that MMA does not support or oppose a casino. She has information on municipal revenues, expenditures and salary levels. Ms. Dufour presented a handout that provided details according to the size of the community.

She said that there are 8 municipalities with over 20,000 residents, 10 municipalities with 10,000 to 19,000 residents; 40 municipalities with 5,000 to 9,000 residents; 38 municipalities with 3,500 to 4,999 residents; 67 municipalities with 2,000 to 3,499 residents; 111 municipalities with 1,000 to 1,999 residents; and 218 municipalities with under 1000 residents.

Ms. Dufour noted that MMA has not conducted a study on the impact of casino on municipal services.

Senator Goldthwait inquired about the cost of services for communities with seasonal population surges such as Bar Harbor? Ms. Dufour explained that she was not aware of any information on this issue.

John Menario asked about revenue sharing arrangements. He noted that if the \$102 million generated by a casino went back to communities, this would double the amount of going to communities through revenue sharing. It was pointed out that municipalities would only get 5% through revenue sharing. So the amount would not be doubled.

The third speaker was Dick Groton from the Maine Restaurant Association. He indicated that the position of the association is unknown at this time. He noted that it was premature to poll their membership. He submitted written testimony. He noted that some members were excited about the prospects, while others were concerned about the potential competition. He further noted that there are different types of competition. Casinos want to keep visitors on complex and will offer discounts to visitors to discourage them from leaving the complex.

Mr. Groton said that a casino would have a huge impact on housing and employment. The problem is with the profit structure. He questioned where workers come from and where will they live, noting that this could result in a crisis.

Mr. Groton questioned whether a casino would be just another attraction? Or will it conflict with Maine's marketing image? He posed questions about the social costs of casino; who would get the money from a casino; what would be the effect of New Hampshire getting a casino. He suggested that it would be important to analyze who the winners and losers of a casino would be.

Mr. Menario inquired about where his members stand. Mr. Groton indicated that he still doesn't know where members officially stand. However, he has been hearing from members from Portland north that it's not a problem, but Portland south, members are very concerned. His testimony today is a compilation of the comments and questions he has received from members.

Mr. Menario asked about the opportunity for builders to reduce housing crunch? Mr. Groton responded that property is so valuable in Southern Maine that it would be too difficult to build affordable housing.

Mr. Menario questioned whether we should stop creating jobs if there are not enough people to employ. He noted that Maine is 38<sup>th</sup> in per capita income and per capita income is 26% below other New England states.

Mr. Groton indicated that he wants increases in wages on a competitive basis. He suggested that this is different because it's directed at the restaurant industry. The casino would be taking away the best and brightest in the industry.

He was asked whether there would be resentment that Indians might benefit? He said no.

Judy Guay said she was concerned about low-income people and housing needs. She noted that there is not enough housing as it is. We need to address how to house 4,000 more employees in area.

Ms. Guay further noted that wages are too low right now and that we need higher wage jobs.

Sen. Goldwait inquired what the effect of a casino in Canada might be. The assumption is that the casino would be in York County; she encouraged the association to look at other possible locations throughout the state. Mr. Groton responded that their members would also look at other areas that might be affected.

Sen. Goldthwait mentioned that the National Gambling Impact Study indicated that there would be a significant impact from a casino on commercial property values. She wondered if this was a concern of the membership. Mr. Groton indicated that it was a concern.

The question was posed about whether a casino would be good for the construction trades. Are communities in Southern Maine trying to restrict development because of the impact on services? If so, how many communities are doing this?

Chief Edward Strong said that restaurant and retail jobs are bad paying and not year round. That's why they are not desirable. He surmised that casino jobs would be year round and have benefits. The Casino would likely draw employees from New Hampshire.

Chief Strong suggested that on-site housing might help to ease the housing crunch? Maine is already hurting greatly from New Hampshire restaurants.

Rep. Loring added that in looking at Mississippi, when a casino was located in poor communities, it turned a community around. In the Connecticut casinos, which are far from metropolitan areas, the impact might be less.

