

DIVISION OF SPECIAL REVENUE

Gaming Policy Board

Minutes of Meeting

December 3, 2009

held at

555 Russell Road  
Newington, CT 06111

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

Absent: Paul F. Pendergast

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

Guests: James Birney of Autotote Enterprises, Inc.; Lt. Louis Fusaro; and Sgt. Joe Monty, Casino Unit/Connecticut State Police.

Call to Order: Chairman Farrell called the meeting to order at 10:35 a.m.

Approval of Minutes: On motion made by Mr. Antonetti, seconded by Ms. Russell and unanimously voted it was resolved that the Minutes of the August 20, 2009 meeting be accepted as distributed.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will take place at 10:30 a.m. on Wednesday, January 6, 2010 at Division Headquarters in Newington.

Interim Reports

Gambling Regulation: Mr. Tontini reviewed the changes to the hours of operation in the off-track betting system since the Board's last meeting.

Update: Mr. Tontini noted that he will be reporting on activities for the months of July through October 2009. Off-Track Betting – there were 32 track approvals for the four month period.

The simulcasting facility in Putnam opened on September 9, 2009 and is open seven days each week. The October handle at this facility was higher than both Torrington and Milford. This facility is a new model that is being used by Autotote Enterprises, Inc. (AEI) where they are actually part of a restaurant. There are separate entrances so that minors may not enter the gaming area. Several other towns are looking at similar types of operations.

Lottery – there were nineteen Instant games that received preliminary approval during this four month period and sixteen Instant games that received final approval.

The new Lucky 4 Life game which started in March 2009 has had three winners so far and all three winners have claimed their prizes.

Mohegan Sun: in July 2009 there were 71 jackpots of \$25,000 or more and three jackpots that paid \$100,000 or more. At the end of July 2009 Mohegan Sun had 6,749 slot machines on the floor.

In August 2009 there were 67 jackpots of \$25,000 or more and three that paid \$100,000 or more. At the end of August 2009, Mohegan Sun had 6,738 slot machines on the floor.

In September 2009 there were 50 jackpots of \$25,000 or more and three that paid \$100,000 or more. At the end of September 2009, Mohegan Sun had 6,732 slot machines on the floor.

In October 2009 there were 36 jackpots of \$25,000 or more and five that paid \$100,000 or more. At the end of October 2009, Mohegan Sun had 6,708 slot machines on the floor.

Foxwoods: in July 2009 there were 28 jackpots of \$25,000 or more and seven that paid \$100,000 or more. There was one jackpot that exceeded \$1.165 million. At the end of July 2009, Foxwoods had 7,594 slot machines on the floor.

In August 2009 there were 21 jackpots of \$25,000 or more and four that paid \$100,000 or more. At the end of August 2009, Foxwoods had 7,568 slot machines on the floor.

In September 2009 there were 30 jackpots of \$25,000 or more and five that paid \$100,000 or more. At the end of September 2009, Foxwoods had 7,514 slot machines on the floor.

In October 2009 there were eighteen jackpots of \$25,000 or more. At the end of October 2009, Foxwoods had 7,376 slot machines on the floor.

Autotote Enterprises, Inc. – Mr. Tontini briefly reviewed the request from Autotote Enterprises for their 2010 operating dates for the Connecticut Off-Track Betting system. He said the Division recommends approval of the request.

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

“Resolved, That Autotote Enterprises, Inc.’s request for 2010 operating dates for the Connecticut Off-Track Betting System (attached hereto as ‘Attachment A’) is approved.”

Integrity Assurance: Mr. Virnelli referred to a question raised at the Board’s last meeting concerning other states’ casinos with the two Connecticut casinos. He said he will provide a brief report on that topic.

Mr. Virnelli responded to a question raised by Mr. Antonetti concerning the transfers to the General Fund from the Connecticut Lottery Corporation. Ms. Russell asked if the Board could be provided with a historical analysis of the reserve funds compared to the transfers to the General Fund.

Mr. Virnelli continued with the report concerning the slot revenues of both Connecticut and Atlantic City’s for the last five calendar years. The analysis shows that the win in both states rose every year until it peaked in 2006. In the year 2006 where Atlantic City had twelve casinos, the total slot win was \$3.8 billion which was led by Bally’s. Foxwoods and Mohegan Sun had a combined win of \$1.7 billion that same year.

Since 2006 Atlantic City has dropped close to 10% each year; 8.9% in 2007; 9.6% in 2008. The Sands casino closed in November 2006, so the remaining 11 casinos fell, comparably, 6.2% in 2007 compared to 2006.

