

MEMORANDUM

To: Honorable Margaret Wood Hassan, Governor
Honorable Shawn Jasper, Speaker of the House
Honorable Chuck Morse, President of the Senate
Honorable Paul C. Smith, House Clerk
Honorable Tammy L. Wright, Senate Clerk

From: Laurence Belair, Chairman

Subject: Final Report of the Games for Charity Study Commission

Date: December 15, 2015

I am privileged to have been asked by Governor Maggie Hassan to serve as Chairman for the Games for Charity Study Commission (Study Commission), and I am pleased to submit the following report resulting from the dedicated work of the entire Study Commission and the staff of the (former) Racing and Charitable Gaming Commission.

The Study Commission was established by HB 1630, Chapter Law 329 of 2014, for the purpose of ensuring the integrity and public confidence in the conduct and regulation of charitable gaming in New Hampshire. To complete this task, the Study Commission spoke with charitable gaming regulators and licensees, and reviewed the reports of two predecessors on the subject: (1) the Report to the New Hampshire Gaming Regulatory Oversight Authority Regarding a Comprehensive Approach to Existing and Expanded Gaming (2013) compiled by WhiteSand Gaming, and (2) the 2014 report issued by the Gaming Regulatory Oversight Commission, which relied heavily on the WhiteSands study.

Much like the WhiteSands and Gaming Authority studies that came before it, the Study Commission found that the work of the Racing and Charitable Gaming Commission is significantly hindered by a shortage of staff to adequately oversee charitable gaming activities, outdated technology and equipment, and the lack of a law enforcement component. The Study Commission report offers several possible resource opportunities, but recognizes that the funding mechanisms are the province of the legislature. It is without question that additional funding is required to implement the Study Commission's recommendations. I urge the legislature to address the matter in its next legislative session. The repetitive cycle of studies and hearings followed by a failure to fund needed changes has to be replaced with positive action if we are to deliver to the people of New Hampshire a modern, efficient, legal and productive charitable gaming system.

When the Study Commission began its review, charitable gaming was under the auspices of the Racing and Charitable Gaming Commission. However, the legislative budget process eliminated

this commission, placing its staff under the New Hampshire Lottery Commission. The Study Commission's review was well underway when the budget was passed, and there was insufficient time to fully evaluate the impact of the administrative change. However, the Study Commission members agree that this merger offers several potential benefits including saving efficiencies, access to updated technology and equipment, and the knowledge and job sharing between (former) Racing and Charitable Gaming Commission and Lottery Commission staff. That said, the experience of the former Racing and Charitable Gaming commissioners is a valuable resource that should not be overlooked by those looking to improve the charitable gaming system.

Please do not hesitate to contact me if you have any questions or need further information.

Cc: Study Commission members, Executive Director Charles McIntyre, Director Paul Kelley.

Table of Contents

THE CHARGE..... 4

PREVIOUS STUDIES AND REPORTS..... 5

LIMITED INVESTIGATORY OPTIONS 6

FINDINGS AND OBSERVATIONS 6

 (a) Revenue impact on the state, charitable organizations, facility owners, game operators, primary game operators, secondary game operators and equipment dealers if the authorized games of chance system is eliminated 6

 (b) Oversight and enforcement and sufficiency of taxes and fees to pay for such costs 7

 (c) Projected oversight and enforcement costs should they be improved to satisfy best practice regulatory standards..... 9

 (1) Video surveillance 9

 (2) Additional Staffing..... 9

 (3) The need for additional law enforcement personnel 11

 (4) Attorney General enforcement support 12

 (5) Technology training and equipment 12

 (d) Alternative funding for charitable organizations..... 13

 (e) The role of the game operators and primary game operators..... 13

 (f) The prospect of limiting growth or phasing out games for charity 14

 (g) The prospect of improving and expanding games-of-chance-for charity system to enhance resources for charities 14

SUMMARY 14

Games for Charity Study Commission

(RSA 284:6-b, as amended by Chapter 329, Laws of 2014)

A Comprehensive Analysis of Gaming Activities in for the Benefit of Charities in New Hampshire

Prepared for discussion by Chairman Larry Belair with special thanks to Lynn Presby, Russ Conte, Paul Kelley, Sudhir Naik, Valerie King and Linda Darrow and the entire Commission.