A question came up about the impact of the Connecticut casinos on Mystic, which is 10 miles away. There has been no major impact on Mystic as tourist destination.

Chief Strong wondered, based on Mystic's experience, if a casino in Southern Maine would affect communities? Mr. Groton suggested that because casinos are destination resorts that they would have a great effect on small communities.

Richard Balkite questioned why the speakers he suggested were not considered for the agenda and why these economists were invited to speak. Senator Shorey said that he invited them speak today. Mr. Balkite said that he would like the speakers he suggested to be considered for a future meeting.

The fourth speaker was Jim Klas from KlasRobinson Q.E.D. Mr. Klas presented a power point presentation. He also provided a handout. Mr. Klas noted that less than 10% of the population within 200 miles of a casino in York County lives in Maine. He noted that the presentation is based on a casino in York County and the opportunity there.

Mr. Klas said a casino would draw 88% of its visitors outside of Maine. He noted that when you get in ahead of the competition, you can shape market.

He discussed “indirect impacts”, which are from the goods and services bought by the casino, and “induced impacts”, which result from wages spent by employees.

Mr. Klas noted that his firm used the IMPLAN model. This is the most widely used model and can be tailored specifically for Maine. He stated that Professor Colgan used the REMI model, which is even more refined.

Mr. Klas indicated that the total impact of a casino on Southern Maine would be to add about 9800 jobs. He further noted that crime rates run counter to what is expected. It has gone down in other casino areas.

He stated the magnitude of any social costs could be compensated for by money from a casino.

Sen. Goldthwait said his statement that arguments suggesting that a community might be concerned that the costs don't outweigh the benefits are absurd offended her. She said she thought that statement put his objectivity into question.

Sen. Goldthwait pointed out that \$40 million of casino revenues is coming from York County – a single county alone. She also wondered why only \$6,000 was included for benefits – its usually 30%. Mr. Klas responded it doesn't account for all employer costs. This amount covers meals, health insurance, and workman's comp.

Judy Guay said she believed that the anticipated casino wages are still not high enough. She suggests that a recommendation for higher benefits and wages is appropriate.

Thomas Phillips mentioned the crime issue. He noted that in “tribal nation”, it stated that crime in communities near Ledyard has increased their costs over \$2 million. He mentioned that the communities near Ledyard have a higher crime rate when the general crime rate is going down.

Mr. Klaus responded that he is familiar with the statistics. He believes the study does not adequately recognize that Connecticut spreads casino revenue throughout the state – it is not focused on communities near the casinos. He doesn't agree that all of the \$2million costs are associated with the casino. He also suggested that costs would be lower in Maine.

Mr. Klas stated that there is a positive economic impact and he will stand by statement that casino has a net positive impact. If structured well, there is more than enough money to cover the added costs.

Laura Yustak Smith asked if there is enough money to cover added costs for prosecutors because of potentially higher crime even if this is not consistent with his assumptions about crime rates.

Mr. Klas indicated that crime rates near casinos are not necessarily higher and that any increase in crime may be associated with higher tourism.

A question was asked about whether employment is seasonal and are lay-offs likely? Mr. Klas indicated that lay-offs are not likely; he thinks they are more likely to accommodate employees in other ways.

Dr. Charlie Colgan stated that he is a professor of the Muskie Institute. He said he is not for or against a casino. He was asked by tribes to conduct a peer review of the impact analysis.

Dr. Colgan said that the estimates using the IMPLAN model are reasonable. He found them to be well within the usual practices. He noted that it is difficult because there are no current casinos; however, using the available info, they can find reasonable upper and lower estimates.

According to Dr. Colgan, the employment effect will 7,700 jobs. Using their model, 86% will be in York County, 6% will be in Cumberland, and 1% in Penobscot County.

He further stated that some new jobs will be in New Hampshire and Central Maine – some indirect and induced effects will occur inside Maine and some will occur outside of Maine.

Dr. Colgan stated that they need to make adjustments for the models. He noted that more people are likely to commute rather than move to Maine. York County will likely grow by 2% as a result (or 19% over 20 year period). Tax revenues (through induced and indirect impacts) to state and local government will be around \$18 million. This is in addition to what a casino would directly pay to the state.