The Connecticut casinos declined by 2.9% in 2007 and by 6.7% in 2008. For the current year, Atlantic City casinos are down 13.5% through October. They had a win of \$2.3 billion through those ten months. Connecticut’s casinos were 8.1% over the same period; their win was a combined \$1.2 billion.

Mr. Virnelli also noted that over the period that was studied, the Connecticut casinos would be one and two on the list if they were included with the other Atlantic City casinos. Until 2008, Bally's topped the Atlantic City's casino for the win. They ranged anywhere from \$462 million to \$506 million. Neither Connecticut casino has been below \$728 million, which was Foxwoods number last year.

Charitable Games: Ms. Pietrandrea provided the following report on Charitable Games activity for the months of September and October 2009.

On September 1<sup>st</sup>, the proposed Administrative Regulations Governing Amusement and Recreation Bingo For Parent Teacher Associations were resubmitted to the Legislative Regulation Review Committee. The proposed regulations included the technical corrections that had been previously recommended by the committee. On September 22<sup>nd</sup>, the Legislative Regulation Review Committee voted, once again, on the proposed regulations. The recommendation of the committee was 'Approved with Technical Corrections & Substitute Page'. The additional technical corrections and the substitute page were included in the approved regulations, which were then filed with the Secretary of the State's office on September 29<sup>th</sup>.

During the months of September and October, two new sealed ticket games were put on sale. On September 11<sup>th</sup>, a new \$1.00 sealed ticket game, 'Cash Money' was introduced. Each 'Cash Money' ticket may feature prizes up to \$375.00, and each game packet will net an organization \$1,010.00. On October 21<sup>st</sup>, another new \$1.00 sealed ticket game, "Bar Bingo" was introduced. Each 'Bar Bingo' ticket may feature prizes up to \$400.00 and each game packet will net an organization \$1,012.00.

In September, we were notified that the provisions of the State's new budget had increased certain fees. Which were to be effective October 1<sup>st</sup>. The fees that affected charitable games included: the registration fee to conduct amusement and recreation bingo for parent teacher associations, which increased from \$20.00 to \$40.00; the registration fee for bingo product manufacturers and equipment dealers, which increased from \$1,500 to \$1,750; the registration fee for sealed ticket dispensing machine equipment dealers, which increased from \$500 to \$625; and the registration fee for bazaar and raffle equipment dealers, which increased from \$300 to \$375.

The three proposals received in response to the Division's RFP (Request For Proposal) for a new sealed ticket vendor were evaluated by the selection committee in accordance with the guidelines of the established evaluation process. A meeting was held on September 4<sup>th</sup> in order to review the evaluations of the committee and collectively determine which of the three proposals was considered to be the overall best, thereby determining which vendor would proceed to the next phase of the evaluation process.

Upon reviewing the scores for each proposal, it was decided that Arrow International, Inc. of Cleveland, Ohio, was considered to be the frontrunner in the selection process. Arrow International, Inc. was contacted and informed that the next phase of the selection process would involve testing the sample tickets that were provided as part of its proposal. On September 24<sup>th</sup>, four packets of sample sealed tickets were shipped to Engel Game Testing in Bismarck, ND.

On October 7<sup>th</sup>, the members of the selection committee were notified that Engel Game Testing had completed the testing of Arrow International Inc.'s sample tickets. Engel Game Testing reported that the tickets met Connecticut's pulltab standards, as well as the applicable pulltab standards of the North American Gaming Regulators Association (NAGRA). As part of the final phase of the selection process, a member of the Security Unit and two members of the selection committee traveled to Arrow International Inc. in Cleveland, Ohio, in order to conduct a site inspection. A tour of the plant was provided, as well as an overview of the company, which detailed how sealed tickets are produced, including information from the point of game design through the packaging of the printed tickets. All those who attended the site inspection reported that there weren't any issues that would preclude Arrow International, Inc. from being awarded the sealed ticket contract.

Mr. Antonetti questioned an incident at the Elks Club in West Haven. A brief discussion ensued, however, due to the incident being an active investigation, Executive Director Young explained that the Division is limited to the information it may provide. He continued saying that once the investigation is completed the Board will be provided a full report.

Security & Licensing: Mr. Kleber noted that the Board has received two reports -- one which covers the months of August through October 2009 for the licensing section, and the other which covers the months of August and September 2009 for the Security Unit. He noted that the security report from the Connecticut State Police is not attached. There are two members from the Casino Unit of the Connecticut State Police present today that will address this issue.

Chairman Farrell introduced Lt. Fusaro and Sgt. Monti of the Connecticut State Police (CSP).

Lt. Fusaro reported that currently there are 447 open background investigations that include both Level I and Level II investigations. There is a sampling of what was investigated, as a unit, over the past month, during the month of November. The report is attached hereto as 'Attachment B'.

