

DRAFT – NOT APPROVED BY GAMING POLICY BOARD

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

May 26, 2011

at

555 Russell Road
Newington, CT 06111

Members: William F. Farrell, Chairman; Richard Antonetti; Edward F. Osswalt;
Paul F. Pendergast; Gayle A. Russell.

Staff: Kenneth A. Flatto, Executive Director; Suzanne J. Alix; Donald R. Kleber;
Viola Pietrandrea; Anne K. Stiber; Joseph P. Tontini; Frank R. Virnelli;
William Ryan; Paul Reiman.

Guests: Lt. John Eckersley and Sgt. Todd Harbeck, Connecticut State Police;
Chelsea Turner, Connecticut Lottery Corporation.

Call to Order: Chairman Farrell called the meeting to order at 10:33 a.m.

Chairman Farrell introduced the new Executive Director Ken Flatto. Ken is assuming the position held by Paul Young and will be providing you with a brief background of himself. Ken is supportive of the State's policies and the Board is sure he will do an excellent job as the Division's new leader.

Executive Director Flatto said it is a pleasure being here. He thanked the managers and employees at the Division. He also thanked and acknowledged Paul Young for his service and his guidance during the transition period. Executive Director Flatto said he hopes to make the Gaming Policy Board's job as smooth as possible.

Approval of Minutes: On motion made by Mr. Antonetti, seconded by Mr. Pendergast and unanimously voted, it was resolved that the Minutes of the March 17, 2001 meeting be accepted as distributed.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will take place at 10:00 a.m. on Thursday, July 28, 2011 at Division Headquarters in Newington.

Interim Reports

Gambling Regulation: Mr. Tontini said that the Board has received the changes to the off-track betting (OTB) operating hours since the last meeting.

Update: Off-Track Betting – there were five track approvals completed in February 2011 and there were 15 track approvals completed for the month of March 2011.

Mr. Tontini noted that there is still a noticeable decline in the OTB handle of approximately \$8.6 million or 6.19% for the first nine months of the fiscal year basically due to the bad weather this winter.

The Kentucky Derby was run on May 7, 2011, Animal Kingdom was the winner and sales in the OTB operations were \$3.56 million compared to \$3.32 million last year.

The Preakness Race produced \$2.3 million; almost exactly the same handle as last year.

Lottery: two Instant games received preliminary approval during the month of February 2011 and three Instant games received final approval during the month of February 2011. Two Instant games received preliminary approval and one Instant game received final approval during the month of March 2011.

The Connecticut Lottery Corporation is continuing with their second Super Draw which will take place on July 4th.

Mohegan Sun: for the month of February 2011 Mohegan Sun had 12 jackpots that paid \$50,000 or more; two of the 12 were wide-area progressive jackpots. For the month of March 2011 Mohegan Sun had 17 jackpots that paid \$50,000 or more and of those four were wide-area progressive jackpots.

As of the end of February 2011 Mohegan Sun had a total of 6,363 slot machines on the floor and at the end of March 2011 Mohegan Sun had 6,368 slot machines on the floor.

Foxwoods: for the month of February 2011 Foxwoods had 19 cash jackpots which paid over \$25,000 and there were no wide-area progressive jackpots for that month. For the month of March 2011 Foxwoods had 28 jackpots of \$25,000 or more and there were two wide-area jackpots for the month.

As of the end of February 2011 Foxwoods had 6,559 slot machines on the floor; at the end of March 2011 Foxwoods had 6,518 slot machines on the floor.

Integrity Assurance: Mr. Virnelli said he will provide a report regarding on-line gambling in North America since the last Board meeting.

Chairman Farrell asked the status quo of on-line gaming with the other states around Connecticut. Mr. Virnelli said there has not been a lot of change however he will provide more information in his report today. A brief discussion ensued on this topic.

