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NEW HAMPSHIRE DEPARTMENT OF STATE

STATE OF NEW HAMPSHIRE

Honorarium or Expense Reimbursement Report (RSA 15-B)

Type or Print all Information Clearly:

Name: Andrew J. Hosmer Work Phone No. 603 496 2078
Work Address: 8 Summit Ave Laconia NH 03260
Office/Appointment/Employment held: Senator

List the full name, post office address, occupation, and principal place of business, if any, of the source of any reportable honorarium or expense reimbursement.

Source of Honorarium or Expense Reimbursement:

Name of source: First Middle Last

Post Office Address:

Occupation:

Principal Place of Business:

If source is a Corporation or other Entity:

Name of Corporation or Entity: National Council of Legislatures from GAMING States

Name of Corporate/Entity Representative:

Work Address of Representative: NCLGS 385 JOHNSON RD. TROY, NY 12180

Food and/or beverages consumed pursuant to RSA 15-B:6, II with value over \$25.00

Value of Honorarium Date Received: [if exact value is unknown, provide an estimate of the value of the gift or honorarium and identify the value as an estimate.] Exact Estimate

Value of Expense Reimbursement: 1200 Date Received: April 2014 A copy of the agenda or an equivalent document must be attached to this filing. Exact Estimate

Briefly describe the service or event this Honorarium or Expense Reimbursement relates to:

Legislative Conference on Issues associated with GAMING

"I have read RSA 15-B and hereby swear or affirm that the foregoing information is true and complete to the best of my knowledge and belief."

Signature of Filer Date Filed

9/07

RSA 15-B:9 Penalty. Any person who knowingly fails to comply with the provisions of this chapter or knowingly files a false report shall be guilty of a misdemeanor.

Return to: Secretary of State's Office, State House Room 204, Concord, NH 03301

From: Laurie Dingmon On Behalf Of Susan Nolan

Sent: Tuesday, November 12, 2013 1:24 PM

To: Andrew Hosmer

Subject: NCLGS Winter Meeting Scholarship Award Granted November 12, 2013 Dear Sen. Hosmer: This letter confirms that you have been awarded a legislative scholarship by the National Council of Legislators from Gaming States (NCLGS) Foundation, to attend the January 10 through 12 NCLGS 2014 Winter Meeting in Hollywood, Florida. Attendance at the NCLGS seminar will allow you to experience first-hand the gathering of legislators from across the country to share information and discuss and debate sound gaming public policy. I look forward to seeing you in Hollywood. Please feel free to sit at our committee tables as a non-voting participant—we're interested in your opinions. It benefits your state and NCLGS to receive all perspectives on the critical issues we debate and to hear what works in the states and what doesn't. If you haven't already registered, please submit your registration form, including credit card information, as soon as possible, as we need it to hold your room at the host hotel. You may register online at [www.nclgs.org](http://www.nclgs.org) or complete the attached registration form and fax it in to us. Scholarships cover registration fees, reasonable travel, hotel, and meal expenses up to \$1,200. Recipients are asked to make their own travel reservations. The NCLGS Foundation will reimburse you for your room at the host hotel, as well as for travel and meals pursuant to the attached guidelines, and contingent upon appropriate documentation. To be reimbursed, you must attend Committee meetings and other sessions at the conference. The attached information offers further guidance on our reimbursement policy. Should you have any questions, please feel free to contact our office at 518-687-0615. Best regards, Susan Nolan

NCLGS Executive Director The National Council of Legislators from Gaming States (NCLGS) is the only organization of state lawmakers that meets on a regular basis to discuss issues in regard to gaming. Members of NCLGS chair or are members of committees responsible for the regulation of gaming in their state legislative houses. NCLGS does not promote or oppose gaming but is primarily concerned with the proper regulation of the industry. The NCLGS Foundation is a 501(c)(3) educational arm of NCLGS.

# NCLGS 2014 Winter Meeting

January 10 through 12, 2014 • The Westin Diplomat Resort & Spa • Hollywood, Florida  
 --- you can also register online at [www.nclgs.org](http://www.nclgs.org)---

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
 Company/Affiliation: \_\_\_\_\_ E-mail: \_\_\_\_\_  
 Preferred Mailing Address: \_\_\_\_\_ Accompanied By: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 (Any guest attending meetings, breaks, receptions, or other functions must register. Legislators are not subject to fee.)  
 Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ First Time Attendee?  Yes  No

REGISTRATION	FEES
<b>REGISTRATION WILL NOT BE PROCESSED WITHOUT PAYMENT</b>	
Legislator, Staff, Member State	\$300.00 _____
Legislator, Staff, Non-Member State*	\$375.00 _____
Other State/Federal Official	\$375.00 _____
Tribal Official	\$375.00 _____
Industry	\$500.00 _____
Media	No Charge _____
Industry Spouse/Immediate Family	\$50.00 _____

PAYMENT TO NCLGS	
Date form was submitted _____	
<input type="checkbox"/> Registration fee enclosed	
\$_____ (payable to NCLGS)	
<input type="checkbox"/> Credit Card Payment	
Charge to my:	
American Express <input type="checkbox"/>	MasterCard <input type="checkbox"/> Visa <input type="checkbox"/>
Card # _____	
Code: _____ Exp. Date _____	
Signature _____	

\* First-time legislators from non-member states are allowed a one-time, reduced registration fee of \$300.00

**CANCELLATION POLICY: HALF REFUND UP TO DECEMBER 20; NO REFUND AFTER DECEMBER 20.**  
**CANCELLATIONS WILL ONLY BE ACCEPTED IN WRITING.**  
*You should receive a NCLGS registration confirmation within one week of submittal, if you do not, please contact our office.*

*For Internal Use Only*  
 ID# \_\_\_\_\_ Registration # \_\_\_\_\_ Processed \_\_\_\_/\_\_\_\_/\_\_\_\_ Processed By \_\_\_\_\_

**HOTEL CUT-OFF DATE IS DECEMBER 16, 2013**  
 Rooms in the NCLGS room block are limited in number and may sell out prior to this date. If rooms sell out, NCLGS will apprise you of overflow options.