A casino will increase overall wages in York County. An increase in wages means rise in labor costs, which dampens the multiplier effect. As a result, over 20 year period, instead of 7700 jobs being created, 6,600 jobs will be created. The net affect remains substantially positive.

Jonathan Rueben from the Margaret Chase Smith Institute was asked to comment on the economic impact analysis. He evaluated whether if you accept direct jobs and casino #s proposed by the tribes, do the overall outcomes make sense. He stated that this is somewhat difficult because there is no casino in state. Mt. Rueben said he believes that this was reasonably well done – the

impact is reasonable. He further stated that this would make the casino the 6<sup>th</sup> largest employer in Maine.

Edward Strong said that the \$2 to \$4 million for security was more than he came up with. Mr. Klas said it was important to look at absolute numbers, not just the percentages. He noted that traffic was likely to have the biggest impact.

Laura Yustak Smith inquired about whether the raw numbers for crime would go up or down. Mr. Klas said there was no direct calculation. He looked at the costs of comparable communities with casinos. He clarified that the costs of crime are a different issue. The numbers he presented were based on crime mitigation, not the increased costs of crime. Ms. Smith asked whether prosecutor's salaries were included in the costs. Mr. Klas stated that comparative numbers consider the costs police, fire, emergency, and rescue – or what the local community thought should be considered.

Richard Balkite stated that there are no assumptions in the analysis – he thinks this a problem. He stated that this was not a peer review. It needs to be published to be a peer review. He further stated that Mr. Klas was paid by the tribe. Dr. Colgan stated that he has not been compensated. Mr. Rueben has not been compensated. Both Dr. Colgan and Mr. Rueben said they intended to bill the tribe's law firm.

Mr. Rueben stated that peer reviews happen in many ways. He further noted that this is an appropriate peer review. If you accept the direct impacts, then the indirect and induced impacts are correct.

Mr. Rueben said the REMI model is a little better than IMPLAN because it analyzes the impacts over time.

Mr. Balkite asked about the opportunity costs of casino. Dr. Colgan that there is an opportunity cost to some extent, but he doesn't know what else would go in York County instead.

Mr. Balkite stated that he wants the two economists that he recommended to come speak – Earl Grinols and David Mustard.

Mr. Klas noted that this document is not the full report – it's a presentation document. He said that the projections are consistent with other casinos around the country. He will provide the rest of report and sources.

Rep. Loring asked about the impact of a casino on population growth, noting that Maine has the 3<sup>rd</sup> slowest growing population in the country, particularly in the 18 to 24 age group. Dr. Colgan stated that this is largely due to the prolonged economic recession. He said that people left never came back. Dr. Colgan

thought the population would grow some in York County. He said you need economic opportunities to increase the population.

Sen. Goldthwait asked if Boston was closer to Sanford than Ledyard. Mr. Klas that Sanford was closer by 30 or 40 miles to Sanford than Ledyard. Sen. Goldthwait further inquire about whether there might be contextual issues for where a person might go to gamble. Did Mr. Klas consider this? Mr. Klas stated that he did consider this.

Mr. Klas was asked whether the cost analysis included white-collar crime? Mr. Klas said that it includes all kinds of crime, including white-collar crime.

Mr. Klas stated that the size of the gaming area in Foxwoods and Monhegan is 300,000 square feet. The proposed casino in Maine would be 200,000 square feet.

When asked about the pay out to loss ratio, Mr. Klas said that a pay out of 10% to 15% is typical – it can be as high as 35%.

William Childs asked about jobs – he wondered where did people come from in other areas with casinos such as Connecticut.

Mr. Klas stated that you get people from the unemployed, underemployed, and out-of-staters. He noted that 17% of York county residents would prefer to work closer to home. He further noted that population growth will increase, but dramatically.

Dr. Colgan added that the economy has a way of finding people for jobs. He also said that good local planning would go a long way.

Mr. Klas added that when discussing traffic, we are really interested in travel time – \$2 to 4 million would not include increased traffic capacity. You will need improvements from tribes in development costs. He said that typically traffic would be off peak in relation to commuter traffic. It would be nights and weekends.