The Games for Charity Study Commission, hereinafter referred to as the Study Commission, was created in 2014 by the passage of HB 1630, an act relative to gaming in New Hampshire (Reference Item A). HB 1630 included amendments to Chapter 287-D (Games of Chance) and RSA 647 (Gambling Offenses), which regulate existing gaming activities in New Hampshire. The bill also established this Study Commission to “ensure integrity and public confidence in the conduct and regulation of gaming for the benefit of charities in New Hampshire”.

As provided in the bill, the makeup of the Study Commission consisted of the following members or their designees:

- (a) The Attorney General or designee – Designee John Kennedy, Esq.
- (b) The Commissioner of the Department of Safety – Designee Major Russell Conte
- (c) The Chairman of the former Racing and Charitable Gaming Commission – Timothy Connors
- (d) One member of the Senate – Senator Lou D’Allesandro
- (e) One member of the House of Representatives – Representative Patrick Abrami
- (f) Three members appointed by the Governor:
 - (1) Former Senator James Rausch
 - (2) Former Racing and Charitable Gaming Commissioner Lynn Presby
 - (3) Former Rep. Laurence Belair, as Chairman

THE CHARGE

The Games for Charity Study Commission was charged with undertaking “a comprehensive analysis of all gaming activities for the benefit of charities in New Hampshire that are authorized by RSA 287-D (Games of Chance) and RSA 287-E (Bingo and Lucky 7’s) to determine the most appropriate system for sustaining ongoing resources to charities from gaming in New Hampshire, including a determination as to whether the continued existence of such authorized games of chance for charity is in the best interest of the citizens of New Hampshire and, if the games for charity study commission finds that such continued existence is not in the best interests, identification of an alternative system for providing comparable resources to charities and, if the games of chance study commission finds that such continued existence if modified is in the best interest of the citizens, identification of legislative changes that would accomplish

the necessary modification in the games of chance charity system. The games of chance study commission shall assess:

- (a) Revenue impact on the state, charitable organizations, facility owners, game operator employers, primary game operators, secondary game operators, and equipment dealers if the authorized games of chance for charity system is eliminated.
- (b) Oversight and enforcement costs on sufficiency of taxes to pay for such costs.
- (c) Projected oversight and enforcement costs should they be improved to satisfy best practice regulatory standards.
- (d) Alternative funding mechanisms for charitable organizations.
- (e) The role of game operator employers and primary game operators.
- (f) The prospect of limiting growth or phasing out games of charity.
- (g) The prospect of improving and expanding the games of chance for charity system to enhance resources for charities.”

The Study Commission began its work in late July, 2015 and met 7 times until its vote on the final report on December 8, 2015. All meetings were open to the public and recorded verbatim. Working on information sought from staff members of the Racing and Charitable Gaming Commission¹, spokesmen from the gaming industry and reviews of the most recent study reports, the Study Commission began the tasks of understanding the history of charitable gaming, the current state of the games for charity system, the opportunities for improvements to the system and to the games, the costs associated with increased oversight and enforcement and the viability of continuing the games for charity system.

PREVIOUS STUDIES AND REPORTS

Our commission benefitted greatly from the work done by our predecessors in the study of gaming in New Hampshire. In particular, the in-depth *WhiteSand Gaming Report to the New Hampshire Gaming Regulatory Oversight Authority Regarding a Comprehensive Approach to Existing and Expanded Gaming* dated November 15, 2013 (Reference Item B) and the subsequent report issued by the *Gaming Regulatory Oversight Authority* dated December 12, 2013 (Reference Item C). Both reports dealt with many of the same issues that our commission has been charged to study. In general, we found nothing to conflict with their findings with respect to the state of the existing games for charity system. Their calls for additional oversight and enforcement as well as additional control measures continues be the greatest need in order to preserve the very important resources to charities that the system provides.

¹ In September 2015, while the Study Commission’s review was well underway, the legislature dissolved the Racing and Charitable Gaming Commission, and all of the agency’s authority and staff were transferred to the New Hampshire Lottery Commission. Although Racing and Charitable Gaming is now a division within the Lottery Commission, for the purposes of this report the agency is referred to by its former designation of The Racing and Charitable Gaming Commission.