**HOTEL RESERVATIONS CANNOT BE MADE WITHOUT PAID MEETING REGISTRATION**

**HOTEL ACCOMMODATIONS NEEDED?**  YES  NO  
 Legislators  \$149.00\*  
 All Others  \$189.00\*  
 \*plus taxes currently totaling 11% per night

Arrival Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Departure Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Room preferences: \_\_\_\_\_

**ANY CHANGES MADE WITHIN 7 DAYS OF ARRIVAL WILL RESULT IN A PENALTY EQUAL TO ALL NIGHTS ORIGINALLY RESERVED. ALL CHANGES MUST BE MADE THROUGH THE NCLGS NATIONAL OFFICE.**

*For Internal Use Only*  
 E-mail confirm date \_\_\_\_\_ Updated in DB

**HOTEL PAYMENT**

All room reservations must be guaranteed by an accepted credit card or accompanied by a check for a deposit payment equal to one night's fee *plus tax* made payable to: **The Westin Diplomat Hotel & Spa.**  
 Indicate below method of guarantee:

Check Enclosed (amount: \$\_\_\_\_\_)

Charge to my:

Same Account as Above  American Express

MasterCard  Discover

Visa  Diners Club

Card # \_\_\_\_\_

\_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

The above signed authorizes the Westin Diplomat Hotel to charge this card for the initial deposit, as well as for cancellation, no-shows & early departures.

Mail or fax this form to:  
 NCLGS • 385 Jordan Road • Troy • NY • 12180 • Tel: 518-687-0615 • Fax: 518-687-0401  
 E-mail: [info@nclgs.org](mailto:info@nclgs.org) • Website: [www.nclgs.org](http://www.nclgs.org)

**NCLGS FOUNDATION**  
**Travel Expense Reimbursement Guidelines for Legislators**

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**Legislators will be reimbursed for their expenses only. Reimbursement will not exceed \$1,200, including registration fee, reasonable travel, hotel and meal expenses. Reimbursement is contingent upon appropriate documentation of expenses and meeting participation.**

**TRANSPORTION:**

**Air Travel**

Reasonable air travel expenses are reimbursable. It is advised that the tickets are purchased at least 21 days in advance of the flight to secure an economical fare. Legislators are responsible for any upgrades.

**Ground Transportation**

Reasonable transportation costs via either shuttle service or taxis incurred on the way to and from the airport are reimbursable. Rail travel, either train or subway, are included in this as well.

**Mileage Reimbursement**

Mileage for travel to meetings within a 150 mile radius is reimbursable according to the current rate set by the IRS. Fuel and all other operating costs are included in the mileage rate. Tolls and parking fees are not included in the mileage rate and, therefore, eligible for reimbursement.

**LODGING:**

Legislators must arrange for his/her own hotel room at the NCLGS host hotel, and may submit the room cost as part of his/her reimbursement. Host hotel lodging arrangements are part of the NCLGS conference registration form. NCLGS will not reimburse for phone, internet or spa expenses.

**MEALS:**

NCLGS will reimburse for the legislator's (please do not include expenses of those whom you are traveling with) reasonable documented (include original receipts) meal expenses. NCLGS will not reimburse tip expenses in excess of 20% of the total bill. **NCLGS will also not reimburse for a meal if that meal has been provided as part of the conference (for example, continental breakfasts and keynote luncheons).**

*Breakfast – if not otherwise provided, with original receipt -- not to exceed \$20.00 per day*

*Lunch – with original receipt -- not to exceed \$30.00 per day*

*Dinner – with original receipt -- not to exceed \$50.00 per day*

**SUBMIT REIMBURSEMENT:**

Legislators should submit their reimbursement requests within one (1) week, but no later than one (1) month past the NCLGS event. **Due to accounting and auditing procedures, NCLGS will not reimburse after the thirty-day limit.**

Legislators must attach original receipts in order to receive reimbursement. Please allow NCLGS 30 days to process reimbursements. The form will be void unless signed. When submitting reimbursement requests, legislators must complete the attached form, sign and mail all originals to the NCLGS Foundation, c/o NCLGS, 385 Jordan Road, Troy, NY 12180.

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES  
COMMITTEE ON LOTTERIES  
HOLLYWOOD, FLORIDA  
JANUARY 10, 2014  
11:00 A.M. – 12:00 P.M.  
DRAFT MINUTES

The Committee on Lotteries of the National Council of Legislators from Gaming States (NCLGS) met at the Westin Diplomat in Hollywood, Florida, on Friday, January 10, at 11:00 a.m.

Rep. Kevin Ryan of Connecticut, committee chair, presided.

Other legislators present included:

Rep. Helene Keeley, DE	Rep. Jim Waldman, FL
Rep. John Viola, DE	Rep. Barbara Watson, FL
Rep. Gwyndolen Clarke-Reed, FL	Rep. Rich Golick, GA
Rep. Janet Cruz, FL	Rep. Louis Luchini, ME
Rep. Joe Gibbons, FL	Sen. Andrew Hosmer, NH
Rep. Doug Holder, FL	Rep. Tom Stevens, VT

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director  
Jennifer Webb, Nolan Associates, NCLGS Director of Legislative Affairs

#### MINUTES

The Committee accepted the minutes of its last meeting on June 7, 2013, in Atlantic City, New Jersey.

#### GEORGIA LOTTERY TICKET SALES

Ms. Webb stated that originally a representative from the Georgia Lottery was going to attend the meeting, but was unable, and that she would present information on behalf of the Lottery. She said that three states sell lottery tickets online—Illinois, Georgia, and Minnesota. She noted that Delaware is also authorized to sell lottery tickets over the Internet, but has not implemented sales to date. She said that other states, such as Michigan and Kentucky, are also debating online ticket sales.

Ms. Webb stated that the main argument for allowing online ticket sales is that it will reach a new demographic that shops predominately online and does not frequent convenient stores, where lottery tickets are mainly sold. She said that the main arguments against the sale of online lottery tickets are that it will cannibalize from land-based sales and that it will lead to an increase in problem gambling.

