

DRAFT – NOT APPROVED BY GAMING POLICY BOARD

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

September 28, 2011

at

555 Russell Road
Newington, CT 06111

Members: William F. Farrell, Chairman; Edward F. Osswalt; Gayle A. Russell and Richard Antonetti (absent).

Staff: William M. Rubenstein, Commissioner; Kenneth A. Flatto, Director; Donna Rector, Secretary; Joseph P. Tontini; Frank R. Virnelli; Anne K. Stiber; Donald R. Kleber; Viola Pietrandrea; William Ryan; Paul Reiman.

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

Call to Order: Chairman Farrell called the meeting to order at 10:02 a.m.

Approval of Minutes: On motion made by Mr. Osswalt, seconded by Ms. Russell and unanimously voted, it was resolved that the Minutes of the July 28, 2011 meeting be accepted as distributed.

Chairman Farrell took a moment to speak on behalf of the Gaming Policy Board regarding the death of Nelson C.L. Brown II, a former member and Chairman of the Gaming Commission. Chairman Farrell expressed their condolences and recognized Mr. Nelson for his many years of state service.

Mr. Tontini announced his retirement effective October 1, 2011. Chairman Farrell commented that Mr. Tontini is a very dedicated employee who has given so much to this organization.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will be held on Thursday, December 8, 2011 scheduled at this location. The meeting previously scheduled for November 17, 2011 has been cancelled.

Chairman Farrell announced the Resignation of Board Member, Paul Pendergast.

Director's Report: Kenneth Flatto stated that the Division and staff have been working hard trying to do everything they can to continue to make operational improvements. Efforts have been made installing KOVU e-licensing system and implementation has made major progress.

Over the past two months, the Gaming Division has performed well and accomplished a number of goals. Remaining merger related activities were completed. Revenues from gaming activities around the state in general are consistent with the prior year's results.

Our Division is working hard on performing a thorough update to existing regulations. We have also met with related interest organizations such as the CT Council on Problem Gaming to support and hear about the latest in this area. The Council is holding its annual seminar conference on October 20, 2011.

Interim Reports

Gambling Regulation/Mr. Tontini:

Hours of Operation for OTB: A letter dated September 21, 2011 was handed out that lists a number of changes that are made to the OTB schedule for a variety of reasons, some having to do with the Saratoga Racing; they always go later therefore it affects the scheduling quite a bit.

Update

Off-Track Betting: Mr. Tontini noted there were fifteen track approvals completed in the month of June, four in July and nine in August. OTB is doing very well in the months of June and July of this year compared to 2010. As of the end of August this fiscal year they are down 264,000 which is .8 of 1%. After several delays, New York State's Aqueduct Raceway plans to open its new racino/casino at the end of October 2011 with 2,280 video lottery terminals and more than 200 electronic table games, including roulette, craps and Asian dice game Sic Bo. When fully functional in December of this year, they expect to have a total of 4,525.00 slot machines and 475 electronic table games. If the state legalizes the more typical Las Vegas-style casinos with dealer table games, such as Foxwoods, Mohegan Sun, the racino is designed to be reconfigured into a live-gaming facility. It will be interesting to see what kind of impact that will have on Connecticut casinos.

Lottery: Three instant games received preliminary approval and one game received final approval in June 2011. Three instant games received preliminary approval and six games received final approval in July 2011. Nine instant games received preliminary approval and five games received final approval in August 2011.

The Connecticut Lottery will start selling Connecticut Super Draw, Game #3 on Saturday, October 1, 2011, with \$275,000 tickets available for sale. Sales will end by December 31, 2011 or sooner if sold out with a drawing scheduled for January 1, 2012. New Powerball rules have been approved changing the matrix and the new game will cost \$2.00 instead of \$1.00. The Powerplay option will remain available for another \$1.00. These changes will take place for the drawing of January 18, 2012; sales will start on the 15th of January.

Chairman Farrell has a question regarding the machines that are installed at the supermarkets. Have there been any problems with this or has this been accepted as a fairly modern way of doing business? Joe Tontini stated that ITBM's are around the country, we had many up to 1999 for a period of time then the Lottery got rid of them because they weren't being as successful. However, they have new age verification checks that work much better than before. We will be addressing some of this in the new regulations as well but we can check with CLC to see if an analysis has been done and to see how profitable they are. They are intended to save time instead of having people stand in line. The scanning mechanism works so that you can put a license up to it and the machine will tell you if your age does not match age limits to play.