LIMITED INVESTIGATORY OPTIONS

The Study Commission lacked the funds, the time and the personnel to conduct any investigatory activities relating to mismanagement within the gaming industry or regulatory issues related to the games for charity system. The Racing and Charitable Gaming Commission is charged with, and faithfully performs, the responsibility for providing oversight to all charitable gaming activities. Working with a very limited staff, the commission conducts audits, oversight, site inspections, record keeping, licensing and hearings in order to maintain control over a system that can, if left unattended, serve the charities less and the private interests more. The Study Commission finds that, in order to properly provide the necessary oversight and administrative diligence, additional personnel are required.

FINDINGS AND OBSERVATIONS

Charitable gaming has a significant positive impact on the participating charities, the State of New Hampshire, the game operator, the businesses that support charitable gaming and the many citizens that earn a living from the industry. Over 400 industry jobs would be lost if charitable gaming were to be eliminated. Also worth noting is the effect charitable gaming has on the public who enjoy, in significant numbers, the games offered by the charitable gaming system. Without the charitable gaming system, the risk of more “basement” games and other illegal gambling activities greatly increases. Clearly those who play some poker, play a little Bingo or tear open Lucky 7 tickets would also be very disappointed to see the games eliminated.

With respect to the specific charges given to the Games for Charity Study Commission, in the order as outlined in HB 1630, we find the following facts and recommendations and submit them to the Legislature for further action.

- (a) Revenue impact on the state, charitable organizations, facility owners, game operators, primary game operators, secondary game operators and equipment dealers if the authorized games of chance system is eliminated.*

Elimination of the Games of Chance system would create significant financial hardships for every benefitting charitable organization. The charities generate a profit of \$12-13 million per year. Most of the 400 plus licensed charities depend on these games for a substantial part of their annual budgets and would be forced to severely curtail the many good and charitable deeds that they provide. Taking these organizations out of the picture will either shift many of the unmet needs to their respective communities or their charitable missions would simply not get done.

Equally affected by the elimination of Games of Chance are those individuals and secondary beneficiaries deprived of the millions raised on their behalf. Many of the primary benefitting charities pass their resources along to food pantries, individuals, non-participating charitable and many other causes and fund-raising entities. In some instances, the resources enable small charities to fund or partially fund needed staff.

The licensed primary game operators employ nearly 400 licensed individuals to run the games. There are additional employees working for equipment dealers. Their payrolls exceed \$15 million per year. All of these individuals rely on the charitable games for their primary and secondary incomes. Facility owners also rely on the presence of the charitable games to help pay for their halls and card rooms. Elimination of these games would shut down the jobs, the gaming industry and the significant resources distributed to the charities and the state.

The staff of the Racing and Charitable Gaming Commission, under the supervision of Director Paul Kelley, provided the Study Commission with a report on Gaming Statistics through FY 2015 (Reference Item E).

For Fiscal 2015, the Racing and Charitable Gaming Commission raised \$4,487,336 in revenues and incurred \$1,538,403 in administrative costs. In accordance with statute, the surplus of \$2,948,933 was turned over to the NH Education Trust Fund. Without the resources raised by the games for charity system, the Education Trust stands to lose these surplus funds which would then have to be otherwise funded.

(b) Oversight and enforcement and sufficiency of taxes and fees to pay for such costs.

State agencies must evolve to keep pace and remain relevant and effective in our rapidly changing world. The current “follow the money”, where the auditors track an event’s money from before a game’s opening until after the closing, is far too manual to keep pace with the changing electronic climate. The remedy for this widening gap includes having equipment that meets today’s highly technological demands.

In the 2013 *Gaming Regulatory Oversight Authority* report, Director Kelley is quoted as saying, “our data-bases are all PC-based on a slow server and need more robust software and hardware upgrades to handle our agency more efficiently. We need the resources to build the software to allow licensees to submit data electronically via the web. We spend an inordinate amount of time keying in financial statements. This manual system is labor intensive and error prone due to the voluminous data that needs to be keyed in.” (Page 36)

Like so many other state agencies, the Racing and Charitable Gaming Commission makes do with outdated computer hardware and software, and falls well behind the technological abilities of its licensees. As a result, many otherwise available technologies are inaccessible or unsupported, leaving the agency at a clear disadvantage.