Ms. Webb stated that Georgia implemented draw ticket sales in late 2012 and that they added Keno in on December 7, 2013. She stated that Keno games run online every 3 to 4 minutes during operating hours and in the first three weeks, sales had totaled \$217,000, accounting for 2.99 percent of total Keno revenue during that time period.

Ms. Webb stated that unaudited statistics for 2013 for Fantasy Five, a Georgia only draw game, totaled \$680,000, accounting for .77 percent of total Fantasy Five sales. She stated that Mega Millions and Powerball tickets sold via the online system saw a little over \$1 million in sales. She said that total lottery sales in Georgia for 2012 were approximately \$372 million, with Internet sales only being a small portion of total sales, at approximately \$2 million.

## NEW LOTTERY PRODUCTS

Chris Robertson of Diamond Game discussed new product trends in veteran and fraternal organizations. He stated that so-called "gray machines," machines that operate illegally or under unclear gambling laws, are prevalent in many states. He said that the number of machines is hard to document. He stated that new laws are leading to more frequent seizures of the machines and several states are approving regulated alternative gaming products.

Mr. Robertson stated that in early 2013 Delaware passed a law to allow veterans' groups and fraternal organizations to operate gaming machines overseen by the state lottery. He stated that the Missouri Lottery instituted electronic pull-tab dispenses in October 2013. He noted that the electronic dispensers improve security and accounting over traditional paper pull-tabs. Mr. Robertson stated that the New Mexico Gaming Control Board also approved electronic pull-tab dispensers.

Mr. Robertson said that in Maryland a law allows slot machines in veterans' hall on the eastern shore, but it leaves out veteran and fraternal halls in other areas of the state. He stated that in August 2012 a new law authorized the lottery to provide veterans halls with ITVMs, instant ticket machines with video displays.

Mr. Robertson said that in Ohio many veterans' halls are under scrutiny for gray machines, but the lottery is currently considering offering a new product that would provide a regulated alternative. He stated that in Florida pull-tabs were approved in 2007, but an Attorney General Opinion from 2008 forbids pull-tab dispensers. He said that the Ohio tribal-state gaming compact, up for renewal in 2015, also does not permit electronically assistant pull-tabs or similar lottery products.

Rep. Stevens stated that Vermont looked at regulating gaming occur in veteran and fraternal halls and received pushback that it would cut into needed revenue for the organizations and their charitable causes. He asked if Mr. Robertson had any information about revenue from regulated versus unregulated games.

Mr. Robertson said that because most of this type of gaming has been unregulated it is hard to get accurate revenue numbers. He said that typically with "gray machines," about 50 percent of the revenue was kept by the organization, and in regulated scenarios it can range from 20 to 50 percent.

## LOTTERY REVENUE STATISTICS

Director Gary Grief of the Texas Lottery stated that in the early 1980s there were only 14 states that operated lotteries. He said today that 44 states and the District of Columbia operate state lotteries. He stated that in fiscal year 2013, U.S. gross lottery sales exceeded \$60 billion, accounting for approximately 8.5 percent of dollars wagered in the U.S. He said that of the \$60 billion in gross lottery sales, over \$38 billion was returned to players in the form of prizes. He stated that more than \$21 billion was returned to states as net profit and more than \$4 billion was paid to over 200,000 lottery ticket retailers.

Director Grief stated that the \$21 billion retained by states is used to fund education, parks, capital construction, compulsive gambling assistance, crime control, economic development, environmental protection efforts, public pensions, property tax relief, highway repair, senior citizen programs, state government assistance, and tourism, among other causes.

Director Grief said that since the inception of the first U.S. lottery in 1964 in New Hampshire, state lotteries have generated more than \$1.1 trillion in gross sales, contributing more than \$350 billion to support state programs and services, more than \$64 billion to lottery retailers, and more than \$641

billion in prizes to customers. He stated that the operating expenses of most lotteries account for only 10 percent of gross lottery sales.

Director Grief said on a global scale, U.S. and Canada account for about 30 percent of worldwide lottery ticket sales. He said that New York has the biggest lottery in the U.S. and the eighth biggest lottery in the world.

Rep. Gibbons asked how much lottery revenue went to problem gambling issues. Director Grief answered that it varies by state and is typically mandated by state legislation. He said in Texas, legislation used to require that approximately \$400,000 be delegated to run a problem gambling hotline, but that legislation has since been retracted by the state legislature.

#### PRIVATE MANAGEMENT INITIATIVES

Leonard Gilroy of the Reason Foundation stated that fiscal pressures have prompted state and local governments to seek new or expanded opportunities to lower costs and/or increase revenues, such as private-public partnerships and outsourcing. He stated that all 44 states that operate lotteries currently outsource certain components of their internal lottery operations. He said that 41 states outsource facilities management, such as data systems. He said that four of those states--Texas, Nebraska, New York, and West Virginia--also outsource some sales responsibilities.

Mr. Gilroy said that three states--Illinois, Indiana, and New Jersey--operate their lotteries pursuant to private management agreements (PMA). He said that these agreements include facilities management services, financial commitments, marketing, sales, and game development. He said that PMA increase the scope of services that the lottery already outsources.

Mr. Gilroy stated that under PMAs, the state retains control over all significant business decisions and approves an annual business plan. He said that the state continues to manage security, financial procedures, legal accounting, auditing, retail licensing, and prize claim verification. He stated that PMAs are designed to give private operators the incentive, subject to state oversight, to grow the business and increase net revenues.

Mr. Gilroy said that the PMA model transfers risk from the state to the private manager. He said some of the benefits of PMA agreements are more flexibility to hire employees and pay incentives or bonus compensation, and that typically game development and technological advancements can occur at a faster rate.

Mr. Gilroy used the Illinois Lottery PMA as an example, stating that a 10-year agreement was signed in 2010 with Northstar Lottery Group. He said the agreement is designed to generate \$1.1 billion in net revenue in the first five years of operation, relative to state operation. He said that penalties are assessed if the manager fails to hit annual revenue targets. He stated that revenues are up over the \$100 million a year relative to state operation and that the Illinois Lottery is now among the states with the fastest growing lottery revenues. However, he said, revenue targets were missed and penalties were assessed on the manager. He said that there was a dispute between the manager and the state as to whether state actions adversely affected the ability of the manager to reach targets.