Mr. Virnelli continued saying that on the day of the Board's last meeting, California Republican Representative John Campbell introduced a bill that is substantially similar to the one that Massachusetts Democrat Barney Frank introduced in the last Congress. Frank, New York Republican Peter King and Colorado Democrat Ed Perlmutter are co-sponsors. Despite the bipartisan sponsorship, experts are still saying that on-line gambling in any form is unlikely to pass at the federal level due to opposition by high-ranking Republicans. Spencer Bachus (R-AL), who has replaced Frank as the chairman of the House Financial Services Committee, is against any form of legalized gambling.

New Jersey: The bill to allow on-line casino games within the state's borders has passed both houses of the state legislature. If signed by Governor Chris Christie, Atlantic City casinos could offer on-line casino games to the New Jersey residents.

California: There are two bills in the California senate that would legalize on-line poker in that state. An attempt to pass a similar law did not make it through the last session.

Florida: A bill that would allow intrastate on-line poker has been introduced in the Florida House.

Iowa: There is talk in Iowa, including some from the Senate Majority Leader, of allowing on-line gambling in that state. At the moment, there is no detailed legislation.

Lotteries: the states of New York and Illinois are reportedly in various stages of considering offering their lotteries on the Internet; again intrastate only. In Illinois, North Star, a company that includes both GTECH and Scientific Games, has just signed a 10-year contract to manage the lottery. It is not clear what North Star will do regarding Internet lottery, but the guess is they would like to pursue all possible avenues of revenue.

Canada: The Quebec and British Columbia governments launched on-line casinos last year. Ontario is set to join them either this year or next, depending on the report. New Brunswick is watching those provinces and is studying internet gambling. The Kahnawake Tribal Gaming Commission licenses on-line operators. The KTGC is the commission of the Kahnawake Mohawk tribe, located just south of Montreal.

Charitable Games: Ms. Pietrandrea provided the Board with the following update on the Charitable Games activity for the month of March.

On March 11th, a letter was sent to sealed ticket permittees to notify them that a \$1.00 sealed ticket game, 'Cash Money' had sold out, as well as to inform them of the introduction of a new \$1.00 sealed ticket game, 'Ice Cool Bucks'. Each 'Ice Cool Bucks' ticket may feature prizes up to \$350.00, and each game packet will net an organization \$1,038.00. A letter was also sent to sealed ticket permittees on March 24th in order to notify them of the introduction of a new \$.50 sealed ticket game, 'Silver Express'. Each 'Silver Express' ticket may feature prizes up to \$150.00, and each game packet will net an organization \$318.00.

On March 17th, NAGRA, which is the North American Gaming Regulators Association, held its first webinar for the benefit of its members. A webinar is a web-based seminar or interactive meeting that is held on the Internet. By holding meetings in a webinar format, participants can interact with each other even when they may not be geographically close in proximity. NAGRA's webinar covered the topic of "Regulating Internet Gaming in British Columbia". It lasted for about an hour, and there was a question and answer period at the end. Several members of the Division were able to watch the webinar together, and they felt it was very informative. NAGRA intends to offer one or more webinars during the remainder of the year.

Security/Licensing: Mr. Kleber said the Board has received the security/licensing reports for the months of March 2011 and April 2011 and offered to answer questions, if any. He also noted that the Division has the complete cooperation of the Connecticut State Police. Mr. Kleber also said that Lt. Eckersley is present today along with Sergeant Todd Harbeck, who is new to their Unit.

Chairman Farrell mentioned that the Board is very concerned about the background investigations and their completion in a timely manner. He said there was a period of time when the Division was behind in the completion of the background investigations. Chairman Farrell said with the Security Unit and the full cooperation of the State Police, this matter is in good shape at the present time.

Mr. Kleber said the Division's Security Unit also works with another Unit of the State Police which deals with our occupational background licenses.

With regard to background investigations and checks, Mr. Antonetti questioned the checks used in the charitable gaming area, which seems to be a proliferation of the duck races. He said there seemed to be an absence of the Division of Special Revenue personnel at a duck race recently. Mr. Antonetti asked if this was due to the reduction of staff in the Charitable Games Section. Mr. Kleber said, as a permittee, the Division does criminal background checks. He referred the question to Viola Pietrandrea of the Charitable Games Unit for input.