The recommendation for improving oversight and enforcement came from the WhiteSand Report (2013) and relied mostly on expanded gaming revenues. That, of course, has not yet happened. To attain best practice regulatory standards would require a centralized computer system.

It is unlikely that, in the near future and without expanded gaming, the legislature will be able to find the resources to fully develop a ‘best practices regulatory standards’ system within the Racing and Charitable Gaming Commission. Therefore, the Study Commission believes that it is better to recommend solutions to the issues that can be reasonably achieved, such as additional personnel as recommended in (c) below.

Finding new sources for additional personnel is always a challenge for the Legislature but if improvement to the charitable gaming system is going to happen, the Legislature has to seriously consider options for funding additional oversight and enforcement personnel. The Study Commission has discussed and considered several viable options, which it recommends the Legislature implement.

One obvious source for funding the Study Commission’s recommendations is to pay the costs of additional personnel and equipment from the 100% surplus between the revenues and expenditures. This would require an increase in the Racing and Charitable Gaming Commission’s budget and reducing the current surplus that is transferred to the NH Education Trust Fund.

The Study Commission also considered the possibility of creating a special account being designated by the legislature to fund technological improvements using a very small percentage of the overall revenues collected by the agency.

Additionally, HB 169 (2014) allowed for “no-limits betting” on certain games resulting in increased profits for everyone involved – the charities, the gaming industry and the state. Projected revenues to the state for the last half of 2015 are expected to be \$350,000 over the original budget estimates. This money, by law, will also go to the NH Education Trust Fund. The future of these revenues is uncertain, however, because the intent of the legislation was not meant to create the large stakes games that have resulted. As a result, new legislation will likely be proposed that will further limit these games, thereby reducing projected revenues. Another factor in considering the viability of these unanticipated revenues is the effect of new casinos in adjacent states.

The Study Commission also heard suggestions regarding Lucky 7’s fees, taxes on Lucky 7 machines, increasing the cost of Lucky 7 tabs and taxing of the so-called “gray machines”. These are matters for the legislature to debate but the Study Commission felt they were significant enough to be mentioned in this report.

Much time was spent discussing the 35% share that the charities receive from charitable gaming activities. The WhiteSand Gaming Report, the Gaming Oversight Regulatory Authority Report and the proposed bill drafted by the Gaming Regulatory Oversight Authority (Reference Item D) for the 2015 Legislative session all expected that charities would not be charged rent. When HB 1630 was finally approved, the rent provision was changed to allow operators to charge charities for rent, thereby reducing the charities share to below the 35% level. That issue, also, is for the legislature to contend with.

(c) Projected oversight and enforcement costs should they be improved to satisfy best practice regulatory standards.

The Study Commission came to the same conclusion as the Gaming Regulatory Oversight Authority report and the White Sands report which identified significant deficiencies in the existing charitable gaming regulatory system. The deficiencies derive both from insufficient resourcing of the primary regulating agency, the Racing and Charitable Gaming Commission, and from gaps and ambiguities in the existing regulatory requirements. Oversight and enforcement could be improved in a variety of ways, including: (1) indirect monitoring of gaming facilities via video feeds; (2) additional staff to be responsible for direct monitoring and oversight of charitable games; (3) additional law enforcement support; (4) Attorney General's Office support; and (5) technology training and support.

(1) Video surveillance

Video surveillance plays a pivotal role in protecting people/players, property and the integrity of gaming operations, as well as in aiding regulatory oversight. The gaming industry has long used video surveillance to reduce disputes over payouts, to eliminate theft and cheating, and to ensure that things are running the way they should. Surveillance is also used for general safety and security applications to protect the health and safety of employees and guests. Today's technology has greatly simplified the process with improved speed and efficiency.

RSA 287-D:15 already requires Games of Chance operators to conduct and record video surveillance "that allow clear, unobstructed views of cashier transactions, table games where cash wagers are accepted, and the counting of money from storage boxes removed from a gaming table." This requirement could be expanded to Bingo halls to resolve similar issues at these facilities. Having a video camera over the caller stand, for example, would allow operators to review video to resolve disputes or correct errors. The Lottery Commission, under which Racing and Charitably Gaming is now placed, also has the capacity to have these videos feed into the Lottery's server so that investigators can remotely review and monitor games. This would not eliminate the need for investigators to perform site visits, but would enhance their ability to monitor the games even when they are not able to be present on-sight.

