

of the casinos increased property values in southeastern Connecticut. But at least half of the participants said the casinos have increased problem gambling.

Participants in the Hartford problem-gamblers group made the following comments:

- Their families have gambling problems.
- Casinos are not to blame for their gambling addictions, but lottery/casino advertising is a concern.
- Problem gambling is widespread.
- Help is available, but it is not enough.
- There is a need for more GA meetings.
- Problem gamblers are seen as “second-class citizens” compared to substance abusers.

When asked to assess the extent of problem gambling on a scale of 1 to 10 (with 10 the worst), the majority ranked the problem a 10. The proximity of the casinos was seen as a major contributor. Four filed for bankruptcy, nine either embezzled or stole money and two were prosecuted for the thefts.

Several members suggested there should be more money spent on awareness of problem and pathological gambling as a real illness. Even their families, for the most part, did not see problem gambling as an illness but as a “money management issue” that could be easily be overcome through self-control.

There was general agreement that each problem gambling respondent would be a problem gambler today even if the casinos had never come to Connecticut.

When asked what the state should be doing to help, they said:

- Limit hours of casinos
- Designate more money from the state budget for Problem Gambling Services
- Hold casinos more responsible

Lottery Marketing, Strategies

As in other states, the Connecticut Lottery Corporation (“CLC”) has been impacted by trends in player preferences for instant games over traditional games, such as Classic Lotto and Powerball. The CLC – like its counterparts in other states – recognize that a growing number of adults prefer the relatively quick gratification that comes from instant games.

The trend toward instant games is reflected in the declining percentage of revenue transferred to the General Fund, as noted earlier. By definition, instant games have a different prize pool, and their pay tables require the CLC to give more money back to players than most other games. Nonetheless, as our tables show, the Lottery continues to increase sales as well as the overall dollar amount returned to the General Fund. In FY 2008, the increase was 1.4 percent.

Management reports that it is focusing on providing fewer instant games – about 49, down from a high of 65 – with larger print runs. At the same time, the CLC is introducing games at higher denominations, with prices ranging from \$1 up to \$30 per ticket.

According to CLC officials, two of the most recent instant games are the “\$50 Million Payout Spectacular” (a \$10 ticket, with a total print run of 7.5 million tickets) and the “\$70 Million Blockbuster” (a \$10 ticket with a total print run of 9 million tickets). The former offers

five \$1 million annuities as top prizes while the latter offers seven. Both games – like other instant games – have a wide variety of lesser prizes. In both games, the odds of winning any prize is less than one in four.

The popularity of instant games means the CLC has to balance competing interests in fulfilling its mission. It must balance the need to meet a change in public taste with the need to maximize General Fund contributions. This is similar to its other set of competing interests: balancing the need to grow revenue with the need to maintain responsible gaming practices.

CLC officials have a variety of means at their disposal to balance these interests, but one of the most important – particularly in terms of having an economic impact – is in the selection of retailers who are authorized to sell tickets.

CLC executives told Spectrum that they weigh a variety of factors in selecting retailers, from the level of traffic and type of store – gas stations and convenience stores, for example, are much more likely than car dealerships to generate sales – to whether or not they are far enough away from schools and churches. Retailers must demonstrate a requisite level of financial integrity and stability and pass a strict licensing review by the Division of Special Revenue.

The CLC has a serious mission, with components that might appear to be contradictory in nature:

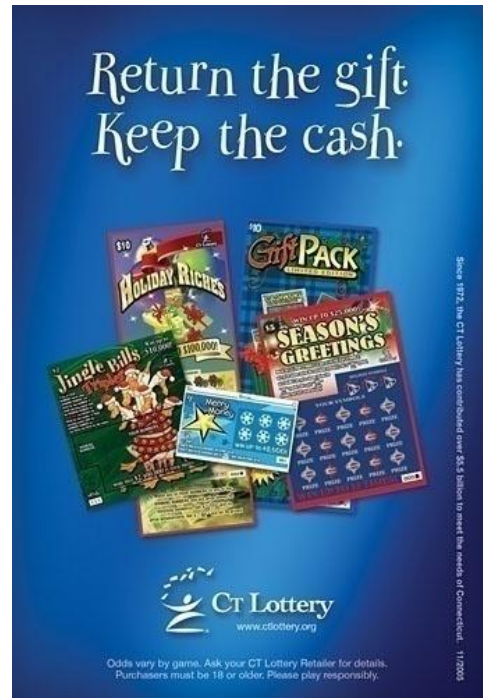
- The CLC seeks to maximize revenue for the benefit of the Connecticut Treasury.
- The CLC is concerned about relevant social issues, from preventing sales to minors to minimizing sales to problem gamblers.

While these concerns are hardly unique to Connecticut, CLC management has made it clear that it takes both seriously.

While the CLC devotes \$10 million annually toward marketing its products, it also places a premium on public service announcements that are designed to address related social needs. For example, one advertisement widely viewed throughout Connecticut focuses on the problems of sports wagering by teens.

Advertising in 2008 was handled by Cashman + Katz Integrated Communications, which won a five-year contract in 2005 through a competitive bidding process. The firm, based in Glastonbury, has put together a series of 30-second spots for the CLC.

The company targets new players and people with discretionary income. The ad at the top of the page is a sample of a



print advertisement the firm developed that seeks to promote sales during the holiday season by marketing lottery tickets as gifts.

Similarly, another ad, at the bottom of the previous page, was designed to promote sales at a distinctly different time of year, in this case, for Father's Day.

In the survey we commissioned for this study, surveyors asked nearly 2,300 participants about the influence that advertisements have on their selection of gambling activities. About one in five reported advertisements as being very or somewhat influential.

Those who reported advertisements as being very or somewhat influential were asked which games they played or facilities they attended based on the advertising they saw in the past month.

Twenty-two percent responded they played Powerball; 13 percent played scratch tickets. Those figures are roughly twice the size of figures cited in the 1997 study commissioned by the state of Connecticut, an indication that the marketing campaign is increasing lottery play.

About one-in-four (27 percent) believe there is a problem in the way legalized gambling is advertised in Connecticut. Of these, one-third said both Mohegan Sun and Foxwoods advertise inappropriately, and about 20 percent feel lottery games do.

Lottery games are the most frequent gambling activity played either monthly (29 percent) or weekly (8 percent) based on the results of our survey.

CLC President Anne M. Noble, in discussing the ad campaigns, described the situation as a necessary "tension of opposites" in trying to grow the Lottery with an eye toward responsible gaming. She said the Lottery develops, out of its advertising budget, public-service announcements that run at a ratio of one spot for every two spots that promote the Lottery.

Growth, according to Noble, is tied to keeping the product "fresh and new." This is accomplished through the development of new games, program design and advertising. She mentioned the success of the Yankees-vs.-Red Sox instant lottery game that capitalizes on Connecticut's unique position between the respective cities of New York and Boston.

Some of the challenges noted were:

- Jackpot fatigue, specifically in the case of Powerball where sales do not spike until jackpots exceed \$200 million.
- Preventing fraud and ensuring the integrity of the games.

As Noble put it, if people lose faith in the integrity of the Lottery, sales will collapse. In dealing with this, licensing is an in-depth process that examines both criminal history and financial background. Retailer training is also provided by the CLC.

As previously noted, DOSR also performs a rigorous background check of anyone who seeks to become a retailer. In our experience of working with various regulatory agencies, such a process is a critical safeguard to minimize fraud.

In determining an applicant’s qualification for licensure, the agency considers “financial responsibility;” the veracity and completeness of the information submitted with the license application; the background of the individual; and a certification of municipal tax compliance.²⁵⁷

To understand and analyze lottery sales, Spectrum examined the relationship between lottery revenues and the income of those who purchase tickets. That question is hardly unique to Connecticut, and is one that many states grapple with. For example, the North American Association of State and Provincial Lotteries, an industry trade group, maintains on its web site the text of a 1999 statement by Duane V. Burke, chairman and CEO of the Public Gaming Research Institute, that addresses the issue from the standpoint of state lotteries:²⁵⁸

“Lottery products are marketed in qualifying retail outlets. These sites are predominantly convenience stores, gas stations and supermarkets. If zoning regulations in high-income neighborhoods prohibit convenience stores, gas stations and supermarkets, you won’t see many lottery retail sites in those areas. If there is a concentration of qualifying retail outlets in less affluent areas of a community, you will see many more lottery retail sites in those areas. This makes it appear that lottery sales sites are chosen by income level when in fact this is just not true.

“Also keep in mind that players buy tickets in areas where they work and shop, not necessarily where they live. A Minnesota survey found that more than half the players bought tickets in zip codes outside their own home zip code.

“Even if lottery organizations wanted to bow to this common myth and restrict the sale of products in low-income neighborhoods, they would face discriminatory charges from the qualifying retailers who are being denied a government contract. Also, citizens being denied access to lottery products based on their income would probably have as strong a case against the state as disabled people who are denied access to lottery products in retail outlets that are not ADA compliant.”

The *New York Times* noted in a September 12, 2008, article that lottery purchases can sometimes move inversely to economic problems, and lottery players have been seen – at least anecdotally – as shifting dollars from other non-gaming spending, including restaurant meals, to such wagers:

“Many state lotteries across the country are experiencing record sales, driven in part by intense marketing but also by people ... who are trying to turn a lottery ticket into a ticket out of hard times.

“‘When people view themselves as doing worse financially, then that motivates them to purchase lottery tickets,’ said Emily Haisley, a postdoctoral associate at the Yale School of Management who in July published a research paper on lotteries in *The Journal of Behavioral Decision Making*. “People look to the lottery to get back to where they were financially.’

²⁵⁷ Connecticut Statutes, Section 12-568a-6, (b) *Qualifications for licensure*.

²⁵⁸ <http://www.naspl.org/index.cfm?fuseaction=content&PageID=32&PageCategory=45> (accessed on May 13, 2009).

“Of the 42 states with lotteries, at least 29 reported increased sales in their most recent fiscal year. And of those 29, at least 22, including New York, New Jersey and Connecticut, set sales records. Further, sales in some states are on a pace to finish higher still in the current year.

“I was surprised, because I thought with gas prices up and people not leaving the pump to go into the stores, we’d see a greater impact’ on the downside, said Jodie Winnett, acting superintendent of the Illinois Lottery, whose sales increased 3 percent in the last fiscal year and are doing even better this year.

“Others are not at all surprised. Rebecca Hargrove, president of the Tennessee Lottery, said that in her 25 years working in lotteries, ‘I’ve noticed that if there’s a recession or a downturn in the economy, people cut back: it might be on the new car, the new house or the new fridge.’

“‘But the average player spends \$3 to \$5 a week on lottery tickets,’ Ms. Hargrove said, ‘and it’s a pretty benign purchase.’

“John Mikesell, a professor of public finance and policy analysis at Indiana University, published a study in 1994 showing that from 1983 to 1991, lottery sales tended to rise with unemployment rates.

“‘The findings were that in slump periods, lotteries historically have gotten a little bump upward,’ said Professor Mikesell, who has not analyzed recent lottery data. ‘It’s taking a shot at getting some relief in hard times. It’s usually not a good gamble, but it’s a dollar, and if they happen to accidentally hit it, it may well change their lives.’

“To be sure, other factors as well are pushing lottery sales. Lottery directors have spent the last few years heavily marketing their products through greater presence in stores, new games and partnerships with sports teams and television shows.

“Among their new offerings are \$20 and \$50 scratch-off tickets that provide higher payouts, as well as additional fast-paced electronic games, part of the goal being to draw players who might otherwise head to a casino. Indeed, New York State’s 10 percent increase in lottery sales in the last fiscal year was due largely to the introduction of more video lottery terminals.

“‘We’re going after discretionary entertainment dollars,’ said Anne M. Noble, president of the CLC, which registered a sales increase in 2007 of 4.3 percent. ‘Let’s keep it fresh, keep it fun, encourage people to play in moderation and use the money they do have²⁵⁹.’