Ms. Pietrandrea said the field staff of the Charitable Games Unit was eliminated last year so the Division no longer has staff to attend those activities and to inspect them.

Mr. Antonetti said it was mentioned to him recently that the Charitable Games Unit staff was absent at charitable games functions. He said there is a significant amount of money awarded at these events and the lack of oversight is of concern and could create some problems. Mr. Kleber said the change in the recent legislative bills regarding charitable gaming will definitely affect the work of the Security Unit with the criminal backgrounds of the people involved in charitable gaming, in that it provides no regulation in this area.

Mr. Antonetti said there should be strong legislative awareness to the problems that can be created with the lack of regulation. He said the Division has to be very cautious as to where these games wind up. Mr. Kleber also noted the Division's concern as it relates to the sealed ticket area and possible theft.

Mr. Osswalt echoed Mr. Antonetti's concerns with respect to the charitable gaming regulation program. He said what the Board is hearing today is that the Division went from eliminating regulation to at least coming back and having a few regulators. Mr. Osswalt said eliminating charitable gaming is short sighted. Regulation results in more revenue for the charitable organizations because it provides patrons with confidence that the games are on the up and up. Mr. Osswalt further stated that he hopes that the Division can get back to where it was with respect to charitable gaming regulation.

Chairman Farrell said it is a good point and asked the Executive Director forward the suggestions and concerns to the powers in charge.

Mr. Antonetti said a heightened awareness in the specifics of charitable gaming reducing any kind of monitoring is opening up an alert to potential dangers. Chairman Farrell echoed the concerns of both Mr. Osswalt and Mr. Antonetti in that the Board does not want to see any embarrassment for the State. He said there could be consequences resulting from the lack of oversight.

Mr. Kleber provided the Board with an update of a previous off-track betting investigation dating back to about a year and a half.

Chairman Farrell questioned the status of the AFIS program and Mr. Kleber noted everything is up and running well.

Mr. Pendergast said that the Board's concerns regarding the lack of oversight in the charitable gaming section, expressed to the Executive Director, be placed in the form of a motion so that it is a matter of record; and that the concerns and the motion be forwarded to the proper parties for their consideration.

On motion made by Mr. Osswalt, seconded by Mr. Pendergast, unanimously voted, it was:

“Resolved, That the Board adopt Mr. Antonetti’s comments and position relative to charitable gaming regulation, and request that the resolution adopting those comments and policies be forwarded to the appropriate parties for their consideration.”

Mr. Kleber continued saying the Division has completed the lottery retailer renewals. The forms were revised to ensure that each retailer has an individual guarantor, which protects the state’s financial position.

The lottery Super Draw will take place on July 4th. The Security Unit of the Division will be working both with our Gambling Regulation Unit as well as the Connecticut Lottery Corporation (CLC) to ensure the integrity of the game. The Division is working with the CLC on some updated procedures for lottery games.

The Division is also working with the Department of Administrative Services (DAS) to obtain a Request for Proposal (RFP) for the Instant game testing process. The current testing is being performed by the Connecticut State Police and the Division believes that an independent laboratory would be more beneficial at this time.

Administrative Hearings: Mrs. Stiber said that the Board has received both the hearing reports as well as the Freedom of Information requests for the month of April 2011.

Mrs. Stiber continued saying the Division has received a request to postpone the appeal of Hector Soto which was to be heard today by the Board. Mr. Soto has obtained legal counsel and this request would allow counsel to review the case. There was general agreement to reschedule the appeal once Mrs. Stiber is able to confer with Mr. Soto’s counsel for a mutually agreeable date. The Division will keep the Board apprised of the new date.

Mrs. Stiber noted she received a letter today from Carol Carson, Executive Director of the Office of State Ethics, congratulating the Board for 100% compliance with the annual filing requirements.

Mr. Osswalt asked Mrs. Stiber the status of the lottery regulations revision. Mrs. Stiber said the process is on hold at the present time due to some concerns from the new administration. She also stated that with the upcoming consolidation of agencies the regulations will have to be updated and amended accordingly.