(2) Additional Staffing

The second, and most critical, option for improving oversight and enforcement is to increase the number of state personnel that oversee the charitable gaming. Any change in this regard would take legislative approval, which has been tried in the past and failed to the extent that the number of regulatory personnel has been reduced in recent years. It is also noted that the Racing and Charitable Gaming

Commission was able to increase the salary grade of the auditors in an effort to hire and retain qualified personnel.

Investigators play a key role in the oversight and enforcement of charitable gaming. The Racing and Charitable Gaming Commissions employs 3 investigators who conduct (unannounced) site-visits to gaming facilities across the state. The investigators primarily focus on identifying and resolving compliance issues, such as ensuring that operators are wearing proper identification badges, licenses and game procedures are posted in a public area, and surveillance equipment is functioning properly. They also investigate complaints related to the various Games of Chance facilities. However, given the small number of investigators and the many hundreds of licensees they must oversee, it is easy to see that staff cannot be present during most of the gaming events that occur each day.

To put New Hampshire's efforts in oversight and enforcement in perspective, consider the fact that New Hampshire Racing and Charitable Gaming Commission employs only 3 investigators to oversee 259 tables in 12 facilities around the state. By contrast, Rhode Island employs 32 individuals to watch over 66 tables in a single location (per Section 3:B of the Gaming and Regulatory Oversight Commission Report). Although it is unlikely that New Hampshire would provide the funding to deploy 32 investigators at each game site, the data does point out the vast disparities between these two states.

To improve the existing system and give the charities and the public confidence in charitable gaming, a reasonable number of new regulatory and enforcement positions are recommended. This could be initially accomplished by adding three (3) new auditor positions, three (3) new field inspectors and two (2) new law enforcement officers, as explained in (3) below. The two enforcement officers would remain under the authority of the Division of State Police and assigned strictly to gaming enforcement for criminal cases, referrals for suspicious gaming activity and the regulation of illegal machines that divert revenue away from legal gaming operations. Beyond these full-time positions, add no less than twenty (20) part-time, Class 50 inspectors to cover shifts at gaming halls and other related duties. Part-timers could be hired quickly, trained accordingly and in the field at far less cost to the state even though they are paid a fair wage but with no benefits or vehicle provided. This cost could be partially mitigated by charging a nominal fee (\$3-5K each) for the now-unregulated poker/slot machines (not family entertainment centers) that are proliferating within the state. The additional staff recommended above will enable the Racing and Charitable Gaming to enhance its current monitoring efforts through increased audits and inspections and thereby protect the integrity of charitable gaming in New Hampshire. It is estimated that the addition of three new auditors and 3 new inspectors will allow the agency to audit approximately 70 % of the total gaming sales volume over a three to five year period and increase the frequency of gaming inspections from the current inspections of (2)

per month of each Bingo/Lucky 7 organization and game operator facility to approximately (4) inspections per month for Bingo/Lucky7 and game operator facilities. The estimated cost of salaries and benefits of three additional auditors and inspectors would be \$397,000 per year.

Table 1 – Estimated costs for each additional Auditor and Inspector

Racing and Charitable Gaming Estimated Personnel Costs Per Employee	Gaming Auditor (LG 25, Step 1)	Inspector (LG 16, Step 1)
Salary	\$47,502	\$35,584
Benefits:		
Social Security (6.2% of Salary)	\$2,945	\$2,206
Medicare (1.45% of Salary)	\$689	\$516
Retirement (11.17% of Salary)	\$5,306	\$3,975
Health Insurance (2 person HMO plan)	\$15,986	\$15,986
Dental Insurance (2 Person plan)	\$870	\$870
Life Insurance	\$11	\$11
Total Salary and benefits for single added person	\$73,309	\$59,148
Costs x three each position	219,927	177,444
Total estimated cost		397,371

(3) The need for additional law enforcement personnel

Reliance on local Police Departments to take an interest in enforcement of state gaming laws is not likely to happen, and trying to get uniform enforcement of the myriad of gaming laws and regulations at the local level most likely will result in inconsistent enforcement.