Mr. Klas said that he assumed that one casino would be added. The numbers would change if another casino were located in New England. He said the effect would depend on where it was located and what types of gambling there were.

Thomas Phillips asked if the analysis considered the number of new problem and pathological gamblers and the added cost of them.

Mr. Klas said that it considers the costs of mitigating the effect, but not the cost of the impact of them.

Mr. Klas stated that many markets negotiated agreements or compacts with states to share revenues from the casinos because under the Indian Gaming Regulation Act (IGRA). Tribes do not pay local or state taxes.

John Menario said that he thought that job growth is manageable. He asked if Dr. Colgan had ever come across a project with greater economic impact than the casino. Dr. Colgan stated that this is the largest single project since the Bath Iron Works project. He further stated that the tourism industry is growing in Maine, but it is slower than the national industry average growth. Maine has lost market share. Dr. Colgan said that the type of tourist opportunities offered in Maine are different from the types of tourism that are growing. He gave the example of cruise ships or resorts as the type of a tourist industry that is growing. He said that the nation is moving towards casino types of vacations.

Mr. Menario noted that casino revenues from Maine residents was the equivalent of 1/3 of what is currently going to the state lottery – \$50 million vs. \$50 million to lottery.

The next speaker was Keith Whyte from the National Association for Problem Gamblers. He stated their organization was neutral on gambling. He stated that there's a substantial amount of gambling in Maine right now.

Mr. Whyte said there is no group in Maine that assists problem gamblers. He said nation-wide, their hotline receives an average of 1 call every 3 or 4 minutes – largest gambling hotline in the nation. He stated that they get many calls from states without extensive legalized gambling.

Mr. Whyte said that gambling is considered normal, and that there is no significant variation among regions or states – gambling is a mental health disorder. He said this is not tied to the amount of legalized gambling. It crosses state borders. He further stated that states do have some variations – but on average the percent of problem and pathological gamblers is similar. Mr. Whyte said he did not know what would happen if gambling was expanded. The evidence for expansion was mixed. In Iowa, problems increased; in Oregon, studies show that it decreased. He noted that Oregon provides funding for programs for problem gamblers. He believes that states should do a needs assessment, but this rarely done. As a result, there is not much good policy research.

Mr. Whyte stated that there were multiple risk factors including genetic; co-morbidity is common – 50% of problem gamblers also have a substance abuse problem. They don't just have 1 disorder. He further stated that you can't say that one problem was the cause. He suggested that by helping problem gamblers, you help substance abuse problems.

My. Whyte was asked how much Maine has spent on prevention and education. Mr. Whyte said zero. He said that insurers refuse to reimburse for problem/pathological gambling problems. He further stated that you can't forget personal responsibility.

Mr. Whyte said that prevention education, treatment, enforcement and research are very important. Problem gambling starts before other risky behaviors. He said that treatment programs should include gambling.

He said that he wants to help people gamble safely – to provide consumer guidance and resources. He noted that 1/3 of calls from family members.

Mr. Whyte said that only 16 of 50 states have any treatment. He stated that he thinks treatment programs can be setup regionally. Right now, 80% of insurers refuse reimbursement and the state has a role in helping problems gamblers.

Mr. Whyte said he is concerned about enforcement – young people buying lottery tickets is a real problem. Young people in bars access video gambling; Internet gambling and non-profit gambling also feeds these habits.

John Menario asked if the expansion of gambling has changed the % of problem gamblers. Mr. Whyte provided the following statistics:

1974 -- .74% of the adult population were problem gamblers  
1998 – 1.7% of the adult population were problem gamblers

Mr. Whyte stated that the rate of addiction is about the same, but the evidence is not solid enough – it's not a precise #. He said that credit cards and Internet gambling might have exacerbated the problem.

In discussing the rate of relapse, Mr. Whyte offered the following 5-point approach.