Mohegan Casino: For the month of June 2011, Mohegan Sun had seven jackpots that paid \$50,000 or more. Two of the seven were WAP and paid over \$100,000; one on June 5, 2011 for \$1,109,462.60; and another on June 18, 2011 for \$125,562.11. For the month of July 2011, Mohegan Sun had 17 jackpots that paid \$50,000 or more. Two of the seven was a WAP and paid over \$100,000; one on July 23, 2011 for \$4,536,632.34 and another on July 31, 2011 for \$2,166,758.01. For the month of August, Mohegan Sun had eight jackpots that paid \$50,000 or more. One of the eight was a WAP and paid over \$100,000; on August 8, 2011 for \$111,683.20. As of the end of June 2011, Mohegan Sun had a total of 6301 slot machines on the floor. As of the end of July 2011, Mohegan Sun had a total of 6304 slot machines on the floor and as of the end of August 2011; Mohegan Sun had a total of 6323 slot machines on the floor.

Foxwoods: In June 2011, Foxwoods had 22 cash jackpots over \$25,000 including seven cash jackpot awards of \$100,000 or more. This includes one WAP jackpot this month on June 11, 2011 for \$443,735. In July 2011, Foxwoods had twenty-nine cash jackpots over \$25,000 including three cash jackpot awards of \$100,000 or more. There was one WAP jackpot this month for \$88,564.14. In August 2011, Foxwoods had twenty-three cash jackpots over \$25,000 including one cash jackpot award of \$100,000 or more. This includes no WAP jackpots this month. As of the end of June 2011, Foxwoods had a total of 6,436 slot machines on the floor. As of the end of July 2011, Foxwoods had a total of 6,412 slot machines on the floor. As of the end of August 2011, Foxwoods had a total of 6,408 slot machines on the floor.

Chairman Farrell thanked Joseph Tontini for his service as did others at the meeting.

Integrity Assurance/Mr. Virnelli:

Mr. Virnelli asked if there were any questions on the statistical reports that were distributed.

He discussed potential gaming competition from other states. The Massachusetts House passed a casino bill by a wide margin. The bill would allow three casinos, one in each of three geographic zones in the state. Eastern/Central (including Boston and Worcester), Southeastern and Western, and a slot parlor (1,250 machines). A Native American Tribe, presumably the Mashpee Wampanoag's, would have first chance at the Southeastern license if they could reach a compact with the state by July 31, 2012. If not, the license would go out to open bid for that area.

There would be a five member gaming commission (one each by Governor, Treasurer & Attorney General, then those three pick the other two) to license and regulate the new facilities as well as new divisions of the Attorney General's office (the Division of Gaming Enforcement), the State Police and Alcoholic Beverages Control Commission.

Estimates for the casinos would be two years away, the slot parlor perhaps within a year.

The casino bill also requires the new gaming commission to develop legislation for Internet poker.

New Jersey: Mr. Virnelli stated that State Senator Raymond Lesniak has reintroduced legislation that would allow on-line gambling within the state of New Jersey. The new bill contains provisions that Senator Lesniak believes address the constitutional concerns of Governor Chris Christie who vetoed a similar bill earlier this year.

New York: Mr. Virnelli stated that legislative leaders and Governor Cuomo are considering legalizing table games. It would require a constitutional amendment, which means two consecutive legislatures would have to vote for it and then the state's voters would have to approve it. The earliest passage would be 2013.

Mr. Osswalt asked, with the Massachusetts legislation, does it complicate resort type casinos? Mr. Virnelli answered yes; there is actually a minimum of 500 room doors at each facility. There are concerns that some of the places that host concerts already in the state are concerned that they will lose acts now. The idea is for these to be full casinos to keep people in Massachusetts and draw people from Connecticut and other areas. The house has passed and the Senate is expected to pass the bill. Mr. Osswalt comments that the Massachusetts legislation reports to cut off Native American tribes rights under the Indian gaming regulatory? They want to give a tribe first shot in one of the casino's licenses.

Charitable Games/Viola Pietrandrea: The month of July was very busy not only because it is high-season for charitable gaming activities, but also because considerable time that was spent cross-training remaining staff members due to the loss in staff as a result of the budget.

On August 8th, a letter was sent to all annual bingo and sealed ticket permittees concerning the renewal of their permits, which were scheduled to expire September 30th. All permittees were informed that the Department had been exploring new options to simplify and improve certain processes, and that moving the bingo and sealed ticket permit renewal period now provides for a more efficient means of processing the renewals. Toward that end, the annual bingo and sealed ticket permits will operate on a calendar year basis. The term of the current annual permits was extended for a period of three months, so the existing permits will now expire on December 31st.