Spectrum also examined the sale of lottery tickets in Connecticut by contrasting the location of the highest-performing retailers with the economics of their local communities. The first table lists the top 50 retailers²⁶⁰ by sales during the first quarter of 2008:

²⁵⁹ “Sweet Dreams in Hard Times Add to Lottery Sales,” *New York Times*, By Katie Zezima, Sept. 12, 2008.

²⁶⁰ We did not identify the retailers by name or precise location for purposes of this analysis.

Figure 76: Lottery Sales by Community: Top 50 Retailers

City/Town in which retailer is located	Online	Scratch	Total
Norwalk	\$1,645,645	\$1,985,900	\$3,631,545
Greenwich	\$2,162,739	\$1,334,200	\$3,496,939
Wethersfield	\$702,090	\$2,125,137	\$2,827,227
Stamford	\$1,620,827	\$1,030,455	\$2,651,282
West Haven	\$1,064,283	\$1,341,213	\$2,405,496
Norwalk	\$913,712	\$1,456,736	\$2,370,448
Bridgeport	\$698,464	\$1,485,008	\$2,183,472
Stamford	\$838,983	\$1,303,910	\$2,142,893
Hartford	\$1,466,000	\$667,654	\$2,133,654
Milford	\$653,397	\$1,474,442	\$2,127,839
Stamford	\$892,556	\$1,216,930	\$2,109,486
Meriden	\$528,536	\$1,475,430	\$2,003,966
Stamford	\$1,031,163	\$940,821	\$1,971,984
Old Greenwich	\$1,006,398	\$937,799	\$1,944,197
West Haven	\$387,521	\$1,508,118	\$1,895,639
Stratford	\$629,811	\$1,264,848	\$1,894,659
Hamden	\$989,065	\$879,016	\$1,868,081
Derby	\$429,562	\$1,432,800	\$1,862,362
Derby	\$702,485	\$1,111,671	\$1,814,156
Fairfield	\$645,908	\$1,161,875	\$1,807,783
New Britain	\$548,061	\$1,238,008	\$1,786,069
Newhaven	\$673,322	\$1,062,382	\$1,735,704
Fairfield	\$605,227	\$1,108,266	\$1,713,493
Danbury	\$521,909	\$1,182,887	\$1,704,796
Bloomfield	\$990,185	\$703,952	\$1,694,137
Monroe	\$496,960	\$1,126,654	\$1,623,614
Woodbury	\$392,073	\$1,211,285	\$1,603,358
Bristol	\$341,099	\$1,255,059	\$1,596,158
Enfield	\$486,791	\$1,098,711	\$1,585,502
North Haven	\$296,004	\$1,255,743	\$1,551,747
Monroe	\$436,301	\$1,104,203	\$1,540,504
Stamford	\$526,504	\$1,008,710	\$1,535,214
Stamford	\$723,839	\$794,583	\$1,518,422
Norwalk	\$615,330	\$883,398	\$1,498,728
Stamford	\$653,824	\$834,961	\$1,488,785
Stratford	\$689,161	\$797,360	\$1,486,521
Bloomfield	\$1,091,414	\$369,072	\$1,460,486
Naugatuck	\$293,542	\$1,159,080	\$1,452,622
West Haven	\$484,836	\$932,454	\$1,417,290
New Britain	\$421,135	\$988,147	\$1,409,282
Wolcott	\$298,077	\$1,082,562	\$1,380,639
Stamford	\$680,999	\$688,964	\$1,369,963
West Haven	\$729,135	\$638,425	\$1,367,560
Milford	\$464,599	\$884,342	\$1,348,941
Stamford	\$558,747	\$788,785	\$1,347,532
Bloomfield	\$870,671	\$475,114	\$1,345,785
Trumbull	\$631,501	\$692,390	\$1,323,891

City/Town in which retailer is located	Online	Scratch	Total
Milford	\$408,374	\$911,965	\$1,320,339
Norwalk	\$470,512	\$847,111	\$1,317,623
Bridgeport	\$597,605	\$719,975	\$1,317,580
Stamford	\$758,505	\$555,040	\$1,313,545

Source: Connecticut Lottery Corporation

We then analyzed the same 50 retailers in light of both their sales and the poverty rates in their communities (as determined by the US Census):

Figure 77: Poverty Rate, Lottery Sales by Community: Top 50 Retailers

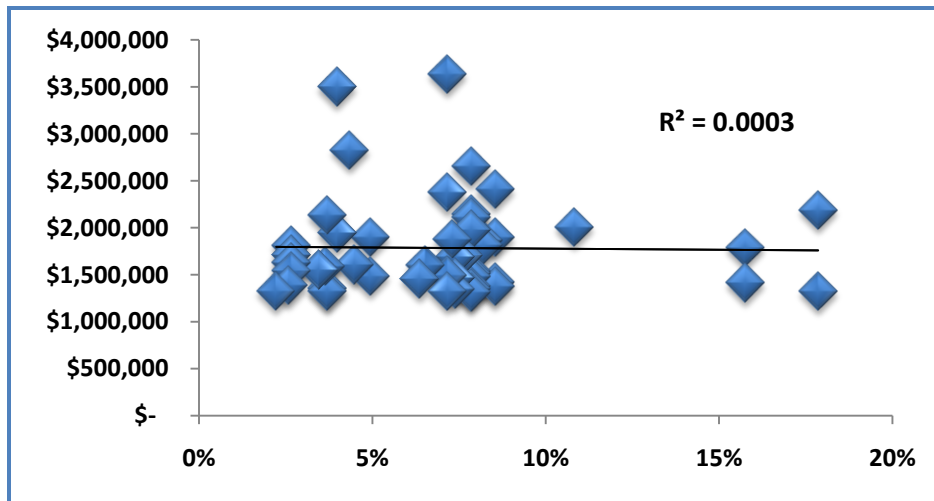
City/Town in which retailer is located	Poverty Rate	Total Lottery Sales
Hartford	29.4%	\$2,133,654
Newhaven	22.3%	\$1,735,704
Bridgeport	17.9%	\$2,183,472
Bridgeport	17.9%	\$1,317,580
New Britain	15.8%	\$1,786,069
New Britain	15.8%	\$1,409,282
Meriden	10.8%	\$2,003,966
West Haven	8.5%	\$2,405,496
West Haven	8.5%	\$1,895,639
West Haven	8.5%	\$1,417,290
West Haven	8.5%	\$1,367,560
Derby	8.2%	\$1,862,362
Derby	8.2%	\$1,814,156
Stamford	7.9%	\$2,651,282
Stamford	7.9%	\$2,142,893
Stamford	7.9%	\$2,109,486
Stamford	7.9%	\$1,971,984
Stamford	7.9%	\$1,535,214
Stamford	7.9%	\$1,518,422
Stamford	7.9%	\$1,488,785
Stamford	7.9%	\$1,369,963
Stamford	7.9%	\$1,347,532
Stamford	7.9%	\$1,313,545
Danbury	7.6%	\$1,704,796
Bloomfield	7.4%	\$1,694,137
Bloomfield	7.4%	\$1,460,486
Bloomfield	7.4%	\$1,345,785
Hamden	7.3%	\$1,868,081
Norwalk	7.2%	\$3,631,545
Norwalk	7.2%	\$2,370,448
Norwalk	7.2%	\$1,498,728
Norwalk	7.2%	\$1,317,623
Bristol	6.5%	\$1,596,158
Naugatuck	6.4%	\$1,452,622
Stratford	4.9%	\$1,894,659
Stratford	4.9%	\$1,486,521
Woodbury	4.5%	\$1,603,358

City/Town in which retailer is located	Poverty Rate	Total Lottery Sales
Wethersfield	4.4%	\$2,827,227
Greenwich	4.0%	\$3,496,939
Old Greenwich	4.0%	\$1,944,197
Milford	3.7%	\$2,127,839
Milford	3.7%	\$1,348,941
Milford	3.7%	\$1,320,339
Enfield	3.6%	\$1,585,502
North Haven	3.5%	\$1,551,747
Fairfield	2.7%	\$1,807,783
Fairfield	2.7%	\$1,713,493
Monroe	2.6%	\$1,623,614
Monroe	2.6%	\$1,540,504
Wolcott	2.6%	\$1,380,639
Trumbull	2.2%	\$1,323,891
Average	7.8%	\$1,790,175
Median	7.4%	\$1,658,875

Source: Connecticut Lottery Corporation

The next step was to determine, through a regression analysis, whether there is any correlation between the highest-grossing retailers and the poverty rates in those communities:

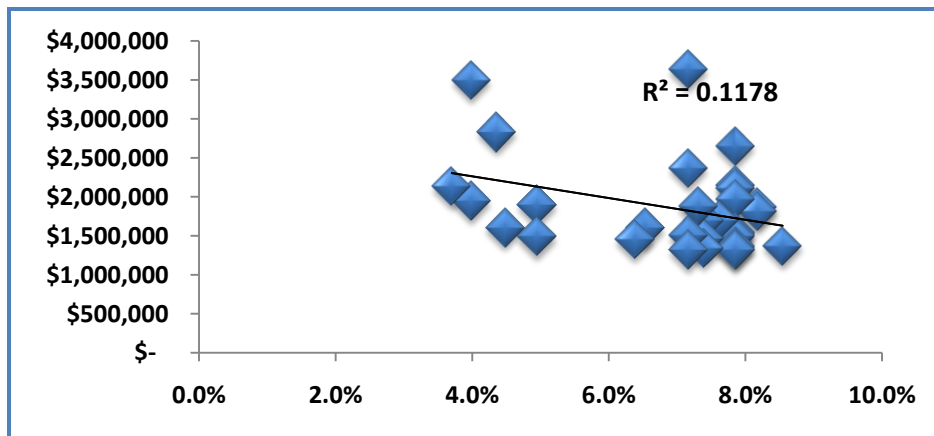
Figure 78: Regression Analysis of Top Retailers, Poverty Rates



The r-square, which measures correlation on a scale of 0 (no correlation) to 1 (perfect correlation) shows virtually no correlation.

We then removed the top 10 and bottom 10 from the list (the outlying retailers) to minimize any anomalies:

Figure 79: Regression Analysis of Top Retailers (Minus Outliers), Poverty Rates



Here, the r-square value improved slightly, but not to the point of any genuine correlation. Interestingly, however, the slight correlation that does exist shows inverse relationships, i.e., the communities with the highest poverty rates tend to have lower sales per retailer.

And in both tests, the relationship tended to cluster near the mean and median for both measures.

Our research determined that there is no correlation between lottery sales and poverty in which anyone can reasonably conclude that poorer residents of Connecticut are more inclined to play the lottery.

Lottery Impact

Spectrum Gaming Group sent a questionnaire to all of the more than 2,800 Lottery retail outlets in Connecticut. We received 315 completed surveys. The surveys asked a number of questions that we analyzed.

Retailers were asked if they hired additional staff to meet the demands of selling lottery tickets. About 20 percent of the respondents – a total of 67 retailers – indicated they had. If we extrapolate the results of that sub-set to Connecticut retailers at large, it would indicate that about 974 individuals, working about 15 hours per week each, are employed to handle lottery sales. Their average hourly rate is \$9, according to the survey.

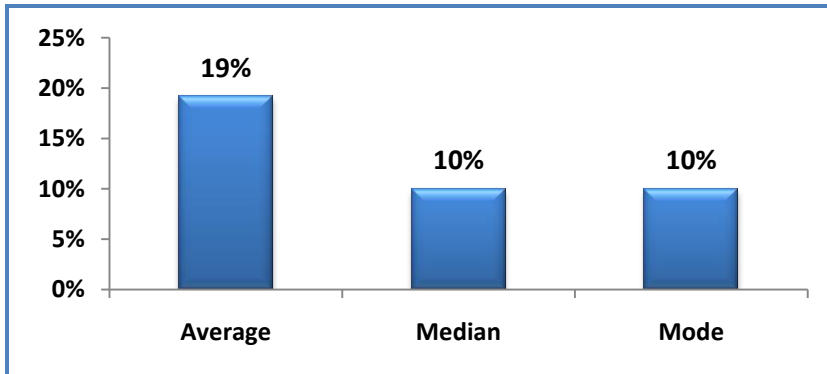
Commissions paid to retailers in FY 2007 totaled nearly \$54 million. That breaks out to an average yearly commission of \$19,285. Of course, some retailers made much more, others less. Commissions paid in FY 2007 represented a slight decrease of \$454,000, or 0.8 percent, from those paid in FY 2006. Commissions are paid as a percentage of ticket sales, plus a percentage of tickets cashed. Retailers can earn additional compensation through CLC product promotions.²⁶¹

²⁶¹ The Connecticut Lottery 2007 Comprehensive Annual Financial Report.