Mr. Gilroy said that the Indiana PMA agreement was signed with GTECH in 2012 and is to last 15 years. He said the agreement is designed to generate \$500 million in additional net income over the first five years, relative to state operation. He said the PMA increased the Hoosier Lottery's use of contracted services from 88% to 95% of total operations. He noted that the agreement also requires the manager to attain World Lottery Association certification.

Mr. Gilroy stated that the New Jersey PMA, like Indiana, lasts for 15 years. He stated that the agreement was signed in 2013 and is designed to generate a minimum of \$1.4 billion in additional net income over the life of the contract, relative to state operation.

Mr. Gilroy concluded by suggesting that any state considering lottery private management hire outside legal and financial consultants to evaluate any contract because the deals are exceedingly complex. He said that the state should tailor the agreement to the specific needs of their state and make sure that the process is very clear and transparent.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 12:00 p.m.



NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES  
STATE-FEDERAL RELATIONS COMMITTEE  
HOLLYWOOD, FLORIDA  
JANUARY 10, 2014  
3:00 P.M. – 4:30 P.M.  
DRAFT MINUTES

The State-Federal Relations Committee of the National Council of Legislators from Gaming States (NCLGS) met at the Westin Diplomat in Hollywood, Florida, on Friday, January 10, at 3:00 p.m.

Rep. Jim Waldman of Florida, committee chair, presided.

Other legislators present included:

Rep. Kevin Ryan, CT	Sen. William Coley, OH
Rep. Helene Keeley, DE	Sen. Andrew Hosmer, NH
Rep. John Viola, DE	Rep. Rosita Youngblood, PA
Rep. Jim Waldman, FL	Rep. Tyler August, WI
Rep. Barbara Watson, FL	Rep. Bill Kramer, WI

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director  
Jennifer Webb, Nolan Associates, NCLGS Director of Legislative Affairs

#### MINUTES

The Committee accepted the minutes of its last meeting on June 7, 2013, in Atlantic City, New Jersey.

#### IMPLEMENTATION OF INTERNET GAMING IN DELAWARE, NEVADA, AND NEW JERSEY

Kevin Cochran of Gambling Compliance stated that Nevada originally passed an Internet gaming law in 2001. He said in 2011 the state amended its law to require regulators to begin licensing Internet poker websites operated by the state's land-based casinos. He said that the first Internet poker website went live in Nevada on April 30, 2013, and currently two websites operate in the state. He said that in 2013 the state passed two bills allowing the governor to enter into interstate gaming agreements.

Mr. Cochran said that Delaware passed the Gaming Competitiveness Act in June 2012, which, among other points, legalized Internet gambling if offered through the state's three casinos in conjunction with the lottery. He stated that casino-style games experienced full launch on November 7, 2013. He said, however, poker will be delayed until the state entered into a liquidity-sharing agreement with other jurisdictions because of the state's small population.

Mr. Cochran stated that New Jersey legalized Internet gambling in February 2013. He said that the new laws allow for both casino games and poker to be operated via the state's land-based casino licensees. He said that six licensees went live with Internet gambling on November 26, 2013. He said that Governor Christie hopes to see \$160 million in annual tax revenues, but most experts agree that his projections are too high. He said that within the first six or so weeks of live gambling, approximately 150,000 player accounts had been created.

Mr. Cochran said that legislation to permit Internet gambling is currently pending in California, Massachusetts, and Pennsylvania. He stated that legislation was expected in at least Hawaii, Illinois, Iowa, and Mississippi in 2014. He noted that Louisiana was also studying the issue of Internet gambling.

Mr. Cochran said that a handful of states are offering, or considering offering, Internet lottery options. He said that Illinois and Georgia commenced online lottery ticket sales in 2012. He said that Georgia began operating Internet Keno in December 2013. He said that Minnesota had also launched Internet lottery within the state and that other states such as Michigan and Kentucky were considering Internet lottery options.

Mr. Cochran stated that tribes were also exploring Internet gambling options. He stated that some smaller tribes were forming consortiums to be in better competitive positions. He said that tribes were also considering offering Internet gambling in international markets. He said that the Cheyenne and Arapaho Tribes in Oklahoma had looked at offering gambling internationally on their website, pokertribes.com.

#### STATE AND FEDERAL INTERNET GAMING EFFORTS FOCUSING ON INTERSTATE COMPACTING

Ms. Webb said that Delaware, Nevada, and New Jersey went live with Internet gambling in 2013 and that the U.S. Virgin Islands received legal approval to implement Internet gambling. She stated that the Internet gambling laws in Delaware, Nevada, New Jersey, and the U.S. Virgin Islands all permit interstate compacts, or similar agreements. She said if such an agreement was entered into, states could pool players in states who were members of the agreement.

Ms. Webb said that Internet gambling bills proposed in Hawaii, Illinois, Iowa, Pennsylvania, and Texas in 2013 would explicitly permit interstate wagering. She said that Internet gambling bills introduced in California and Mississippi were limited to intrastate wagering. She noted that Massachusetts was silent on interstate wagering.

Ms. Webb said at the federal level there are three Internet gambling bills currently pending. She said one bill, H.R. 3491, would levy a tax on Internet gambling. She stated that H.R. 2282, sponsored by Rep. Peter King of New York would establish a regulatory regime for all forms of Internet gambling within the Department of Treasury. She stated that H.R. 2666, sponsored by Rep. Joe Barton of Texas, would regulate poker-only within the Department of Commerce. She stated under both H.R. 2282 and H.R. 2666, states already operating Internet gambling would still be permitted to do so, as long as certain minimum standards were met.

Mr. Webb stated that there is potential for new federal legislation in 2014, which would ban all Internet gambling. She stated that draft legislation, supported by Las Vegas Sands, is being circulated among stakeholders in Washington, D.C. She said the legislation would amend the Wire Act to make a wide range of games illegal over the Internet. She said that the draft does not grandfather in existing state markets. She said that whether a state supports Internet gambling or not the draft legislation gives rise to significant federal preemption and states' rights concerns that could bleed into other areas of gambling and Internet regulation generally.