Chairman Farrell noted that it is very important that the CSP stay on top of these investigations so that everything is current to prevent hearings, etc. Lt. Fusaro said that over the past several months the CSP has put together a plan and specific individuals in place to address the plan.

Mr. Kleber said that since Lt. Fusaro's arrival at the Casino Unit, the Division has had regular communications with him.

Mr. Kleber continued saying the licensing and renewal process is on-going with both casinos. There are a few outstanding renewals from the Mohegan Sun casino however for the most part all the renewals have been received. In January the renewal process will begin with the lottery retailers.

Mr. Kleber referred to the question raised about the West Haven Elks saying his Unit is working closely to resolve the situation at best for the state of Connecticut. He assured the Board that a report will be submitted once the investigation is complete.

Mr. Antonetti asked the status of the incident at Sports Haven. Mr. Kleber noted that investigation is on-going, however it has moved to another level in which the Division is the lead agency, working with other agencies, and significant progress is being made. He said he will provide the Board a report when this investigation is complete.

Chairman Farrell thanked Mr. Kleber and his Unit regarding the X-pect discount store selling the slot machines.

Mr. Osswalt noted that a major form of illegal competition is with the internet, and asked if anything could be done about it. Executive Director Young said that he recently received correspondence between the Secretary of the State and the Attorney General regarding internet gaming. He said if the Division is made aware of a situation, it has the ability to have a suppressed identity so that it may be investigated. Executive Director Young also noted that often times the situation deals with an off-shore entity.

He continued saying that there are presently two bills at the Federal level in the House and the Senate that would legalize internet gaming. This is an on-going problem that when brought to the Division's attention, it does its best to send a cease and desist letter to the party involved.

Administrative Hearings: Mrs. Stiber noted that the Board has received the hearing reports for the months of August through October 2009, as well as the Freedom of Information report for the same period.

Mrs. Stiber continued by noting two issues that will be coming before the Board for their approval next year. The Division is in the final stages of completing an overhaul on the lottery regulations. Once the regulations are completed they will be submitted to the Office of Policy and Management as well as the Governor's Office for their preliminary approval. When the final approval process is started, the regulations will come before the Board for their approval, hopefully early next year. The Division has been requested to issue a Declaratory Ruling which will also require the Board's approval. The request concerns how to assess interest on delinquent lottery agents, whether it should be compound or simple interest.

Mrs. Stiber concluded by requesting the Board schedule a time to hear the following appeals: Ryan Tran and Luis Rodriguez. There was general agreement to hear both appeals after the next scheduled Board meeting on January 6, 2010.

Executive Director: Executive Director Young provided the following report for the Board: the Division has been asked to submit new legislation for the 2010 session. The Division last year submitted two pieces of legislation, one of which was approved very quickly – 'An Act Authorizing Cash Prizes for Blower Ball Games'; the second piece of legislation was the one concerning Fifty-Fifty Raffles. This year the Division will submit legislation titled 'An Act Concerning 'Fifty-Fifty' Coupon Games.

He continued saying that all agencies have been affected greatly by the budget. He noted that the Gaming Policy Board's budget was also cut for 2010. The Division is dealing with the budget cuts. The Division lost several positions through the Retirement Incentive Program (RIP). The Division will be able to refill ten of those positions however those positions are on hold at this time. There have been discussions of closing a department, so instead of individuals not having a job, they will relocate them to other agencies with vacant positions due to RIP which may be how our positions will be filled.

Mr. Antonetti questioned that with the staffing/budget reductions whether there was consideration in activating the Keno game as an additional source of revenue. A brief discussion ensued on this topic.

Executive Director Young stated that from the Division's perspective there is already authority for Keno to occur. The statutes clearly indicate that the President of the Connecticut Lottery Corporation has the authority to introduce new lottery games, and it rests only with the Lottery organization to decide what games are best for them/the public.

Chairman Farrell asked Mr. Antonetti to address his suggestion/recommendation in writing and send it to the Board for further discussion. Chairman Farrell noted that one Board member is absent today and this discussion should include all members.

Recess to Hear Appeal: At this time the Board recessed to hear the appeal of Anthony Leyko.

The Board resumed its meeting to record the following resolution:

On motion made by Mr. Osswalt, seconded by Ms. Russell and unanimously voted, it was:

“Resolved, That in the matter of Anthony D. Leyko, the Gaming Policy Board affirms the decision of the Hearing Officer in the recommendation to revoke Anthony D. Leyko’s Class IA license.”

Adjournment: On motion made by Mr. Antonetti, seconded by Mr. Russell and unanimously voted, the meeting adjourned.

Respectfully submitted,

Suzanne J. Alix, Secretary  
Executive Director

Attachments (2)