Mr. Osswalt stated it is his understanding that there were substantive changes in the lottery regulations; and in terms of all of our regulations, they can continue in existence because of the statute that directs the successor agency to utilize the predecessor agency's regulations. Mrs. Stiber said that is correct.

Executive Director's Report: Executive Director Flatto reported the following for the Board:

There is legislation pending that would change the organizational and administrative structure of the current Division. The proposal is to have the Division and its responsibilities merged into the Department on Consumer Protection. The intent of the bill is that effective July 1st our agency would be merged into the Department of Consumer Protection. For the most part, the functions and regulations of our responsibilities would carry over. The Gaming Policy Board's function would remain exactly as it is, but there would be different references in that the Board would be working with a Commissioner, instead of an Executive Director to conduct their business. There are administrative issues relating to the merger which are on-going and the Division will keep the Board apprised as the proceedings go forth.

Executive Director Flatto continued saying the biggest change in the bill is that which affected charitable gaming. There had been some reductions that were adopted in the budget relating to the financial resources for regulating and implementing charitable gaming policies. One of the most substantive changes in the bill is a proposal to privatize the sealed ticket operation which would take the responsibility from the state issuing sealed tickets, and authorizes a mechanism for a private vendor to implement the sealed ticket operation.

Mr. Antonetti asked if there would be a loss to the State from the transfer of the sealed ticket sales to a private vendor. Executive Director Flatto said there possibly could be some loss, however all the specifics have not been finalized through legislation.

Mr. Antonetti asked the advantage of going to a private vendor. Executive Director Flatto said it seems the assumption is that it would save costs to the state, i.e. cost of warehousing the tickets as well as the administrative costs of staffing which may be reduced if a private vendor performed this function. The fiscal notes do not have a dollar figure attached as yet.

Executive Director Flatto continued saying the casino technology is changing and there are new games of interest to the casino, one of which is electronic games. The Division is doing a review of such games in terms of the Division's regulations. The Division will keep the Board apprised as these issues progress.

The Division was requested to review the possibilities of using credit cards as well as debit cards in the off-track betting system. The Division is working with the Attorney General on this matter.

New Business: Mr. Osswalt stated that there is a resolution that will be presented by Mr. Pendergast. Mr. Pendergast read the resolution into the record, attached hereto as ‘Attachment A’ which acknowledges Paul A. Young as Executive Director of the Division of Special Revenue.

A motion was made by Mr. Pendergast, seconded by Mr. Osswalt and unanimously voted, it was:

“Resolved, That the resolution read into the record as ‘Attachment A’ acknowledging the contributions of Paul A. Young as Executive Director of the Division of Special Revenue is adopted.”

Chairman Farrell thanked Mr. Osswalt for taking the time to create the resolution. He said it is an excellent summary of the Board’s dealings with Paul. Chairman Farrell asked that the resolution, along with a copy of the minutes be sent to Mr. Young.

Mr. Osswalt said he recently learned that Suzanne Alix was contemplating retirement as a state employee after forty-four years of service. Mr. Osswalt continued saying that since this is the last Board meeting prior to Suzanne’s retirement, he would like to propose a resolution, attached hereto as ‘Attachment B’.

On motion made by Mr. Osswalt, seconded by Mr. Antonetti unanimously voted, it was:

“Resolved, That the resolution read into the record as ‘Attachment B’ acknowledging Suzanne Alix’s retirement is adopted.”

Executive Director Flatto said he knows if his predecessor were here he would offer a few words. He continued saying the he feels (and on behalf of all the Executive Directors that have worked with Sue) that she has been a backbone to the operation for her decades of her service. He concluded by saying that he echoes the Gaming Policy Board’s comments.

Ms. Alix thanked the Board for their kind words and said it has been an honor and privilege to work with everyone, both the Gaming Policy Board as well as her co-workers at the Division.

Adjournment: On motion made by Mr. Antonetti, seconded by Ms. Russell and unanimously voted, the meeting adjourned at 11:30 a.m.

Respectfully submitted,

Suzanne J. Alix, Secretary
Gaming Policy Board

Attachments (2)