The CLC also made payments to suppliers of nearly \$24 million in 2007. The CLC had a payroll of more than \$12 million.²⁶²

More important than employment and income generated for suppliers, however, is the incremental sales that the CLC generates for retailers. The following charts reflect available data from the questionnaire responses.²⁶³

Figure 80: Lottery Sales as Pct. of Retailers' Overall Revenue

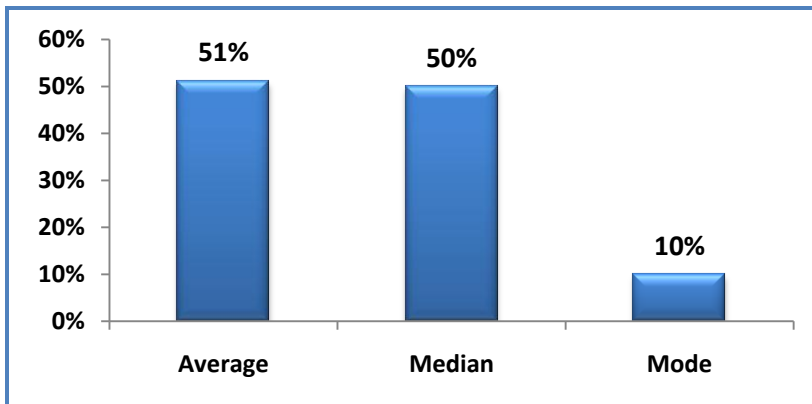


Source: Spectrum Gaming Group survey

The chart above reflects the estimate from responding retailers of their perceived ratio of lottery ticket sales to their stores' overall sales. The average is significantly higher because a few retailers indicated that the Lottery encompasses a much larger percentage of sales, in a few cases as high as 80 percent.

The next chart indicates that about half of all lottery players purchase other products.

Figure 81: Pct. of Lottery Players Who Purchase Other Products at Retail Locations

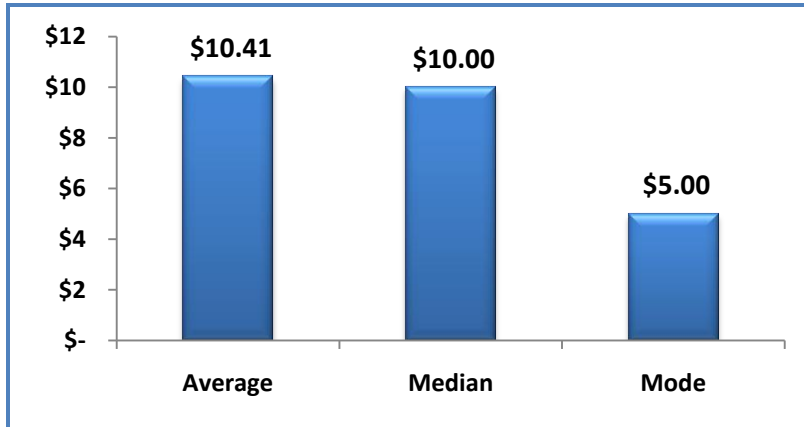


Source: Spectrum Gaming Group survey

²⁶² Ibid.

²⁶³ The "Mean" is the mathematical average of a series or range of quantitative responses. The "Median" is the frequency midpoint of a set of responses: half the values are below the median and half are above it. The "Mode" is the most frequent response in a group, or the most common answer.

Figure 82: Est. Amount Spent per Trip by Lottery Players on Other Products



Source: Spectrum Gaming Group survey

To better understand the role that the CLC plays in the state’s economy, we have compared it in various ways to its counterparts in other successful lottery states, using the most available data as of the summer of 2008:

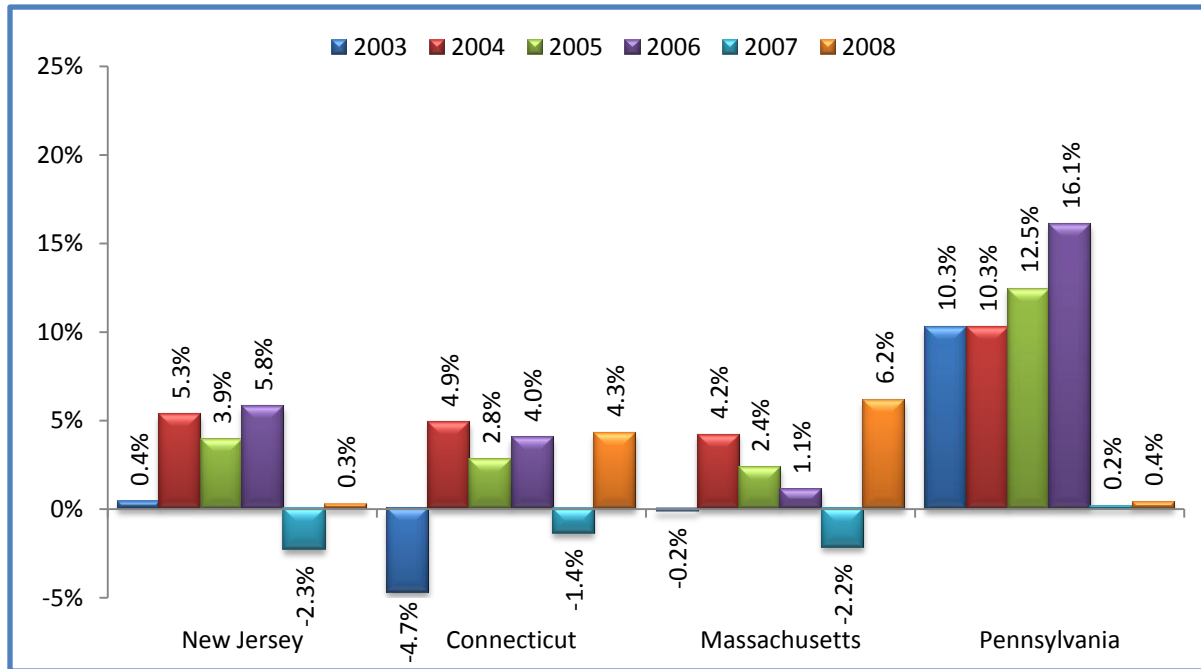
Figure 83: Lottery Sales by State, Population

	Population (millions)	Lottery sales (billions)	Sales per capita
Massachusetts	6.3	\$ 4.71	\$698
New York	19.2	\$ 7.55	\$374
Georgia	8.9	\$ 3.52	\$384
Connecticut	3.5	\$ 0.99	\$273
New Jersey	8.4	\$ 2.54	\$279
Pennsylvania	12.4	\$ 3.09	\$248
Michigan	9.9	\$ 2.33	\$231
Ohio	11.3	\$ 2.32	\$199

Source: Lottery Insider

We also examined the Lottery’s track record in light of its performance against the peer group of select states in the Northeast. Note that the Pennsylvania Lottery Commission attributes its significant growth in recent years to a significant expansion of its retailer network, which has since leveled off.

Figure 84: Year-Over-Year Changes, 2002-2008, for Northeast Lotteries

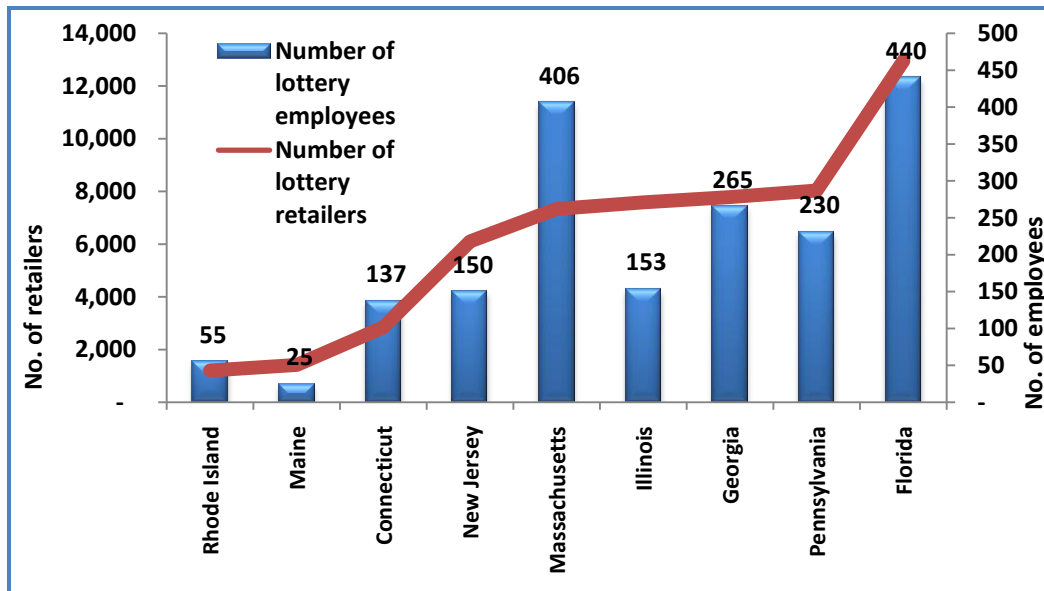


Source: Lottery Insider

Lotteries depend on having an effective network of agents in place who are in the right locations with the right the customer base. They must also possess the requisite level of integrity.

The following chart compares Connecticut to a sampling of states large and small that put its network of agents in context with its population base:

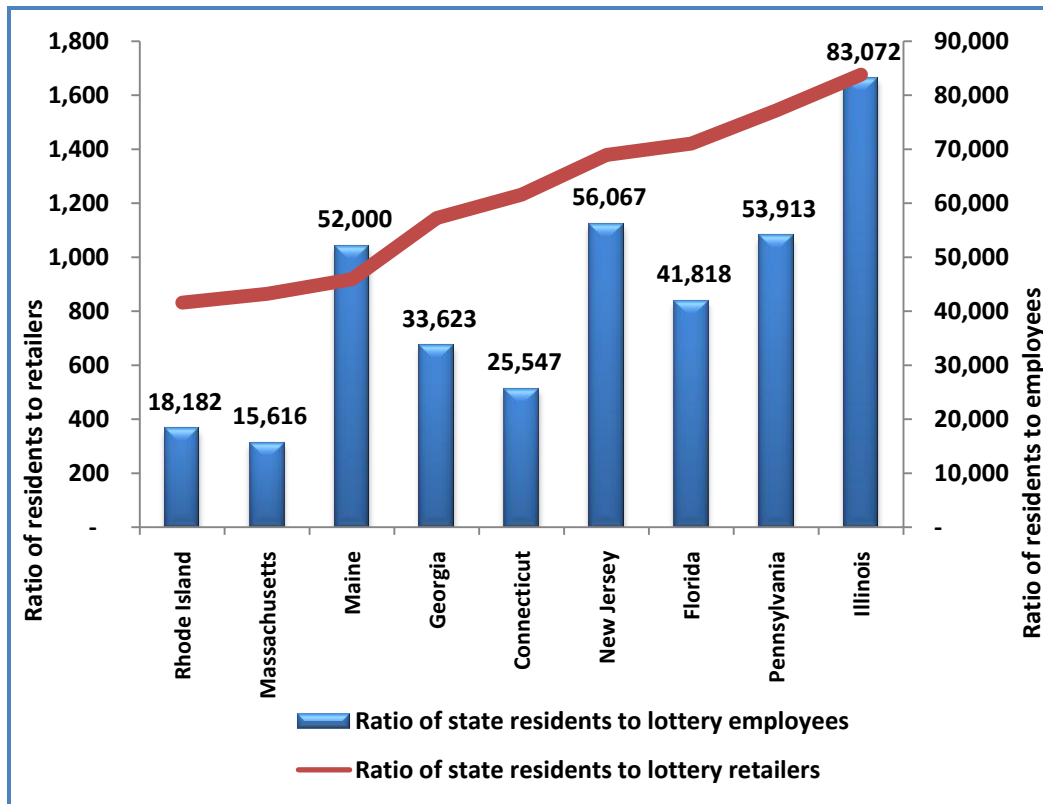
Figure 85: Lottery Benchmark I: Lottery Employees, Lottery Retailers



Source: Lottery Insider

The next chart examines the data in the form of ratios, which allows for population differences and offers a more reasonable state-to-state comparison.