During the past month, work has begun to update sealed ticket regulations. The main focus of this project is to incorporate all recent statutory changes while updating existing provisions in the sealed ticket regulations. These changes will include the eventual transfer of responsibility for the sale and distribution of sealed tickets from the Department of Consumer Protection to sealed ticket distributors who will now register with the Department, as well as manufacturers of sealed ticket game products registering with the Department. It's anticipated that a draft copy of the proposed changes may be submitted to OPM for review by the end October.

Ms Pietrandrea distributed a report summarizing charitable game audits over the past three years. Ms. Russell asked if the dollar amounts disclosed during these compliance audits found misappropriation or other problems, does the Division have any idea of what the dollar amounts were lost by organizations? Ms. Pietrandrea responded that during the three fiscal years prior to this one, approximately \$256,728 was misappropriated from such organizations.

Ms. Russell questioned whether the organizations were short that much money because of someone misappropriating funds and did we found this due to our field inspections? Is something being done to protect these organizations since we don't have the inspectors anymore? Commissioner Rubenstein addresses the resource issue. We assure the Board that the oversight function still remains important. We have a full in house audit process that is capable of ascertaining when there might be irregularities and we have the capability to then investigate upon those findings. To the extent that we receive concerns or complaints from the organizations or from patrons of the organizations, we do have the capability to investigate in those circumstances. We intend to continue to be vigilant within the resources that we have available.

Ms. Russell said it seems that \$256,000 over three years is significant impact on charitable organizations but as long as they also have the ability to request that we go in and inspect if they have a belief that something wasn't handled properly that is important.

Chairman Farrell asked Commissioner Rubenstein, "do you think we have the resources to be able to handle a complaint if something seriously comes in"?

Commissioner Rubenstein: We do. We have had to shift resources around depending on what the immediate demand is and so we have the flexibility with our current investigatory staff to dedicate it to problems that we become aware of. We would expect not to ignore complaints and we would expect not to ignore audit findings.

Security/Don Kleber: Mr. Kleber asked the Board if there were any questions regarding the Licensing and Security reports for July and August? Mr. Farrell asked about how cooperation is going with the State Police given budget restrictions. Mr. Kleber stated that our relationship with the State Police is extremely strong and he described one joint investigation that we are currently doing together that involving an investigation of a company which may have some derogatory information pertaining to operations in another country. Mr. Kleber indicated that we have been working together with State Police to resolve those issues.

We are in the process of about 13,000 casino renewals which is an ongoing process. With regard to the sealed ticket testing process which needed modification between the state police lab and the Connecticut Lottery Corporation, a proposed solution has been reached with the help of Mr. Flatto. We have a resolution which allows the Connecticut State Police laboratory to continue their testing of instant lottery game tickets which is being codified through a new amendment of the existing ticket testing MOU which exists between the parties.

About a year ago we had arrested an individual who was working at a retail shop in the state for defrauding a customer on an instant ticket for \$5,000. We subsequently arrested another relative and for the last few weeks we have been involved in assisting at the trial.

Our staff will be involved with the Super Draw testing of the random number generator and also the staffing for the drawing on January 1st.

Chairman Farrell asked about the background check situation. Mr. Kleber said the numbers of delayed reviews by state police and thus temporary issuances of licenses are a little bit higher than we would like. However, the state police know our concerns and everyone is working to bring this up-to-date.

Chairman Farrell voiced his concern on the importance of this issue. We take this seriously because there are problems that could slip through the cracks and we stand as a board that would be held accountable as well as the entire state government. Chairman Farrell asked Lt. Eckersley to reassure him that the cooperation from the Public Safety Commissioner's office down to your office is still in place where they understand our concerns.

Lt. Eckersley assured the Chairman their agency relationship is strong with the division and that this issue is being addressed and reviews are being accelerated.

Legal/Anne Stiber: The Board was originally scheduled for Mr. Sabbir Ahmed, d/b/a Twin Stop; however we received a fax from his attorney yesterday afternoon notifying us that his client had withdrawn his appeal. Based upon that withdrawal, we no longer need to hear this appeal. We have no other appeals to be scheduled today.

There is no FOI report because there were no requests for the month of August. Also, there was reference made to the regulations update and we feel like we are in very good shape with both drafts of our Lottery Regulations and Sealed Ticket Regulations. We anticipate submitting them shortly to OPM and the Governor's Office and then once we have their approval, we will schedule a public hearing and thereafter submit them to the board for your approval.

Commissioner Rubenstein states that he is blessed with the extreme extraordinarily able and competent staff which has briefed you and me today.

Adjournment: On motion made by Ms. Russell, seconded by Mr. Osswalt and unanimously voted, the meeting adjourned at 10:41am