Ms. Webb said that NCLGS is working with the UNLV International Gaming Institute to provide a set of standards for interstate Internet gambling. She said the goal of the exercise was not to support or oppose Internet gambling, but to produce guidelines for sound state policy. She said that the key reasons for creating the standards are:

- to foster effective regulation, cooperation, and information exchange among state policymakers and gambling regulators
- protect states that wish to participate in Internet gaming and those who do not
- establish minimum benchmark standards for Internet gaming policy
- support uniformity in Internet gambling while protecting states' rights

She stated that a request for comment, seeking information on Internet gambling, was currently underway. She said that responses are due on or before January 31, 2014. She said that NCLGS hoped to release an initial draft of the standards for review at the NCLGS Summer Meeting in June.

#### IGRA, TRIBAL GAMING COMPACTS, AND ONGOING NIGC INITIATIVES

Associate Commissioner Dan Little of the National Indian Gaming Commission (NIGC) stated that under federal law, tribal governments—like state governments—have the sovereign right to conduct gaming on their land if they so choose. He said that the Indian Gaming Regulatory Act (IGRA) was passed in 1988, which created the NIGC. He stated that IGRA created a three-tier regulatory structure, comprising tribes, the federal government, and states.

Commissioner Little said that states play a role in negotiating compacts with tribes to operate Class III, or casino-style gaming. He said that the NIGC has several responsibilities regarding Class III gaming, as well as other types of gaming, including approving tribal gaming ordinances, approving management contracts, conducting background checks, issuing notices of violation regarding enforcement issues, and monitoring a tribe's use of gaming revenues.

Commissioner Little provided updates on current events at the NIGC, stating that the NIGC does not have a permanent chair at this time. He noted that the previous chair, Tracie Stevens, had left recently. He said that an acting chair, Jonodev Osceola Chaudhuri, had been appointed in Fall 2013. He said that in Summer 2013 the NIGC released statistics on tribal gaming for 2012. He said that tribal gaming across the U.S. saw modest growth of 2.7 percent. He said the statistics account for 420 gaming operations run by 240 tribes in 28 states. He said that most of the growth was in California, Oklahoma and Florida. He said there were some challenges to revenues in the Northeast, but overall the industry is healthy.

Commissioner Little said that one of the biggest issues the NIGC was working on currently is self-regulation. He said that IGRA contains a provision that allows tribes to self-regulate the daily operations of their Class II, or electronic bingo, operations. He said that tribes with Class II operations would be applying to the NIGC for a self-regulation certification. He said that Class II self-regulation certification would not affect any of the tribal-state compacts and would not excuse tribes from other NIGC regulations that gaming operations are currently subject to.

Commissioner Little said that as an agency within the executive branch the NIGC has not taken a view on Internet gaming per se. He stated, however, that the NIGC is the only federal agency that regulates gambling and has staff experienced in the area. He said should Congress eventually task the NIGC with a regulatory role in Internet gambling, they will be equipped to do so.

In response to a question from Rep. Waldman regarding the most important regulatory and policy factors for state gaming commissions to consider, Commissioner Little stated that it is important to work closely with the regulated community to find out what is needed and what is not. He said soliciting feedback from the operators on the ground has proven extremely helpful for the NIGC in drafting appropriate regulations.

In response to another question from Rep. Waldman about conflict-of-interest policies in the appointment of commissioners, Commissioner Little stated that almost every individual who had served as an NIGC commissioner had at one point worked for a tribal government or a tribal gaming operation. He said that he thought it was important not to limit commission appointments to individuals not involved in gambling. He said there is a negative perception if someone with gambling industry connections is appointed to a regulatory commission, but he believed the knowledge brought by the regulator outweighed that concern. He noted that if there was a conflict of interest with a particular

company, the regulator could recuse him or herself from being involved in decisions regarding that company.

#### TRIBAL INTERNET GAMING ALLIANCE

Jeff Nelson of Kanji & Katzen, currently counsel for the Tribal Internet Gaming Alliance (TIGA), noted that he had previously worked as an attorney at the NIGC and also the Department of Interior, in the Bureau of Indian Affairs. He stated that up until recently the news in Indian gaming and Internet gaming had been focused on California. He said, however, that a few tribes in northern Wisconsin, Michigan, and Minnesota had recently come together to talk about how to best become involved in Internet gaming.

Mr. Nelson stated that the tribes decided to come together as a coalition to share costs and increase their market position against bigger tribes. He said that the coalition recently selected a group called C2 Rewards to operate a free-play website for member tribes. He said that C2 Rewards was selected after a competitive bidding process. He said that under the system each casino will have its own tailored website, but similar to Delaware's online system the back of the house would be controlled on the same platform. He said this allows the tribes to share the costs and other aspects of operation, but not share their proprietary player databases. He said that one tribe, thus far, had launched its free-play website.

Mr. Nelson said that regarding real money play, TIGA has developed a business plan and a legal plan. He stated that TIGA was formed via an inter-tribal treaty, so it does not involve any states or the federal government, only tribes. He said that the treaty is on the TIGA website. He said that TIGA is an intergovernmental treaty organization, and its sole function is to responsibly regulate and offer Internet gaming.

Mr. Nelson said one important issue for states is that TIGA will have the ability to enter into Internet gaming agreements with states. He said where state laws allows, TIGA wants to work cooperatively with the states on Internet gaming. He said that TIGA will only offer Class II gaming, bingo and certain non-banked card games, such as poker.

Mr. Nelson said another important issue for states is that TIGA will limit bets to the lands of member-jurisdictions, in other words, TIGA will not take off-reservation wagers. He said TIGA will only take bets from gaming-eligible lands, as defined by IGRA. He said that TIGA is taking a conservative legal approach, but other tribal organizations believe there is legal precedent for taking off-reservation Internet wagers, as long as the state does not specifically prohibit the activity.