1. Training existing substance abuse counselors, which is a relatively manageable task.
2. Referrals and incorporating problem gamblers into continuing care. This can be regionalized – e.g. Portland or New England.
3. Prevent relapse – currently, there are high rates of relapse and prevention is difficult because gambling is hard to stay away from -- all you need is money or credit.
4. The need for total abstinence from gambling.
5. Prevention and education most effective.

Mr. Whyte questioned how to pay for problem gamblers how don't have insurance because most don't have any money.

Mr. Whyte said the state has an added role because it legalized lottery.

William Childs asked how many of the 1% of problem gamblers might commit suicide. Mr. Whyte stated that problem gamblers have the highest attempted and completed rate of suicide of any disorder. He said that 50% to 70% of pathological gamblers have considered suicide. Depression is often a part of this. He further noted that bankruptcy does not correlate with gambling problems but there is an effect. He said that Gamblers Anonymous discourages members from declaring bankruptcy. Mr. Whyte said that the correlation with domestic violence is quite high – this happens when the gambling partner threatens to cut off funds.

Mr. Whyte said there are 2800 Internet gambling sites.

Mr. Whyte was asked what the difference is between gambling at a local store and casino gambling. Mr. Whyte said it is a distinction without a difference. Pathological gamblers will do whatever it takes.

Sen. Goldthwait asked how his organization is funded. He said their funding is \$400,000 per year -- 50% is from their annual conference, 25% from corporate membership. They do take some money from the gaming industry, and they have individual members and receive some money from grants.

When asked how much he recommended that states set aside for prevention and treatment programs, he said they don't have a set amount. However, 1% of gaming revenue would make a significant impact. He said that the best way to address this is to do a needs assessment. This can be done by the Dept. of Education, the Dept. of Human Services, or the Maine Center on aging. He suggested that the state find the opportunity where programs can be adapted.

Jim Carson said that he thinks it's a disease that's organic and independent of the amount of gambling – education is the key.

Sen. Shorey stated that Oct. 25 will be the next meeting – it will start at 10:00 am. This meeting will be held at the Armory in Augusta.

The next speaker was Henry Jackson from the Maine Harness Racing Commission. He said that racetrack revenues have gone down, while lottery sales have gone up. However, Off Track Betting (OTB) has gone up.

Mr. Jackson said that Scarborough Downs would be affected by a casino. He further stated that ½ of betting money is bet at Scarborough Downs. Scarborough Downs would likely move out of state or go out of business. A casino will reduce the funds for agricultural fairs.

William Childs asked about the number of fairs that would stay open if Scarborough Downs closed. Mr. Jackson stated that 2 fairs out of 17 (Fryeburg and Windsor) could probably continue – the rest would likely close.

Mr. Jackson said that according to an impact study by the University of Maine, 700 – 1,000 are employed by the harness racing industry. He further stated that slot machines at Delaware and Ontario have helped the industry significantly.

Sen. Goldthwait asked about whether the state makes up the difference in the budget if expenditures don't meet revenues. Mr. Jackson said that this year, the Harness Racing Commission lost money and there was no gain to the state.

Mr. Jackson clarified that certain amounts are dedicated revenues for specific programs. The rest goes to cover administrative costs and to the General Fund. Mr. Menario suggested that perhaps casinos could dedicate some money to the harness racing program.

Mr. Menario asked if Scarborough Downs would continue to be viable even without a casino. Mr. Jackson said that he was told that it would continue. He added that Bangor might have a problem with the horse racing industry.

Judy Guay agreed that the harness racing industry should be subsidized if there is a casino in the state.

The final speaker was David Siegel from the Maine Innkeepers Association. Mr. Siegel provided written testimony.

He stated that the Association has no formal position on the casino, that they have not polled members.

Sen. Goldthwait asked if do other things than go to the casino. Mr. Siegel did not know but he will look into it. Sen. Goldthwait stated she would appreciate more information on this issue.

Rep. Loring asked what the maximum capacity for a conference center is in the state. Can any of them handle 10,000 people? Mr. Siegel said he did not know.

The next meeting will be Friday, October 25 @ 10:00 am at the Augusta Armory – the public hearing portion will at 1:00 pm.