Figure 86: Lottery Benchmark II: Lottery Employees, Lottery Retailers



Source: Lottery Insider

Lottery transfers

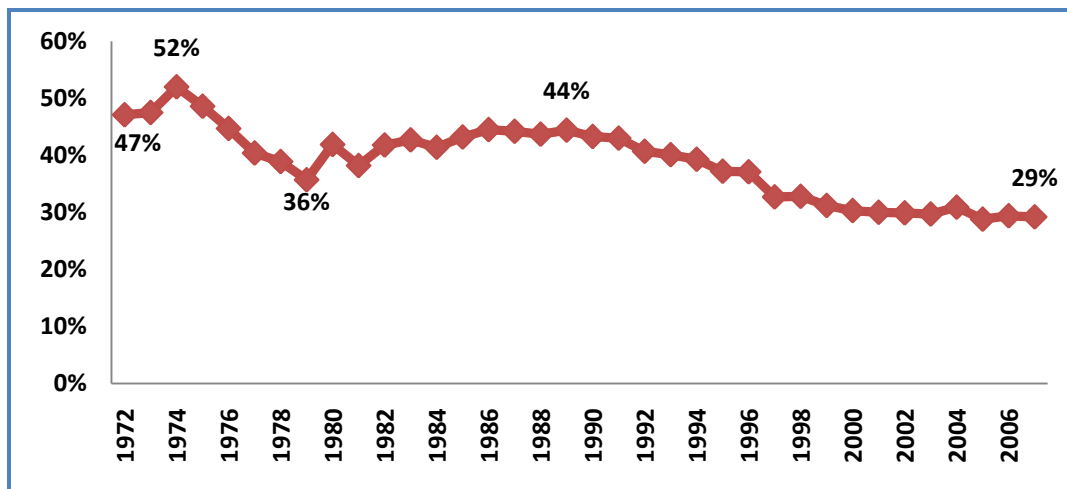
The next table lists three decades of amounts transferred from the Connecticut Lottery to the General Fund:

Figure 87: Lottery Contributions to Connecticut General Fund

Fiscal Year	Amount transferred to General Fund	Fiscal Year	Amount transferred to General Fund
1972	\$8,150,000	1991	\$228,600,000
1973	\$16,500,000	1992	\$221,300,000
1974	\$16,000,000	1993	\$221,700,000
1975	\$15,000,000	1994	\$217,250,000
1976	\$31,900,000	1995	\$249,650,000
1977	\$25,341,822	1996	\$262,050,000
1978	\$41,790,050	1997	\$251,520,868
1979	\$43,117,000	1998	\$264,274,830
1980	\$54,535,048	1999	\$271,308,022
1981	\$57,653,000	2000	\$253,598,047
1982	\$71,000,000	2001	\$252,002,987
1983	\$80,500,000	2002	\$271,509,680
1984	\$105,425,000	2003	\$256,814,859
1985	\$148,800,000	2004	\$280,763,074
1986	\$190,850,000	2005	\$268,515,000
1987	\$214,100,000	2006	\$284,864,998
1988	\$225,000,000	2007	\$279,000,000
1989	\$219,650,000	2008	\$283,000,000
1990	\$227,650,000		

Source: Connecticut Division of Special Revenue

Figure 88: Pct. of Lottery Sales Transferred to Connecticut General Fund



Source: Connecticut Division of Special Revenue

The trend toward a declining contribution, as we previously pointed out, is largely reflective of the trend toward instant games, which resulted in a higher percentage of sales being given back to players. Despite the trend, the amount transferred to the General Fund increased \$4 million in FY 2008 to \$283 million.

The Chronic Gamblers' Fund received \$1.5 million. In FY 2009, the figure is \$1.9 million. The money is used to fund counseling sessions for problem gamblers. The state Department of Mental Health Services and Addiction administers the program.

Unlike the Mashantucket Pequot And Mohegan Fund, lottery money is not directly given to municipalities. Lottery revenue goes to the General Fund to pay for overall state operations.

DOSR is responsible for monitoring compliance with the state's gambling laws. It made 30 arrests from January 2007 through November 2008 for improper conduct. One arrest involved a lottery agent who illegally operated a slot machine. Other arrests involved agents who committed retailer fraud; one charged a fee to cash a lottery ticket. There were also instances of citizens who tried to cash stolen or altered tickets.²⁶⁴

Underage gambling

The CLC operates under a mandate to discourage and minimize illegal purchases, particularly by minors. Its mandate includes a prohibition against cartoon images.

Other states that do not operate under such self-imposed mandates have reported significant sales in games that would not be allowed in Connecticut. For example, the Massachusetts Lottery had a run of 20 million \$2 tickets in 2007 with an instant game titled "Frosty the Doughman," a game that would have run afoul of CLC's internal rules. A "Monopoly" instant game – which would also violate Connecticut rules – is available in Rhode Island and New York.

About 10 percent of retailers that responded to a survey we conducted said the CLC could do more to discourage ticket sales to minors. Suggestions to reduce sales to minors and problem gamblers included:

- Discouraging parents from letting children scratch tickets.
- Raising the minimum age for purchase of tickets to 21.
- Increasing the penalties on both retailers and individuals who make such purchases.
- Requiring mandatory ID checks.
- Enhancing efforts to educate parents and others, including additional broadcast and in-store advertising.

The CLC has put forth a comprehensive Voluntary Code of Good Practice that crystallizes its views on such issues as underage and problem gambling. Some of the tenets in this Voluntary Code of Good Practice are:

- "Lottery products should not be advertised or marketed in any manner specifically directed or primarily intended to appeal to persons below the legal purchase age."

²⁶⁴ Division of Special Revenue, Security Unit.

- “Lottery advertising and marketing materials should not depict a child or portray objects, or images that are popular predominantly with children.”
- “Lottery advertising and marketing materials should portray players in a responsible manner. These materials should not show a Lottery product being consumed abusively or irresponsibly.”
- “Lottery advertising will not sell the dream of a way out or be promoted as an alternative to work, but rather as a form of entertainment.”

Charitable Gaming

Charity gaming is the practice in which states permit non-profit organizations to raise funds through games of chance such as bingo, raffles, pull-tabs and “Las Vegas nights.” Profits go to the organization, rather than to a municipality or a private entity.

In Connecticut, permitted activities include bingo, bazaars, raffles and the sales of sealed tickets. Before any such activities can be conducted, a permit must first be obtained from DOSR.²⁶⁵ All charitable gaming revenue goes into the General Fund, with the exception of 0.25 percent of the total money wagered less prizes for bingo games. This money is given back to the municipality where the bingo game originated.

The only states that do not allow charitable gaming are Hawaii and Utah, which ban all forms of gambling. Connecticut ranked 18th in the nation in 2006 in total fees and taxes collected for charitable gaming.²⁶⁶

At one time, Connecticut allowed charitable organizations to stage “Las Vegas nights.” The Mashantucket Pequot Tribal Nation seized upon the practice to persuade the courts that it should be able to open a full-blown casino that eventually became among the largest and most successful in the world. To prevent other Indian casinos from opening, the General Assembly repealed the “Las Vegas nights” law in 2003.²⁶⁷

In Connecticut, a local referendum on bingo must be held if a petition with 5 percent or more of the electors is presented to the governing body asking for the game. A favorable vote allows charitable organizations to run bingo games. The governing body itself could authorize it as well.²⁶⁸ The procedure is similar for the adoption of a bazaar and raffle law.²⁶⁹

Once bingo, raffles or bazaars are approved, the operation of sealed tickets/pull tabs is permitted as well. Hampton is the only city that does not allow charitable gaming.²⁷⁰

The chart below shows a steady decline in gross receipts for charitable games as well as net profits to charitable institutions. Nonetheless, charitable gaming generated more than \$15

²⁶⁵ Connecticut Division of Special Revenue, “Frequently Asked Questions, Bingo,”

<http://www.ct.gov/dosr/cwp/view.asp?a=3&q=290876#Bingo> (accessed on May 13, 2009).

²⁶⁶ National Association of Fundraising Ticket Manufacturers (NAFTM) 2006 Annual Report.

²⁶⁷ Connecticut General Statutes Section. 7-186a to 7-186l.

²⁶⁸ Chapter 98 Municipal Powers, Section 7-169, *Bingo*.

²⁶⁹ Chapter 98 Municipal Powers, Section 7-171, *Adoption of bazaar and raffle law*.

²⁷⁰ Connecticut’s Division of Special Revenue.

million for the state’s charities in FY 2008. And since 1988, the charitable organizations have received more than \$365 million as a result of charitable gaming.

Figure 89: Charitable Gaming Gross Receipts, Profits to Charity

Fiscal Year	Gross Receipts	Net Profit to Organization
1988*	\$23,173,936	\$6,561,717
1989	\$46,686,918	\$16,518,512
1990	\$51,608,125	\$18,544,934
1991	\$52,344,120	\$17,432,858
1992	\$58,036,056	\$19,955,064
1993	\$60,488,194	\$20,047,318
1994	\$60,185,762	\$19,616,740
1995	\$61,515,502	\$19,372,438
1996	\$59,333,490	\$18,274,798
1997	\$58,613,885	\$18,328,621
1998	\$57,082,164	\$18,483,071
1999	\$55,871,657	\$18,816,718
2000	\$53,551,342	\$17,898,406
2001	\$51,119,585	\$17,574,504
2002	\$51,432,005	\$17,279,230
2003	\$51,839,582	\$18,250,797
2004	\$51,329,856	\$17,026,414
2005	\$50,913,760	\$17,351,664
2006	\$48,646,502	\$16,797,556
2007	\$46,424,638	\$16,147,838
2008	\$43,993,192	\$15,306,910
Totals	\$1,094,190,271	\$365,586,108

Source: Connecticut Division of Special Revenue

*First year was for the nine-month period ending June 30, 1998

The nonprofit sector is a major economic force in Connecticut, accounting for nearly 1 out of every 10 paid workers, which is more than what state government employs.²⁷¹

All of the people who operate charitable games are volunteers. As a result, charitable gaming is not a big generator of jobs, but it does help to provide charities with an infusion of capital to fund day-to-day operations.

Paul Bernstein, Charitable Games Unit Chief for DOSR, estimates that seven in-state charitable game vendors employ about 25 people. The vendors provide various supplies.

Charitable gaming contributed \$1.3 million in FY 2007 to the state’s General Fund. That figure is about 30 percent less than 1994, when the contribution was \$1.8 million, an all-time high. The profit to charitable organizations has also dropped by a similar percentage.²⁷²

The decline is perhaps best illustrated by its most popular game – bingo, a tremendous source of funds for many charitable and non-profit organizations, including sports leagues,

²⁷¹ Connecticut Nonprofit Employment, 2002 report, Sarah Dewees and Lester Salamon.

²⁷² Division of Special Revenue.

churches and synagogues, veterans' organizations and schools. There are approximately 147 bingo halls in Connecticut.²⁷³

Attendance at bingo games has been on the decline in recent years due to many factors, including the proliferation of casinos and the aging of bingo patrons and volunteers.

In the at-random telephone survey we commissioned for this report, 26 percent of respondents who played bingo said they did so at Foxwoods in the past year, an indication that Foxwoods bingo has hurt charitable bingo.