Improving the existing model for the regulation and enforcement of gaming standards and state law is integral in serving both the charity and public confidence. The need for sworn law enforcement officers working closely with the audit process will provide a logical transition in prosecuting high level offenders beyond the administrative scope of enforcement. The addition of two (2) State Troopers or part-time retired Police Officers has been suggested as an effective mechanism. In an effort to provide highly trained investigative personnel accompanied with statewide assets at a significant cost savings, the commission recommends using two (2) Auxiliary State Troopers appointed by the Director of State Police and supported by the existing command structure. These Auxiliary Troopers will have retired from full-time positions within State Police and transitioned to a part-time status. They will retain full authority and certification by the Police Standards and Training Council along with being vetted to assure a skill set in the investigative arena. These

investigative positions will serve in a unique role and bring with them the full assets of the State Police to include evidence processing, forensic analysis, cognitive interviewing and special investigative measures to include surveillance support and polygraph testing procedures. This enhancement to the enforcement arm of Charitable Gaming will come at a reduced cost in comparison to full-time positions requiring a benefit package.

(4) Attorney General enforcement support

Enforcement of gaming law violations within the Office of the Attorney General are subject to the availability of staff and funding for same. The nature of gaming related crimes cannot compete for attention with the higher profile crimes of homicide, robbery and other major crimes and are most often referred to the county level for investigation and prosecution. The Study Commission was provided with some very general cost information which indicates that it would cost about \$127,000 in 2017, including benefits, for a single dedicated attorney. Like all other personnel costs, that figure would rise annually.

(5) Technology training and equipment

The technology used by the agency should be upgraded. For example the agency is using an off-the-shelf software package called Microsoft Access to manage not only licensees but also to manage financial data. Microsoft Access is the wrong platform for the agency to be using especially when it comes to managing financial data. The agency does have a full time programmer on staff and the agency has purchased Sequel Server to transition into this environment. To the extent where possible the agency should try to direct any assets (human talent) they may have to assist this process.

While human resources are always a challenge to fund, the Lottery Commission, under whom Racing and Charitable Gaming now resides, should endeavor to use technology whenever possible to assist in the regulation and compliance with the rules and statues, being mindful not to approve any technology that would be considered an expansion of gambling without specific legislative intent. For example, the Racing and Charitable Gaming Commission revised its administrative rules, which were approved by JLCAR, to allow for the use of electronic Lucky-7 ticket dispensing devices. These devices allow the commission staff to view current sales and related data remotely via the internet.

To understand how badly things can go when gaming activities only get limited oversight and enforcement, one only needs to read the full audit report entitled, "Cocheco Valley Humane Society Audit Report for the period July 2012 through June 2013" (Reference Item F), prepared by the staff of Racing and Charitable Gaming Commission. It's impossible to read that report and not realize that charities are at the mercy of those individuals into whose hands the charity has entrusted their

gaming receipts often with poor results for the charity. The Study Commission strongly urges those who will be making fiscal decisions on additional oversight and enforcement take the time to read this comprehensive audit.

Funding these positions is imperative if improvements to the system are going to be accomplished, the surplus funds mentioned in (b) above show that the state budget allocates only 34% (\$1.53M) of the \$4.5M raised by the Racing and Charitable Gaming Commission for its operating budget.

(d) Alternative funding for charitable organizations.

The valuable resources that the many charities receive through the charitable gaming system cannot be replaced by any other program or funding mechanism. The state simply does not have the money to create an alternate source of revenue. The private sector, including donations and fund-raising activities cannot match the \$12M that charitable gaming provides.

(e) The role of the game operators and primary game operators.

For all but a few charities, operating a Bingo or Games of Chance event is beyond the experience and training levels of most of their membership. The game operators and primary game operators and managers have the experience and talent to play an integral role in the operations of charitable gaming. Without primary game employers and their employees being involved, Games of Chance would not be successful for the participating charities. The charities lack the time, the resources, knowledge, space and other factors to operate the games themselves. Some self-sustaining charities do run successful Bingo operations, most frequently by hiring an experienced Bingo manager – a person who often performs those duties for several charities.