In response to a question from Rep. Waldman regarding how many tribes were members, which tribes could become members, and what sort of interest there was in TIGA. Mr. Nelson stated that currently one tribe has ratified the treaty, but that more tribes are expected to ratify the treaty in the future. He said the treaty does not become effective until three tribes have ratified it. He said that TIGA has a mailing list of about 50 tribes in 18 different states. He said that the tribes showing the most interest in TIGA are the smaller tribes that cannot go it alone on Internet expansion. He said that any federal recognized tribe could become a member, independent of whether or not the tribe operates a casino.

Mr. Nelson stated that the Cheyenne and Arapaho Tribes had operated a free-to-play website, however, the state of Oklahoma said they believed the website violated the tribal-state compact. He said pursuant to the disagreement with the state, the tribes and the state entered into a settlement agreement in which the tribe agreed to not accept any play from the U.S. and only from international markets in which Internet gaming is legal. He said that the settlement agreement was sent to the Department of Interior (DOI). He said DOI viewed it as not a settlement agreement, but an impermissible amendment to the tribal-state compact and disapproved the agreement.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 4:30 p.m.

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES  
COMMITTEE ON CASINOS  
HOLLYWOOD, FLORIDA  
JANUARY 10, 2014  
4:30 P.M. – 5:30 P.M.  
DRAFT MINUTES

The Committee on Casinos of the National Council of Legislators from Gaming States (NCLGS) met at the Westin Diplomat in Hollywood, Florida, on Friday, January 10, at 4:30 p.m.

Rep. Helene Keeley of Delaware, committee chair, presided.

Other legislators present included:

Rep. Kevin Ryan, CT	Rep. Barbara Watson, FL
Rep. John Viola, DE	Rep. Louis Luchini, ME
Rep. Gwyndolen Clarke-Reed, FL	Sen. Andrew Hosmer, NH
Sen. Arthenia Joyner, FL	Rep. Rosita Youngblood, PA
Rep. David Richardson, FL	Rep. Tom Stevens, VT

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director  
Jennifer Webb, Nolan Associates, NCLGS Director of Legislative Affairs

#### MINUTES

The Committee accepted the minutes of its last meeting on June 7, 2013, in Atlantic City, New Jersey.

#### SPORTS WAGERING LITIGATION

Daniel Wallach of Becker & Poliakoff said that one of the biggest cases coming down the pipeline in gaming, federalism, and states rights involves the legality of sports betting in New Jersey. He stated that sports wagering is legal in only one state in the country, Nevada. He stated that outside of illegal sports wagering, Nevada has a virtual monopoly on the \$500 billion per year sports wagering business. He said that if other states were permitted to implement sports wagering, it could result in significant tax revenue and also help to stem illegal gambling markets.

Mr. Wallach stated that New Jersey is leading efforts to legalize sports wagering. He said that in 2011, New Jersey voters approved sports wagering at the state's casinos and racetracks by a two to one margin. He stated that as a result of the referendum, the state legislature enacted a sports-wagering law. He said the law allows for sports wagering on all professional and amateur sports, except events involving New Jersey collegiate teams. He said the New Jersey Law is at odds with a federal ban on sports wagering under the Professional and Amateur Sports Protection Act (PASPA).

Mr. Wallach said that New Jersey enacted its sports wagering law under the belief that PASPA is unconstitutional, because it violates the 10<sup>th</sup> Amendment of the U.S. Constitution. He said that New Jersey also contends that the monopoly created by PASPA for certain states, such as Nevada, violates another constitutional principle called the "equal sovereignty doctrine" by creating a disparate impact among states.

Mr. Wallach said that after New Jersey implemented its sports wagering law the NFL, NHL, NBA, NCAA, and MLB filed suit in August 2012, arguing that New Jersey's sports wagering law is preempted by

PASPA. He stated that the U.S. Department of Justice (DOJ) intervened in the case. He said that in February 2013, Judge Shipp of the U.S. District Court for the District of New Jersey found in favor of the sports leagues. He said that following the decision, New Jersey appealed to the Third Circuit Court of Appeals. He said that four other states filed briefs in support of New Jersey's appeal because a finding in favor of the leagues would constitute a substantial encroachment into states rights.

Mr. Wallach stated that on September 17, 2013, the Third Circuit issued a divided 128 page opinion upholding the lower courts ruling. He said that given the divided opinion, the potential impact on states' rights issues, and various political factors involved in the case, it is ripe for potential Supreme Court consideration.

#### NEW TECHNOLOGIES/SOCIAL CASINO GAMES

Kevin Mullally of Gaming Laboratories International (GLI) said that one of the major policy issues in the area of social casino games and technology today is convergence. He stated that various companies are coming together either via shared technology platforms or acquisitions. He said that social gaming, specifically the idea that some social games are similar to casino games and the market for social gaming is growing, has caught the attention of regulators and legislators. He said that a recent report showed that 81 million people actively play social games at least once a day, and that casino-style social games are an area of growth.

Mr. Mullally said that an international social gaming association has been formed. He said that the association believes that this type of activity does not fall into the category of regulated activity because in most cases these types of games are free. He said that Australia, France, and the United Kingdom have all reviewed social gaming issues at a legislative level recently. He said that multiple regulatory agencies have also requested information on social gaming issues. He stated that the current consensus seems to be that self-regulation is appropriate. He said that GLI is working on voluntary technical standards for social gaming.

Mr. Mullally stated that one of the technological areas of discussion, given that most information is now stored in the cloud or otherwise in electronic format, is security or data and personal information. He said that cloud technology is consolidating risk and requiring the need for more robust security standards at the casino level and on the Internet. He said that GLI has a tool to help casinos manage their online security. He said that operation and management of gambling systems online allows for more control over all aspects of system management, but also has security risks.

#### ELECTRONIC SWEEPSTAKES CAFE ENFORCEMENT

Steve Geller of Greenspoon Marder, P.A. explained that Internet, or electronic, sweepstakes cafes operate by allowing customers to buy phone or Internet time and then as part of that customers can play games for prizes or money. He said the games are considered sweepstakes because customers can also enter a limited number of the games for free and do not necessarily need to play the games to win a prize.