Bingo was the first game offered at Foxwoods. The Bingo Hall accommodates 3,600 patrons. It is played twice a day. The Bonanza Game is played at the end of each session and carries a cumulative jackpot amount that often exceeds \$10,000. In May 2009, the jackpot reached more than \$21,000.²⁷⁴

Bernstein believes that the many bus trips to Foxwoods draw bingo players away from local bingo games. Bernstein said the number of weekly bingo games has declined from 390 in 1987 to 185 in 2007. Bingo generated nearly \$500,000 in General Fund contributions in 1995, an all-time high. In FY 2007, the figure dropped to about half that amount.²⁷⁵

Sealed tickets contribution to the General Fund fell from \$1.3 million in 1994 to \$1 million in 2007.

“Slot machines, craps and blackjack, on a relative scale, are very exciting and are going to draw people away from bingo,” said Dartmouth College economics professor Bruce Sacerdote, who co-wrote a 2005 report examining the economic impact of legalized gambling in Massachusetts.

Raffles and bazaars do not contribute to the General Fund. Their gross receipts and net profit for charitable organizations have remained constant for the past 10 years. Since raffles involve the purchase of a ticket for a specified price to win a prize, it least resembles casino gaming. It therefore may explain why raffles have been relatively unfazed by Indian gaming.

According to the National Council of Legislators from Gaming States (“NCLGS”), discussions were held at a January 2008 meeting about enhancing bingo and other charitable games to offset increased competition. Topics included making existing games more interesting to younger players and linking bingo games to create higher jackpots.

Charitable gaming revenue declined so much in recent years that the amount transferred to the General Fund was not enough in the 2007 fiscal year to cover the cost of regulating the games. The charitable game unit expense was \$1.3 million; the contribution to the General Fund was about \$40,000 less than the expense.²⁷⁶ It represented the first time that taxpayers were, in effect, called on to subsidize charitable games. It should be noted, however, that the state's intent was never for charitable gaming to generate money for the state of Connecticut.

²⁷³ <http://www.nationwidebingo.com>.

²⁷⁴ Foxwoods.

²⁷⁵ Division of Special Revenue.

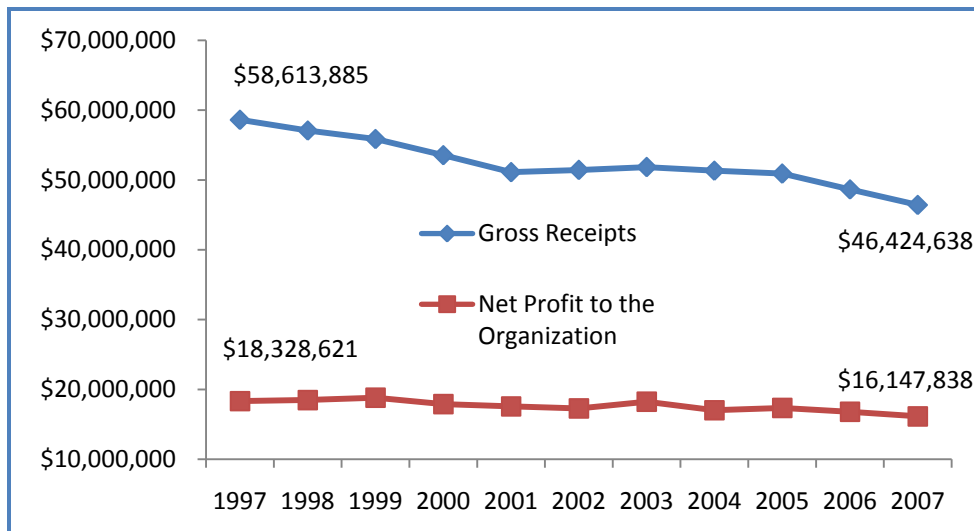
²⁷⁶ Interview with Charitable Games officials.

Figure 90: Charitable Gaming Payments to Municipalities

1998 – 1999	\$22,164
1999 – 2000	\$21,644
2000 – 2001	\$20,156
2001 – 2002	\$21,077
2002 – 2003	\$19,570
2003 – 2004	\$18,676
2004 - 2005	\$4,533
2005 – 2006	\$16,709
2006 – 2007	\$16,155

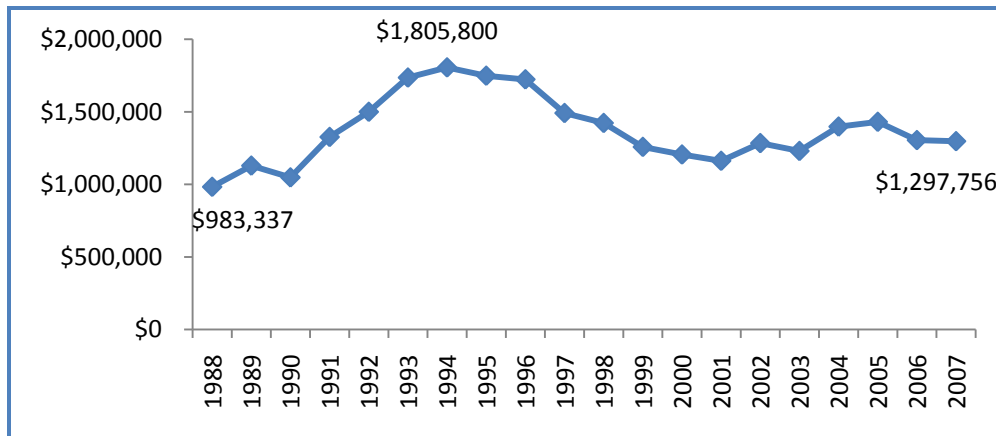
Source: Connecticut Division of Special Revenue

Figure 91: Charitable Games Revenues, Profit to Organizations, 1997 – 2007



Source: Division of Special Revenue

Figure 92: General Fund Transfers from Charitable Games



Source: Division of Special Revenue

The Charitable Games Unit oversees charitable gaming operations.

Figure 93: Charitable Games Expenses and General Fund Contributions

	Total Expenses – CT Charitable Games Unit (only)	Charitable Games Contribution to General Fund
1999	\$1,093,369	\$1,258,380
2000	\$1,097,762	\$1,205,865
2001	\$1,087,444	\$1,162,360
2002	\$1,242,116	\$1,284,454
2003	\$1,141,407	\$1,230,391
2004	\$1,122,820	\$1,398,295
2005	\$1,120,195	\$1,431,054
2006	\$1,234,599	\$1,305,163
2007	\$1,339,417	\$1,297,756

Source: Connecticut Division of Special Revenue

Off-Track Betting

Connecticut state gambling revenue from off-track betting (“OTB”) fell 20 percent from FY 1993 through FY 2008. On July 1, 1993, the state sold its interest in OTB to Autotote Systems Inc. (“AEI”). It changed its name to Scientific Games Corporation in 2000,²⁷⁷ although its Connecticut OTB web site reports that AEI is a subsidiary of Scientific Games.

Prior to July 1, 1993, General Fund transfers were significantly higher (see table below); the state was the OTB operator so the state retained all the profit.

In FY 2000, total sales were \$272 million. In FY 2008, the figure fell to \$225 million.

The decline in OTB is reflective of the overall decline in racing. In the 31-year history of OTB in Connecticut, the 2008 contributions to the General Fund, for example, are 39 percent less than the 31-year average and 78 percent less than the high-water mark of 1982.

The problems are nationwide in scope. Connecticut is just one of several distribution networks. The OTB system in Connecticut is suffering like the rest of the racing industry in the US, and it will be difficult to grow the business under the current model.

However, Scientific Games believes that with its new model, in which OTB venues are imbedded into existing bars and restaurants, interest in pari-mutuel racing could start to grow once again, however modestly.

To implement the new business model, Scientific Games believes that it needs the right to bring video signals to bars and restaurants: “With the right tools we would make this [OTB]

²⁷⁷ Hoover’s Profile, “*Scientific Games Corporation*,” <http://www.answers.com/topic/scientific-games-corporation>, (accessed on May 15, 2009).

grow again” said Brooks Pierce, Scientific Games President of Racing, in an interview with Spectrum.

Scientific Games has only developed 11 of the 18 available OTB venues in Connecticut. This is because the statute authorizes the televising of races in 11 properties. Scientific Games argues that if it had the rights to televise races at the other seven sites, it could develop them profitably. It is understandable that customers who bet on a race would like to watch the race. So it is also understandable that Scientific Games would be reluctant to develop the properties until it has the rights to show the races.

OTB venues are in Windsor Locks, Bristol, East Haven, Hartford, Milford, New Britain, Norwalk, Bridgeport, New Haven, Torrington and Waterbury.

Another factor holding down revenue is the inability of in-state residents to make bets over the Internet, as is done in New Jersey. Internet betting and simulcasting to other undeveloped locations could grow the amount wagered and result in tax revenue for the state.

Gamblers in Connecticut can place bets on thoroughbred, harness and greyhound racing as well as jai-alai at the different OTB facilities. Telephone betting is also permitted. Connecticut has no live racing.

As Scientific Games works with local communities to place OTB venues, it is often confronted with “a not in my backyard” attitude. There is a significant stigma attached to betting venues that for the most part is undeserved. Officials said that attitude has often blocked the company from opening an OTB facility.

Connecticut’s failure to address planning and zoning on a regional basis makes it difficult to locate OTB facilities. This process is not only time-consuming, it is also expensive. Lawyers and civil engineers must be retained. Sometimes, traffic or environmental impact studies need to be done.

Since the year 2000, a number of racetracks and dog tracks across the country have become racinos, a process that results in a section of the track becoming a casino. In most cases, the operator is required by state law to set aside a portion of casino revenue to increase purses. As of May 2009, there were 11 racino states. The result has been an infusion across the country of more than \$1 billion in increased purses, which in turn has led to better breeding programs, better horses, better opportunity for owners to race and a better product for the customer.

If OTB in Connecticut can show better races as a result of purse supplements from racino states, the product improvement should improve handle throughout all distribution networks. The fact that many of the racinos are in the East should further improve the situation for Connecticut.

Figure 94: OTB General Fund Transfers, Gross Sales and Payments to Municipalities

	Transfers to the General Fund (In Dollars)	Gross Sales (In Dollars)	Payments to host municipalities (In Dollars)
1979	7,800,000	118,028,104	3,163,144
1980	13,100,000	166,294,918	3,061,722
1981	13,500,000	180,179,203	3,061,648
1982	20,200,000	190,403,568	3,250,535
1983	19,000,000	183,548,291	3,324,683
1984	18,800,000	187,064,643	3,654,678
1985	18,700,000	185,589,642	3,741,155
1986	18,900,000	188,782,000	3,755,049
1987	18,700,000	193,260,000	4,810,302
1988	18,800,000	200,340,000	5,024,774
1989	19,600,000	202,121,000	4,845,735
1990	18,300,000	193,428,000	4,453,576
1991	10,900,000	199,924,000	4,384,209
1992	14,400,000	175,313,888	3,981,783
1993**	16,200,000	163,831,210	3,473,879
1994	5,788,175	178,247,181	3,428,151
1995	6,129,150	224,862,846	3,687,400
1996	6,610,554	244,007,115	3,529,603
1997	6,874,079	254,946,925	2,549,469
1998	5,441,570	262,213,261	4,260,559
1999	5,472,648	265,481,548	4,337,167
2000	5,616,495	272,013,961	4,445,525
2001	5,674,281	274,510,529	4,484,936
2002	5,736,901	276,349,625	4,503,743
2003	5,783,231	279,614,045	4,437,840
2004	5,783,041	279,250,542	4,589,212
2005	5,275,182	255,047,341	4,193,829
2006	5,055,057	244,444,205	4,014,890
2007	4,808,425	233,492,621	3,840,718
2008*	4,603,607	224,797,249	1,469,695

*Thru November 2008

**State sold the OTB system on July 1, 1993 to Autotote Enterprises for \$20 million

Source: DOSR

As part of this study, we visited the Hartford Raceview Center, the New Britain Raceview Center and the Bradley Teletheater on October 21, 2008, in the late afternoon and early evening. We discussed the properties with customers at each venue. Our findings conform to industry data on racing and OTB customers that has been published for years.