Recent sessions of the legislature have actually authorized improved and new games for charity gaming designed to attract more players. Hired operators and managers are much more likely to stay abreast of the changes and new opportunities – more so than the once-a-month charity volunteer.

Without the games operators and managers, a charity's revenue could be so constricted as to impinge upon their ability to fulfill their desired community obligations. Most charities prefer to leave the 'heavy-lifting' to the experienced game operators and managers.

That is not to say that the charities can afford to simply lay back and let an operator or hired manager take over without oversight from the charity. Many charities wrongly think that the State will protect them from abuses but, as some charities have learned, it is their responsibility to oversee the operator or manager. It is recommended that the State continue to educate and explain to charities their proper role in managing their activity, explain what to look for and to make sure that the required forms are

submitted on a timely basis and are accurate. These instructions could be delivered through one-on-one meetings during the license application process and/or on-line instructional videos to assist charities with their regulator responsibilities. Charities must also remember that it is their license that is at risk.

(f) The prospect of limiting growth or phasing out games for charity.

We sometimes hear, “If we can’t clean up the abuses then we should do away with charitable gaming.” While it’s true that there are reported abuses in the charitable gaming system, investigating and prosecuting the abusers will take a serious commitment by the Legislature to provide the resources to hire the additional personnel outlined in (c) above. Depriving the large number of hard working charities of their badly needed resources is, at the very least, not a practical solution. More eyes in the field, while perhaps not able to clear up every abuse and criminal activity, will certainly send a message and cause those who would abuse the system to give pause lest they be cited and prosecuted.

No one has appeared before the Study Commission to call for the elimination of charitable gaming, but we recognize the need to do a better job of providing oversight and enforcement.

(g) The prospect of improving and expanding games-of-chance-for charity system to enhance resources for charities.

The legislature continually supports measure that improves the games and how they are played. Recent changes include electronic Lucky 7 machines, increased betting limits and the current consideration of the pooled Winner Take All game.

However, before any discussion of expanding charitable gaming there must a commitment by the state to adequately fund the positions necessary for oversight and enforcement to ensure the integrity of the games as previously noted in this report. Additionally, any effort to expand these games should depend on a successful transition of the Racing and Charitable Gaming Commission in to the Lottery Commission, and sufficient time to evaluate that process. The Legislature should also consider further empowering the Racing and Charitable Gaming Commission with additional authority to penalize the wrongdoers at that level in order to limit the more costly involvement of the State Police and the Attorney General’s Office.

SUMMARY

The findings and observations of the Study Commission are summarized below with the paragraph identifications corresponding with those of the original charge to the Study Commission

- (a) Any future statute changes to eliminate games of chance for charity would be significant financial hardships for the entities and people that presently participate in the games and rely on them for income. More than 400 charitable organizations are licensed to conduct the games and the licensed game operators employ more than 400 licensed individuals to run games. The charities collect between \$12-13 million per year, the payroll of the gaming industry exceeds \$15 million and the state receives nearly \$5 million in taxes and fees from charitable gaming and other sources. And, of course, the loss to those for whom the Games for Charity funds actually help. Without these funds, the direct and indirect assistance would end. There is no foreseeable way to replace this money in the economy if the gaming was to be ended and, moreover if ended, people could be pushed toward illegal gambling.
- (b) The oversight of games for charity needs to be improved in order to truly satisfy best practice regulatory standards. At a minimum, three different, but equally important, projections need to be advanced. There should be state police troopers within the Department of Safety assigned to handle gaming enforcement. New auditor positions should be created to keep pace with the demands of the ever busier games for charity industry. Lastly, technology needs to be upgraded to better collect data, provide timely reporting, and to “follow the money” in real time. The Lottery Commission would be best suited to identify the extent of those needs and to estimate the associated costs.
- (c) The cost of regulation and enforcement of games for charity can be directly traced to the budget of the former Racing and Charitable Gaming Commission. The entire cost is approximately 1.6 million dollars to run the agency which includes management personnel, auditor positions, game inspectors as well as licensing staff. The budget is funded from the taxes and fees collected on Bingo, Lucky 7 tickets, and games of chance plus simulcast operations not related to charitable gaming. The budget consumes only about one third of the income with the balance going to the Education Trust fund. Clearly, more money should be going into the regulation and enforcement of the games.
- (d) Presently, there appears no magic alternative funding mechanism for charitable organizations that raise funds 12 million dollars per year through charitable gaming. The charities depend on the gaming income to benefit them and the communities they serve. Likewise, the gaming industry would be curtailed and the state would suffer tax losses should alternative funding be found and games for charity funds be replaced by another way.
- (e) The game operator employers, the primary game operators, the secondary games operators and managers play an integral role in the operations of charitable gaming. Without game operators and managers as a whole being involved, charitable gaming likely would not be as successful for the participating charities as many charitable organizations lack time, resources, knowledge, space, and other factors to operate the games themselves. Without the games operators and managers, a charities stream of revenue could be squeezed sufficiently to impact their ability to fulfill their community