Mr. Geller stated that these cafes operate in a gray area of sweepstakes and gambling laws. He said that the selling of phone or Internet time is a pretext for the game play. He said that because the main source of revenue for many of these cafes is from the sweepstakes and not the phone or Internet time, it raises questions of gambling. He said that the cafes are unregulated and in his opinion constitute illegal gambling.

#### CASINO EXPANSION INITIATIVES AND STATE REVENUES

Michael Soll of Innovation Group stated that all but nine states have some form of casino-gambling, be it tribal or commercial casinos. He said that 16 states have only tribal casinos, with four of those states having only Class II gaming. He said that 12 states have both tribal and commercial casinos and 12 states have only commercial casinos. He said that in 2012 commercial casino revenue rose 4.8 percent to \$37.3 billion, contributing \$486 billion in direct gaming taxes to the states.

Mr. Soll said that that Maryland, Ohio, and New York are expanding their current casino markets. He stated that Pennsylvania, Florida, Illinois, Iowa, and New Hampshire are also considering doing so. He said that Massachusetts is an emerging market, where casinos are being introduced. He stated that the Northeast and Mid-Atlantic casino markets are highly competitive. He said that tribal casino expansion is also an issue in Michigan, Oklahoma and California.

Mr. Soll stated that tax revenues from casinos go to a wide range of uses. He said that in Colorado, Delaware, Iowa, Louisiana, Nevada, New Mexico, and Rhode Island, tax revenues go to the state general fund, as well as other specific funds. He said in ten states a portion of tax revenues go to social programs, in 13 states a portion goes to education assistance, in eight states a portion is distributed to local governments, and in seven states some tax revenues go to tourism or economic development. He said there are multiple other uses, but that social programs, education, local governments, and tourism were the most common earmarks. He said that portions of tax revenue in Kansas, Missouri, Nevada, New Mexico, and New York go to problem gambling.

Mr. Soll said that of the 23 states that have commercial casinos, Rhode Island, Maryland, and Pennsylvania have the highest tax rates. He said that Nevada, New Jersey, and Mississippi have the lowest tax rates. He said that in Rhode Island and West Virginia gaming taxes account for nearly 10 percent of the general fund. He said in Louisiana, Missouri, Delaware, Indiana, Mississippi, Pennsylvania, and Iowa gaming taxes account for between five and seven percent of the general fund. He said, however, in New Jersey, Florida, Ohio, and Oklahoma gaming taxes account for less than one percent of general fund revenues.

#### FLORIDA'S LEGISLATIVE GAMING REVIEW

Michael Pollock of Spectrum Gaming Group stated that Spectrum completed a report, as commissioned by the Florida Legislature, on public policy and Florida gambling markets. He said the report was not meant to provide policy recommendations, but to serve as foundational research to assist Florida policymakers with gaming policy decisions. He said that, while the report did not make policy recommendations, there are a few widely accepted policy points regarding casino gambling that are worth highlighting:

- Casino gambling licenses should be considered a privilege, not a right.
- The policymaker role is to establish the critical framework for casino gambling and to install public confidence in the process.
- State policy goals must be aligned with the goals of the gambling operator(s).

Mr. Pollock stated that a competitive bidding process for casino gambling licensing is integral to satisfying those policy requirements. He said that the process can be complicated, costly, and time consuming, but has proven to be a very effective way to choose the best operators for a particular state.

Pat Fowler of the Florida Council on Compulsive Gambling stated that the Spectrum Gaming Report prepared for the Florida Legislature included language noting that it was hard to quantify the extent to which the introduction of casino gambling in a region or state had created or increased certain social



issues, such as crime, problem gambling, and mental health disorders without doing a specific report on the issue. She stated that the Florida Council is support of such a study being undertaken. She said Massachusetts is undergoing such research regarding the current implementation of casinos there.

Ms. Fowler said that gambling prevalence studies had been conducted by multiple Florida academic institutions. She said that those studies found that problem gamblers are more likely to engage in illegal acts and to exhibit other problems such as drug and alcohol abuse. She said that a 2010 Florida study found the prevalence of problem gambling to be 17 percent, but when you examine those who were arrested within the last year the rate moves to near 30 percent. She stated that these estimates were based on self-report so should be considered conservative.

Ms. Fowler stated that the Council had an area of concern with the report regarding prevalence and proximity to a gambling venue. She stated that the report did not reach a conclusion on whether proximity to a venue increased problem gambling issues. She said that there is research in this area and it has been shown that proximity is a factor in problem gambling prevalence. She also said that recent anecdotal evidence suggests that proximity matters. She said that the Florida problem gambling helpline has received a four percent increase in calls for those located near Internet sweepstakes cafes since the proliferation of the cafes in the past few years.

#### ADJOURNMENT

There being no further business, the meeting adjourned at 5:30 p.m.

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES  
SPECIAL COMMITTEE ON PARI-MUTUELS  
HOLLYWOOD, FLORIDA  
JANUARY 10, 2014  
10:00 A.M. – 11:00 A.M.  
DRAFT MINUTES

The Committee on Pari-Mutuels of the National Council of Legislators from Gaming States (NCLGS) met at the Westin Diplomat in Hollywood, Florida, on Friday, January 10, at 10:00 a.m.

Rep. Joe Gibbons of Florida, committee chair, presided.

Other legislators present included:

Rep. Kevin Ryan, CT	Rep. Jim Waldman, FL
Rep. Helene Keeley, DE	Rep. Barbara Watson, FL
Sen. Oscar Braynon, FL	Rep. Louis Luchini, ME
Rep. Janet Cruz, FL	Sen. Andrew Hosmer, NH
Rep. Gwyndolen Clarke-Reed, FL	Rep. Rosita Youngblood, PA
Sen. Maria Sachs, FL	Rep. Tom Stevens, VT

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director  
Jennifer Webb, Nolan Associates, NCLGS Director of Legislative Affairs

#### MINUTES

The Committee accepted the minutes of its last meeting on June 7, 2013, in Atlantic City, New Jersey.