OTB customers were older, working-class males betting within a budget and enjoying the skills element of handicapping. Our on-site interviews indicated that most customers lived within a 25-mile radius of the properties.

Players can participate in a frequent-bettors program called the Trophy Club, where they earn points each time they bet. The points can be redeemed for merchandise. Collecting player

information enables the operators to enhance their marketing program. The most successful OTB locations in Connecticut are the ones that offer the best amenities and comfort. For example, the New Britain facility provides betting windows and betting machines for its guests. At the time of our visit, no food or beverage was offered, but we learned subsequently that it does normally operate a concession service. Space to sit down and spread out handicapping materials was limited to table tops and seating areas.

At the Bradley Teletheater, the space was designed with private betting booths, individual TVs and sound systems. The lighting was understated, however purposeful. Bradley does almost three times the business of New Britain.

Sports Haven in New Haven combines OTB action with a first-class sports bar. The combination is a very powerful draw. It is one of the reasons why Sports Haven continually records the top handle of all OTB facilities. In calendar year 2008, its handle was \$40.1 million; Bradley was the next highest at \$38.4 million. Sports Haven has had the top handle every year since 1999. The multi-level facility is the prototype for off-track betting simulcast venues, and it is considered the marquis OTB betting parlor in Connecticut.²⁷⁸

Since 1977, OTB properties in Connecticut have contributed \$348 million to the General Fund. From 1999 to 2008, the contribution was \$58 million. However, the impact is still a measurable one. The figures were naturally much higher before July 1, 1993, when the state sold OTB to AEI.

Payments from OTB to host municipalities in 2007 were \$3,840,718, which is a decline of 7.5 percent from the 10-year average of \$4,150,717.

We studied the records of selected municipalities that host OTB operations and can find no record or evidence to support an increase in crime as a result of a municipality hosting an OTB property. In our meetings with Joseph P. Tontini, Unit Chief, Gambling Regulation Unit, Division of Special Revenue, we specifically asked about increased crime, and he indicated that there was no significant increase. (Tontini was responding to a question, not citing a study or report). We also queried police departments in towns where OTB facilities were located in an effort to determine the impact of OTB. They said they could not provide such information.

Over the course of the last 10 years, employment has been adversely affected with the closure of Hartford Jai Alai in 1997, Milford Jai Alai in 2002, Plainfield Greyhound in 2005 and Bridgeport Shoreline Star Dog track in 2006. Newspapers reported the Plainfield Greyhound closure resulted in 150 jobs lost; however, those losses may have been offset by increases at the OTB venues coming on line.

Full-time and part-time employees working at OTB venues in Connecticut in 2008 are:

²⁷⁸ Dan Novak, New Haven Register, http://www.nhregister.com/articles/2008/01/25/past_stories/19925603.txt, January 25, 2008.

Figure 95: OTB Employee Numbers by Location

OTB Venue	Full Time Employees	Part-Time Employees
East Haven	1	6
Norwalk	5	4
Waterbury	6	6
Torrington	2	5
Bristol	5	4
New Britain	4	12
Hartford	9	9
Windsor Locks	24	46
New Haven	31	51
Bridgeport	36	24
Telephone Wagering	10	40
Operations, Sales & Administration	18	-
Total	151	207

Source: Scientific Games, as of November 28, 2008

Cannibalization of Gambling Revenue

A critical question that needs to be asked in any study of the impacts of gambling is: Are the various forms of gambling cannibalizing each other? A related question is: Do they compete against each other?

We note that there are some very strongly held assumptions regarding the competitive aspects among various forms of gambling. Executives at the CLC indicated, for example, that they view the two casinos as clear competitors.

On a macro level, we note two essential points:

- Studies are inconclusive as to the migration of gamblers from one form of wagering to another, with some potential causal relationships being clear and others rather tenuous.
- The assumption that gambling competes with gambling has indirectly affected policy decisions in Connecticut, which may have led to lost opportunities. For example, as explained in a previous section of this report, the CLC views the Connecticut casinos as competitors for wagering dollars, rather than as potential marketing partners.

Figure 96: Lottery and Population Growth Rates, Selected Casino States, 1985-2005

State / First year of data	Lottery growth, 1 st yr.- 2000	Population growth 1990-2000	Year Casinos Opened	Lottery growth before casinos	Lottery growth after casinos opened (through 2000)	Lottery growth 2000-05	Population growth 2000-05
Colorado / 1985	7.2%	3.1%	1992***	9.5%	5.7%	2.0%	1.6%
Connecticut / 1985	3.1%	0.3%	1992*	3.1%	3.1%	0.3%	0.5%
Illinois / 1985	-1.6%	0.8%	1991**	1.0%	-2.8%	3.2%	0.5%
Indiana / 1990	1.2%	1.0%	1995**	8.7%	1.3%	4.2%	0.6%
Iowa / 1986	3.2%	0.5%	1992***	8.7%	-1.3%	10.8%	0.3%
Louisiana / 1992	-5.1%	0.6%	1988***			1.0%	0.2%
Minnesota / 1990	-0.1%	1.2%	pre-1985*			-0.2%	0.8%
Missouri / 1986	6.0%	0.9%	1994**	3.6%	8.1%	9.5%	0.7%
New Jersey / 1985	1.6%	0.9%	pre- 1985**			2.7%	0.6%
New York / 1985	4.3%	0.5%	pre-1985*			9.4%	0.3%
Averages	2.2%	1.0%		5.8%	1.2%	4.3%	0.6%

* Indian casinos only, as of 2000; ** Commercial casinos only, as of 2000; *** Commercial and Indian casinos
Source: State lottery commissions

Comparing the last two columns from the table above, we see that on average, adjusted for population, the lottery growth rates in casino states exceed those in non-casino states. As cautioned earlier, any particular state may see results substantially different from the average experiences of other states. This may suggest that, after an initial negative casino effect on the lottery, the lottery recovers and sees even higher growth rates than before casinos²⁷⁹

Indeed, while we caution that experience in other states is limited because so many factors can differ, the experience in Connecticut shows that the destination-business model can successfully co-exist with a lottery.

The lottery has impacted racing’s declining popularity – both in Connecticut as well as throughout the rest of the nation.

²⁷⁹ In his paper, Jeff Dense argues that there “continues to be minimal substitution between state lotteries and commercial casinos.” His analysis shows that state government receipts from lotteries and casinos are both positive over time. However, it is unclear whether he adjusted his data for inflation. See Jeff Dense, “State lotteries, commercial casinos, and public finance: An uneasy relationship revisited.” *Gaming Law Review*, vol. 11, pp. 34-50.

Nationwide, there is evidence that lotteries have had a negative impact on racing's popularity. The impact of lotteries was noted in detail in a 2000 report produced by the investment firm, Bear Stearns²⁸⁰, now part of JP Morgan:

“Clearly, pari-mutuel horse race wagering is a good deal more complex than other forms of wagering. There are many different types of pari-mutuel wagers, and some are more difficult than others to execute. In our opinion, most wagers often cannot be won without some degree of handicapping, which requires at least some knowledge of the industry, the horses, the tracks, and other random factors. This intense, time-consuming process can just as easily be a winning prospect as it can be a losing one, as a handicapper could end up losing his or her wager just because a particular factor was misjudged.

“When handicapping as an activity in and of itself is put to the test against other forms of recreation and leisure, particularly against other forms of gaming, it has a difficult time competing. In comparison to other forms of gaming, in particular those that are games of chance, handicapping doesn't generate as much consumer demand. Lotteries, for example, have low stakes and provide outstanding returns. The only work the consumer has to do is purchase a ticket. Bettors don't have to show up on race day, they don't have to rigorously study tapes of past races, and they don't have to spend countless hours handicapping a single race. However, even though the pari-mutuel wager requires more work, players are betting against other people, rather than the house, and therefore their chances of winning are naturally increased.

“It is important to note when discussing handicapping versus other forms of wagering that many different economic factors have an effect on bettors' wagering patterns. The gaming industry often finds that times of economic prosperity lead to freer betting habits. Taxation, which varies among jurisdictions, also plays into bettors' wagering habits. As a result, it is difficult to determine how different forms of wagering affect each other when analyzing consumer betting preferences. It is important, therefore, to isolate the different forms of gaming and treat them as separate factors when studying the impact that one form of wagering has on another.

“A case study that we believe presents an accurate analysis of this sort comes from the University of Louisville's Equine Industry Program, which looked at the effects of isolated gaming activities on each other. The analysis revealed that the institution of the Ohio State Lottery in 1974 had a negative effect on the two most significant factors contributing to track profitability, attendance and handle in southern Ohio and northern Kentucky.

²⁸⁰ “The Sport of Kings, A Guide to the Pari-Mutuel Horseracing Industry,” Bear Stearns, Dec. 2000.

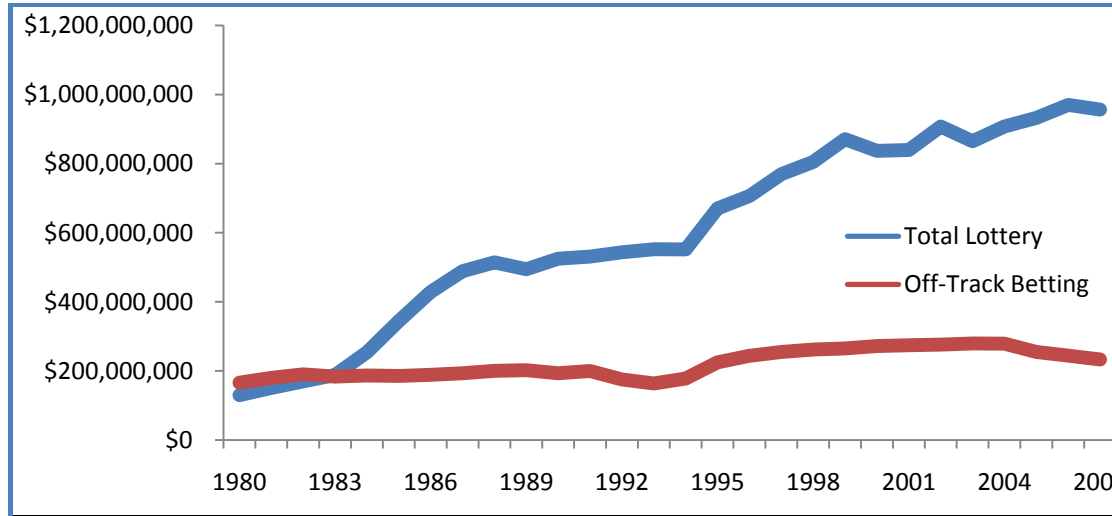
Figure 97: Impact of Lotteries on Racing

		1974	1987
Attendance	Turfway Park, River Downs	-13.80%	-16.70%
Handle	Turfway Park, River Downs, Lebanon Raceway	-20.60%	-24.60%

Note: Numbers reflect change in attendance and handle since introduction of the lottery.
 Source: University of Louisville, Department of Equine Administration

The following compares the Lottery with Off-Track Betting wagering in Connecticut over the past 28 years:

Figure 98: Connecticut Lottery Wagering vs. Off-Track Betting Wagering



Source: Connecticut Division of Special Revenue

A number of macro factors would account for those profound differences in growth rates, from changing consumer tastes to improved lottery technologies.

From 1992 through 1996, CLC sales grew by 30 percent, from \$544 million in FY 1992 to \$707 million in FY 1996.²⁸¹ Foxwoods in Connecticut opened in 1992 and had been expanding throughout that period of study. Mohegan Sun opened in October 1996 and thus overlapped that study by less than a year. Still, the data indicates that casino destinations did not hurt lottery sales, despite the opening of two of the world’s most successful gaming properties. The WEFA Group, in its study, attributed that growth, in large measure, to the introduction of instant games priced at \$2 or more.

The next question then is: Did the view that lotteries and casinos compete against each other have an impact on state policy? The answer is: Yes. The CLC’s view that casinos are competition, and not opportunities, has likely resulted in lost opportunities for lottery sales to out-of-state residents, who – from a public-policy perspective – represent the ideal customers. Their lottery purchases are more likely to displace discretionary purchases in their own states, rather than in Connecticut.