obligations. All in all, game operators provide a valuable service to the charities they serve.

- (f) The prospect of limiting the growth or phasing out games for charity is not an immediate likelihood. Recent sessions of the legislature have actually authorized new games for charity or improved existing games to help the charities and attract players. The Bingo games, Lucky 7 tickets and games of chance are all enjoying popularity by the charities, players and the general public. This is, in part, because most people have confidence in the way the games are being run and regulated.
- (g) Over the past few years, the legislature has taken various steps to improve, enhance, and create new gambling options and the regulation thereof. For instance, legislation was approved for a new simulcast parlor in Cheshire County, the responsibility for enforcement of illegal gaming machines was given to the Racing and Charitable Gaming Commission, the authorizing of electronic Lucky 7 machines by the legislative rules committee, a change was made to the betting process in charitable poker games to allow a player to go "all in" during play, and a bill to create a shared Bingo game is presently receiving favorable hearing before the legislature. While simulcasting and investigating illegal gambling machines fall outside the scope of charitable gaming, it did increase the work burden of the Racing and Charitable Gaming Commission which reduced some of the time to spend on games for charity. While contemplating or enacting these new laws, there was no appropriation for additional funds for the regulatory work. The improving and expanding the games of chance for the charities to enhance their resources is an ongoing process. Likewise, there is a need to consider funding for the regulatory process as well, giving the Racing and Charitable gaming Commission authority to penalize those who break the rules, regulations and laws..

Whereas charitable gaming is now part of the New Hampshire fabric as many charitable organizations depend on gaming for income, hundreds of local citizens earn a living running the games, and thousands of people play the games. Clearly though, the necessity to increase the staffing levels at the Lottery Commission for game regulation and related enforcement is paramount. The Racing and Charitable Gaming Commission had difficulty convincing the legislature more regulatory funds were required to meet a best practices model and, in fact, even lost positions over the years. The question of adequate funding still remains on where to find the money without taking away from something else. Some recent discussion centered on the consideration of placing a modest tax on charity Lucky 7 profits, charging a fee for unlicensed gaming machines like some municipalities do, or place a tax on the play for money on-line fantasy games. Of course, these new ideas would have to be vetted by the Lottery Commission and ultimately any new source of funding and agency budgeting would be a legislative prerogative.

REFERENCES

The following referenced documents are available on the internet or upon request as noted below.

Item	Document Name	Website Location
A	HB 1630, 2014 Session	http://www.gencourt.state.nh.us/legislation/2014/HB1630.html
B	The WhiteSand Gaming Report November 15, 2013	http://www.nh.gov/groa/publications/documents/white-sand-final-report.pdf
C	Gaming Regulatory Oversight Authority Report December 12, 2013	http://www.nh.gov/groa/publications/documents/final-report.pdf
D	Gaming Regulatory Oversight Authority draft bill for the 2014 Legislative session	http://www.nh.gov/groa/publications/documents/chapter-284-b.pdf
E	Gaming Statistics produced by Racing & Charitable Gaming staff August 2015	Contact Racing and Charitable Gaming Director, Paul Kelley via e-mail at paul.kelley@racing.nh.gov or by calling 603- 271-2158
F	Cochecho Valley Humane Society Audit Report produced by Racing and Charitable Gaming 2014	Contact Racing and Charitable Gaming Director, Paul Kelley via e-mail at paul.kelley@racing.nh.gov or by calling 603- 271-2158