#### CONSOLIDATED TESTING LABS/MEDICATION ISSUES

Alex Waldrop of the National Thoroughbred Racing Association said that reforms to testing requirements and medication standards are necessary to protect racehorses, their owners, and trainers from harm and also to protect the integrity of the industry. He stated that in a recent poll, horse racing ranked just behind boxing as the sport where the public believes the most cheating occurs.

Mr. Waldrop stated the current status quo of state-by-state standards for testing and medication is not sufficient and that a uniform national standard should be put in place. He said that states and industry working together on uniform national medication reform would help to avoid unwarranted Congressional intervention. He said, in broad terms, that uniform reforms developed by the Racing, Medication, and Testing Consortium (RMTC) and the Association of Racing Commissioners International (RCI) include medication guidelines, a penalty system targeting individuals with multiple testing violations, testing lab accreditation, and external quality assurance. He said the reforms are comprehensive and when fully implemented they will address a wide array of safety and integrity issues.

Mr. Waldrop said that RMTC drafted the reforms and RCI has adopted them as part of their model rules, but it was now up to individual states to enact the rules. He said the reforms include the following:

- a controlled therapeutic medication schedule, which lists guidance for 24 necessary medications for treatment of health issues in horses

- a multiple violations penalty system, which provides for medication testing violations to transfer between jurisdictions, akin to the interstate system for motor vehicle driver licensing
- a restriction on the use and administration of furosemide, or "Lasix," requiring the drug be administered by a third party veterinarian to reduce the possibility of nefarious actions
- minimum standards that drug testing laboratories must adhere to in order to be certified by the RMTC

Mr. Waldrop said the RMTC and the RCI are undergoing a nationwide effort to get states to adopt the reforms. He said that 12 states, including Arizona, California, Delaware, Illinois, Kentucky, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Virginia and West Virginia, had adopted the standards so far. He said that the 12 states account for approximately 70 percent of all pari-mutuel handle nationally.

Mr. Waldrop said that three labs thus far have been accredited and five more labs have applied for accreditation, and that these labs provide the equine testing in all but seven states. He stated that seven outlier states are Florida, Illinois, Iowa, Louisiana, Michigan, South Dakota, and Texas, which currently rely on non-accredited testing labs.

Rep. Clarke-Reed asked if the multiple testing violations penalty system was aimed at both horse trainers and horse owners. Mr. Waldrop answered that the penalties were focused mainly on trainers, because that is where RMTC and RCI identified that the most issues were, but they could also be applied to owners, if necessary.

#### COMPETITIVE PRESSURES AND EFFORTS TO INCREASE REVENUES

Steve Geller of Greenspoon Marder, P.A. stated that one of the competitive pressures on pari-mutuels is that there are considerably more entertainment options now than 30 years ago, when pari-mutuel revenues were much higher. He said that another competitive pressure is that there are considerably more easily accessible gambling-based options, including Internet gambling and tribal gambling.

Mr. Geller said that in order to increase revenues pari-mutuels are introducing other forms of gambling, such as slot machines or card rooms. He stated that in many cases the racing operations would not survive without subsidization from the other forms of gambling. He said that other entertainment options, such as concerts, shopping, and fine dining are also being introduced at the racetracks. He said that simulcasting and advance deposit wagering options may also be used to help increase revenues.

Mr. Geller said that decoupling is also an important issue. He said that decoupling actually has nothing to do with increasing revenues, but is an effort to stem losses. He said currently in order to keep your pari-mutuel permit and/or run other forms of gambling, the majority of states require you to run a minimum number of horse or dog races a year. He said that decoupling would remove that minimum race requirement.

Mr. Geller stated that pari-mutuels argue that the number of races should be determined by the market and not by regulation. He said that another argument for decoupling is pari-mutuel taxes used to be a significant source of state tax revenue, but now that is not the case. He said that at present, it generally costs more to regulate pari-mutuel wagering than the state receives in tax revenue. He said that in Florida there is a major effort to decouple.

#### ADVANCE DEPOSIT WAGERING (ADW) AND TEXAS LITIGATION

Kevin Cochran of GamblingCompliance said that in 2011 the Texas Racing Commission laws were up for review, under a sunset provision. He said that as part of the legislative re-authorization package, Texas

House Bill 2271 clarified the law regarding the in-person requirement for wagering on horse racing. He said the bill added specific language that bets could not be accepted over the phone or Internet. He noted that the bill served as a warning to out-of-state Internet ADW operators that accepting wagers from inside Texas would no longer be tolerated.

Mr. Cochran stated that ADW allows players to open an account and place money in it, from which they can wager on horse racing. He said that such wagers can be accepted over the telephone, in person, or over the Internet, with the Internet being the most common means. He stated that in October 2011, the Texas Racing Commission sent cease and desist letters to nine out-of-state ADW operators who accepted bets from Texas residents. He stated that Churchill Downs, one of the operators who received a letter, believed the Texas law barring out-of-state operators violated the Dormant Commerce Clause of the U.S. Constitution.

Mr. Cochran explained that the Dormant Commerce Clause is the inverse of the Commerce Clause, which gives the federal government authority over interstate commerce. He said it can be interpreted to prevent states from making laws which unreasonably discriminate against other states in interstate commerce. He stated that Churchill Downs alleged in their lawsuit that the Texas law treated ADW providers differently than brick-and-mortar establishments and that the in-person requirement for wagering discriminated against out-of-state operators.

Mr. Cochran stated that the District Court found in favor of Texas. He said that the court found Internet wagering companies are wholly different than the bricks-and-mortar companies, making the discriminatory portions of the law reasonably crafted to protect wagering consumers. He stated that Churchill Downs appealed the opinion and the case is currently pending in the 5<sup>th</sup> Circuit Court of Appeals.

#### **SOCIAL ASPECTS OF PARI-MUTUEL WAGERING**

Alan Koslow of Becker & Poliakoff stated that in some states there are virtual off-track betting machines, which can be placed at authorized locations around the state to help raise revenues for pari-mutuels in the state. He said that such machines are not yet legal in Florida. He said the games are designed to target a younger demographic in a social setting, such as a bar or restaurant.

#### **ADJOURNMENT**

There being no further business, the meeting adjourned at 11:00 a.m.