²⁸¹ The WEFA GROUP June 1997, “A Study Concerning the Effects of Legalized Gambling on the Citizens of the State of Connecticut.”

A 2006 survey by the Center for Policy Analysis at the University of Massachusetts Dartmouth, referred to as the New England Gaming Behavior Survey, offers a window into the potential lost opportunity. The center conducted a telephone poll of 2,806 residents of Massachusetts, Rhode Island, Maine and New Hampshire.

The following table was gleaned from the published results of that survey:²⁸²

Figure 99: New England Gaming Behavior Survey

Annual visitors (in thousands)	MA	RI	ME	NH	Total
Foxwoods	977	231	80	155	1,442
Mohegan Sun	568	129	43	67	807
Combined	1,544	360	123	222	2,250
Avg. visits/year	MA	RI	ME	NH	Total
Foxwoods	4.92	5.38	2.06	2.29	4.55
Mohegan Sun	3.64	3.56	2.45	1.67	3.40
Combined	4.45	4.73	2.20	2.10	4.14
Annual visits/year (in thousands)	MA	RI	ME	NH	Total
Foxwoods	4,805	1,242	165	355	6,567
Mohegan Sun	2,067	460	106	112	2,744
Combined	6,871	1,702	271	466	9,311

Source: Center for Policy Analysis, University of Massachusetts-Dartmouth

These estimates only project visitation from other New England states and do not include visits from New York and other regions that also patronize the two casinos. Even if only a small portion of these visits resulted in purchases of lottery tickets, the results would have a material impact on overall lottery sales in Connecticut.

Spectrum also knows from experience that casinos are often willing lottery agents and do not necessarily subscribe to the notion that lottery purchases – even on-site at a casino – would displace gaming revenue. Most casinos in Atlantic City, for example, sell lottery tickets, often at locations such as gift shops and parking garages. Indeed, casinos have been found to have been among the most productive of such agents.²⁸³

In researching available New Jersey data, we found that the 1,200 top-performing lottery agents in 1998 generated average weekly sales per agent of \$15,613. Trump Taj Mahal, the largest casino in Atlantic City at the time, averaged \$30,379 in weekly sales that year – or about five times the current average for all agents in Connecticut.

²⁸² “Who Gambles at Connecticut Casinos?” University of Massachusetts Dartmouth, February 2007.

²⁸³ “Top 1,200 Agents,” New Jersey Lottery. May 11, 2000. This data was considered public at the time. The New Jersey Lottery has subsequently determined that sales by individual lottery agents is confidential and has not publicly released data since that time.

That Atlantic City data is nearly a decade old and relates to a casino that is significantly smaller than either Foxwoods or Mohegan Sun.

In 2005, the New Jersey Lottery generated a controversy when it promoted its “Viva Las Vegas” game, in which players could be entered in a second round to win free trips to Las Vegas. Atlantic City casinos objected because the Lottery was promoting visits to another state, rather to its own casinos.²⁸⁴

Our overall analysis makes it clear that Connecticut’s long-held assumption that lotteries and casinos are pure competitors, rather than potential partners, has resulted in missed opportunities to capture more out-of-state dollars.

²⁸⁴ “Atlantic City upset by lottery’s prize,” Associated Press, May 08, 2005.

Section V: Demographic Characteristics and Lifestyle Identifiers of Citizens Who Legally Gamble

All of the tables in this section were derived from the telephone survey commissioned by Spectrum.

Figure 100: Demographic Information of Connecticut Gamblers

	Achieved	Weighted	Census 2007
	(2,298)	(2,298)	
Gender			
Male	40.0	45.9	47.7
Female	60.0	54.1	52.3
Education			
Less than High School	2.8	8.7	11.9
High School	19.5	29.8	29.6
Some College	26.7	26.7	25.5
Bachelor's Degree	28.0	20.5	19.4
Post Graduate Degree	23.0	14.3	13.6
Age			
18-34	13.4	26.2	27.4
35-44	17.9	21.2	21.5
45-64	46.3	37.9	37.1
65+	24.4	19.3	18.5
Ethnicity			
Hispanic	4.1	6.4	10.1
African-American	5.2	7.0	8.7
Caucasian	88.4	84.2	78.1
Other	2.3	2.4	3.1

The table below presents characteristics for two categories: past-year and monthly gamblers. Non- and infrequent gamblers were excluded from this analysis due to small sample panel sizes.

Figure 101: Demographics of Connecticut Gamblers (Total Adult Population: 2.7 million)

		Past-Year (1,624) %	Monthly (838) %
Gender	Male	42.2	59.7
	Female	57.8	40.3
Age	18 – 34	27.5	21.9
	35 – 44	20.4	20.6
	45 – 64	37.6	39.0
	65 and older	14.5	18.6
Ethnicity	Black/African American	5.7	7.9
	White/Caucasian	87.2	84.9
	Hispanic/Latino	4.6	6.0
	Other	2.5	1.3
County	Fairfield County	20.3	24.5
	Hartford County	30.9	26.0
	Litchfield County	5.8	5.2
	Middlesex County	4.0	4.2
	New Haven County	22.7	25.8
	New London County	7.8	6.8
	Tolland County	3.9	4.2
	Windham County	4.6	3.3
Marital Status	Single	23.0	22.6
	Married	61.2	57.7
	Divorced	9.7	10.9
	Widowed	6.2	8.9
Education	High school or GED	32.8	37.2
	Some college	26.4	32.9
	Bachelor’s degree	23.4	19.4
	Postgraduate degree	17.5	10.5
Income	Under \$25,000	10.0	11.1
	\$25,000 to less \$50,000		
	\$50,000 to less \$75,000	18.1	18.4
	\$75,000 to less \$100,000	16.7	17.0
	\$100,000 to less \$125,000	11.4	10.7
	\$125,000 or more	21.9	20.2
Religion	Protestant	31.2	27.7
	Catholic	40.3	47.9
	Other	5.7	5.5
	None	22.8	18.8
Armed Services	Yes	12.3	17.4
	No	87.7	82.6

Past-year casino gamblers

The following table offers a demographic breakdown of past-year casino gamblers. Thirty-one percent of respondents were from Hartford County, which accounts for about one-quarter of the state's population.

Figure 102: Demographics of Past-Year Casino Gamblers (Total Adult Population: 2.7 million)

		(818) %
Gender	Male	50.2
	Female	49.8
Age	18 – 34	26.1
	35 – 44	20.5
	45 – 64	36.9
	65+	16.4
Ethnicity	Black/African American	8.5
	White/Caucasian	83.7
	Hispanic/Latino	5.8
	Other	1.9
County	Fairfield County	20.5
	Hartford County	30.9
	Litchfield County	4.5
	Middlesex County	4.9
	New Haven County	23.8
	New London County	8.3
	Tolland County	4.5
	Windham County	2.5
Income	Under \$25,000	11.3
	\$25,000 to less \$50,000	22.2
	\$50,000 to less \$75,000	16.0
	\$75,000 to less \$100,000	17.2
	\$100,000 to less \$125,000	11.5
	\$125,000 or more	21.8
Religion	Protestant	26.8
	Catholic	49.1
	Other	6.0
	None	18.1

Past-Year Lottery Demographic

Figure 103: Demographics of Past-Year Lottery Gamblers

		(1,234) %
Gender	Male	50.7
	Female	49.3
Age	18 – 34	22.3
	35 – 44	22.1
	45 – 64	40.0
	65+	15.7
Ethnicity	Black/African American	7.6
	White/Caucasian	84.1
	Hispanic/Latino	6.7
	Other	1.5
County	Fairfield County	22.7
	Hartford County	28.1
	Litchfield County	5.2
	Middlesex County	4.5
	New Haven County	25.6
	New London County	6.3
	Tolland County	3.7
	Windham County	3.8
Income	Under \$25,000	10.4
	\$25,000 to less \$50,000	22.6
	\$50,000 to less \$75,000	18.5
	\$75,000 to less \$100,000	17.4
	\$100,000 to less \$125,000	12.2
	\$125,000 or more	18.9
Religion	Protestant	28.3
	Catholic	45.4
	Other	5.0
	None	21.3

Past-Year Demographics for Horse Race Players

The table below provides demographic information for gambling on horse racing in the past year. Due to the small sub-sample size of 170, caution must be used in interpreting the results.

Figure 104: Demographics of Past-Year Horse Race Gamblers

		(170)
		%
Gender	Male	48.8
	Female	51.2
Age	18 – 34	28.5
	35 – 44	22.8
	45 – 64	30.7
	65+	18.0
Ethnicity	Black/African American	7.0
	White/Caucasian	90.8
	Hispanic/Latino	1.3
	Other	1.0
County	Fairfield County	19.8
	Hartford County	29.0
	Litchfield County	10.0
	Middlesex County	2.9
	New Haven County	26.4
	New London County	10.8
	Tolland County	0.4
	Windham County	0.7
Income	Under \$25,000	6.4
	\$25,000 to less \$50,000	18.0
	\$50,000 to less \$75,000	21.2
	\$75,000 to less \$100,000	13.2
	\$100,000 to less \$125,000	11.5
	\$125,000 or more	29.7
Religion	Protestant	16.6
	Catholic	51.2
	Other	4.7
	None	27.5

Past-Year Bingo Player Demographics

Figure 105: Demographics of Past-Year Bingo Players

		(206) %
Gender	Male	50.0
	Female	50.0
Age	18 – 34	33.9
	35 – 44	15.5
	45 – 64	30.1
	65+	20.4
Ethnicity	Black/African American	7.6
	White/Caucasian	86.0
	Hispanic/Latino	5.6
	Other	0.8
County	Fairfield County	21.6
	Hartford County	36.4
	Litchfield County	2.2
	Middlesex County	4.0
	New Haven County	18.3
	New London County	7.9
	Tolland County	5.6
	Windham County	4.0
Income	Under \$25,000	14.7
	\$25,000 to less \$50,000	19.8
	\$50,000 to less \$75,000	14.6
	\$75,000 to less \$100,000	14.2
	\$100,000 to less \$125,000	18.0
	\$125,000 or more	18.8
Religion	Protestant	21.4
	Catholic	54.2
	Other	2.2
	None	22.2

Demographics Based on Frequency of Play

We now analyze demographic characteristics based on frequency of play. Non-gamblers and infrequent gamblers and monthly and weekly gamblers have been collapsed for analysis purposes. There are important differences between the different categories of gamblers. Men are more likely to be monthly gamblers than past-year gamblers.

Those who are past-year gamblers or monthly gamblers are more likely than non-gamblers to be:

- White
- 45-64 years of age
- Living in Hartford County
- Have a household income of more than \$125,000

Figure 106: Demographics Based on Frequency

		Non- & Infrequent Gamblers (2,210) %	Past-year Gamblers (1,624) %	Monthly and Weekly Gamblers (1,065) %
Gender	Male	35.7	40.2	59.2
	Female	63.3	59.8	40.8
Age	18 – 34	25.6	27.5	25.0
	35 – 44	19.7	20.4	20.2
	45 – 64	31.5	37.6	36.3
	65 and older	23.2	14.5	18.5
Ethnicity	Black/African American	7.5	5.7	7.9
	White/Caucasian	79.7	87.2	84.9
	Hispanic/Latino	8.9	4.6	6.0
	Other	3.8	2.5	1.3
County	Fairfield County	26.3	20.3	24.5
	Hartford County	21.1	30.9	26.0
	Litchfield County	4.6	5.8	5.2
	Middlesex County	4.6	4.0	4.2
	New Haven County	22.8	22.7	25.8
	New London County	11.9	7.8	6.8
	Tolland County	4.8	3.9	4.2
	Windham County	3.8	4.6	3.3
Income	\$25,000 to less than \$50,000	18.6	23.2	22.4
	\$50,000 to less than \$75,000	19.2	17.5	18.3
	\$75,000 to less \$100,000	13.0	15.7	16.8
	\$100,000 to less \$125,000	9.8	12.1	10.6
	\$125,000 or more	15.8	20.7	20.0

Demographics of Non-Problem, At-Risk, and Problem Gamblers

The table below shows the differences between non-gambler/infrequent gamblers, at-risk gamblers and problem and probable pathological gamblers as identified in the lifetime NODS screen based on demographics as found in the phone survey. Generally, at-risk gamblers fit between non-problem and problem gamblers.

Problem and probable pathological gamblers are significantly more likely to be male, (82 percent); single, (40 percent) and have some college education, (48 percent) than at-risk gamblers.

Conversely, at-risk gamblers are significantly more likely to be female, (36 percent); married (54 percent); have a post-graduate degree (14 percent); and be Protestant (32 percent) than problem gamblers.

We analyzed demographics of non-problem gamblers, at-risk gamblers and problem gamblers. We found that non-problem gamblers are significantly more likely to be female, (55 percent); white, (88 percent); and married, (63 percent).

Figure 107: Demographics Based on Category of Gambler

		Non-Problem Gamblers (2,011) %	At-Risk Gamblers (165) %	Problem Gamblers (76)* %
Gender	Male	45.4	63.8	81.8
	Female	54.6	36.2	18.2
Age	18 – 34	22.3	38.1	33.6
	35 – 44	20.5	20.0	23.8
	45 – 64	38.1	30.5	28.0
	65 and older	19.1	11.5	14.5
Ethnicity	Black/African American	5.7	15.0	9.2
	White/Caucasian	88.0	76.3	81.6
	Hispanic/Latino	4.5	5.6	9.2
	Other	1.8	3.1	0.0
Marital Status	Single	19.3	30.9	39.5
	Married	62.5	53.7	44.7
	Divorced	9.2	9.9	15.8
	Widowed	9.0	5.6	0.0
Education	High school or less	37.3	32.3	28.6
	Some college	26.3	31.7	48.1
	Bachelor’s degree	21.1	22.4	18.2
	Postgraduate degree	15.3	13.7	5.2
Employment	Employed	58.9	60.2	63.2
	Part-time	11.4	14.3	19.7
	Retired	16.9	9.9	6.6
	Unemployed/Disabled	4.3	8.7	10.5
	Student/Homemaker	8.5	6.8	0.0
Religion	Protestant	32.7	31.8	17.1
	Catholic	41.7	40.3	41.4
	Other	6.3	3.2	5.7
Income	None	19.4	24.7	35.7
	Under \$25,000	7.2	9.2	7.3
	\$25,000 to \$50,000	21.0	25.0	21.7
	\$50,000 to \$75,000	21.0	23.7	21.0
	\$75,000 to \$100,000	16.8	22.4	17.6
	\$100,000 to \$125,000	12.3	5.3	11.3
	Over \$125,000	21.7	14.5	21.0
County	Fairfield County	27.2	26.0	26.9
	Hartford County	25.0	26.0	24.7
	Litchfield County	5.7	3.9	5.4
	Middlesex County	4.8	2.6	4.8
	New Haven County	23.1	29.9	24.1
	New London County	7.9	3.9	7.5
	Tolland County	4.3	5.2	4.4
	Windham County	1.9	2.6	2.1

* Note that due to the small subsample size, caution must be used when interpreting the results.

Early and Late Onset Gamblers

Additional analysis was conducted to compare early onset gamblers (those respondents who indicated that they started to gamble in their childhood or adolescence) and late onset gamblers (those who started to gamble in their thirties or older). Early-onset gamblers under the age of 30 were excluded from this analysis to improve comparability of these groups in terms of life experience.

The table below compares demographic characteristics of early and late-onset gamblers. The following are significantly more likely to be early onset gamblers:

- Male
- Have at least some college education
- Married
- 30-44 years of age
- Have a household income of \$75,000 or more
- Have military experience

In contrast, late onset gamblers are significantly more likely to be:

- Female
- Have a high school education or less
- 65 years of age or older
- Retired
- Have a household income of less than \$75,000
- Do not have military experience

Figure 108: Early and Late-Onset Gambler Demographics

		Early Onset (247) %	Late Onset (278) %
Gender	Male	78.1	32.4
	Female	21.9	67.6
Age	30 – 34	12.1	2.0
	35 – 44	30.6	11.2
	45 – 64	40.3	46.2
	65+	16.9	40.6
Marital Status	Single	15.8	12.0
	Married	68.0	54.0
	Divorced	10.9	11.6
	Widowed	5.3	22.4
Education	High school or less	27.4	53.4
	Some college	34.7	25.5
	Bachelor’s degree	22.2	10.0
	Postgraduate degree	15.7	11.2
Income	Under \$25,000	8.6	16.8
	\$25,000 to less than \$50,000	20.0	29.8
	\$50,000 to less than \$75,000	11.9	21.2
	\$75,000 to less than \$100,000	17.6	11.1
	\$100,000 to less than \$125,000	11.9	5.8
	\$125,000 or more	30.0	15.4
Religion	Protestant	30.0	37.3
	Catholic	44.2	45.9
	Other	8.3	2.9
	None	17.5	13.9
Armed Services	Yes	24.2	11.2
	No	75.8	88.8

Both gambling screens showed that early onset gamblers were more likely in their lifetime to become problem gamblers and/or pathological gamblers than were late onset gamblers.

Motives for Gambling

In this section of the report, we use the survey to identify why Connecticut residents gamble and assess their attitudes toward gambling. The majority of respondents reported the following reasons for gambling: for entertainment or fun (85 percent), to win money (74 percent) and for the excitement or challenge (62 percent). These reasons generally increase in importance when comparing types of gamblers, from infrequent gamblers to weekly gamblers. When asked to compare the importance of gambling with other activities, only one-in-ten respondents reported it as very or somewhat important. This significantly increases with the frequency of gambling (i.e., from infrequent gamblers to weekly gamblers.)

Figure 109: Why Connecticut Gamblers Gamble

	Total (1,427)	Infrequent Gamblers (140)	Past-year gamblers (527)	Monthly Gamblers (557)	Weekly Gamblers (193)
Somewhat or very important	%	%	%	%	%
To be with people	45.2	39.0	43.6	49.1	42.6
To win money	73.7	62.0	70.2	76.9	80.7
Entertainment or fun	85.2	81.2	82.4	88.5	83.8
Support good causes	50.7	52.3	47.5	53.7	50.4
Excitement or challenge	62.2	55.0	54.9	66.7	72.2
Inexpensive entertainment	52.6	48.0	47.6	56.4	52.9
As a distraction	17.0	11.7	11.7	21.3	21.7

We asked a similar question based on the category of the gambler. At-risk gamblers are detected through the NODS screen. They are defined as gamblers who during their lifetime can be classified as at risk of becoming problem gamblers. These are people who scored at a level on the gambling screen that was below that of a problem gambler but fell into a category described as at risk of becoming a problem gambler.

Figure 110: Why Gamblers Gamble, by Type

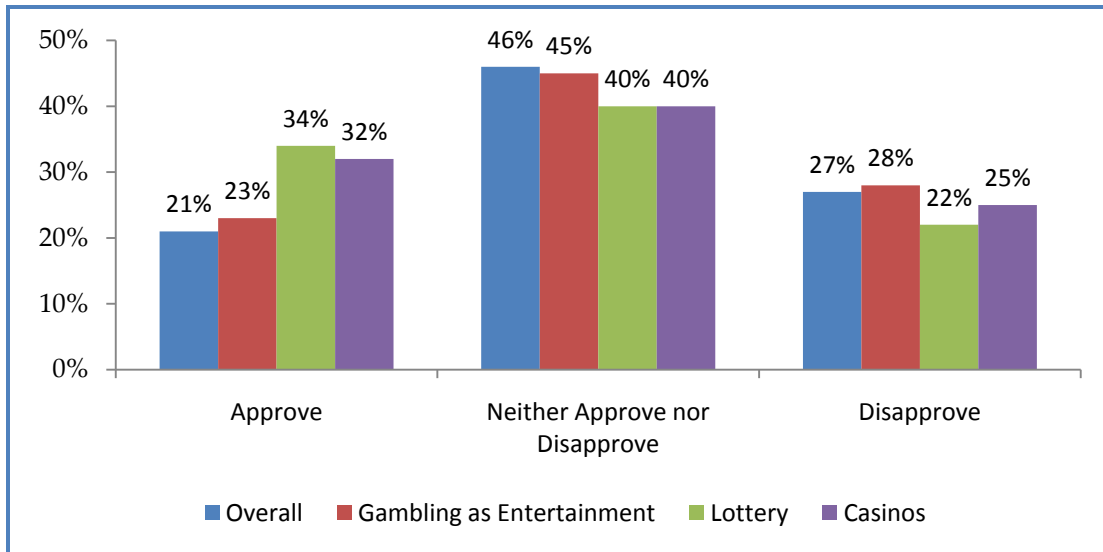
	Non-Problem Gamblers (2,011)	At-Risk Gamblers (165)	Problem Gamblers (76)
Somewhat or very important	%	%	%
Excitement or challenge	54.1	79.6	93.4
To win money	70.3	76.8	93.0
As a distraction	13.4	31.0	42.1

Approval of Gambling

Respondents were asked on a scale from 1 to 10, where 1 is “Strongly disapprove” and 10 is “Strongly approve,” about different types of legalized gambling activities. For analysis purposes, the responses of 1 to 3 are grouped as disapprove, 4 to 7 as neither approve nor disapprove, and 8 to 10 as approve.

Overall, respondents are split in their approval of legalized gambling in Connecticut. Forty-six percent of the 1,444 respondents who answered our question neither approve nor disapprove of gambling in Connecticut. More than one-quarter (27 percent) disapprove and one-in-five (21 percent) approve of overall gambling in Connecticut. A total of 1,444 respondents addressed the question.

Figure 111: Reaction to Lottery, Casinos



Respondents view OTB, dog racing, and the legalization of sports betting differently. Respondents disapprove of these activities more than overall gambling. The majority of respondents (58 percent) disapprove of dog racing, while 39 percent disapprove of OTB betting, and 42 percent disapprove of the legalization of sports betting.

Overall, more than one-half (55 percent) of respondents think there are about the right number of gambling sites in the state while one-third (31 percent) report there are too many. Forty-one percent report there are too many lottery locations. Sixty-five percent report having the right number of casinos in the state.

Section VI: Southeastern Connecticut Impacts

State's Attorney, New London County

State's Attorneys prosecute criminal cases in Connecticut. The New London area is one of 13 jurisdictions with a State's Attorney. The office has been struggling to process casino-related cases. It is difficult, though, to quantify the impact because the state has yet to develop a case management system that would help the office better track the types of cases it prosecutes, a shortcoming that prosecutors are hopeful will one day be overcome. Nonetheless, the New London office spends much of its time prosecuting casino-related cases, from simple trespass cases to armed robberies.²⁸⁵

The agreements with the two Indian tribes stipulate that the casinos pay for all regulatory costs, including law enforcement. And while the tribes pay for the cost of a State Police presence, they are not required to pay for the cost of prosecuting those crimes. The State's Attorney absorbs all those expenses.

The state's 2005 Uniform Crime Report, the most recent report available, shows that Foxwoods had 335 larcenies; 29 of them resulted in convictions. At Mohegan Sun, there were 115 larcenies; 28 of them resulted in convictions. New London State's Attorney Michael Regan explained that there is a considerable cost involved in prosecuting those cases.

At our request, Regan's office kept track of so-called Part B cases in New London for the month of August 2008 that involved casinos. Such cases involve trespassing, breach of peace, disorderly conduct, underage gambling and low-level larcenies. Part A cases involve more serious criminal cases that often result in lengthy jail sentences upon conviction.²⁸⁶

Regan noted that there is a considerable amount of paperwork involved in pursuing the Part B cases. In August 2008, there were 27 such casino-related cases. And officials noted that the figure is probably much higher as the 27 cases were only the ones they could identify.

The State's Attorney also prosecutes the more serious casino-related cases. In the first four months of 2008, the State Police Casino unit made 171 arrests at Foxwoods and 143 at Mohegan Sun. All of those cases had to be prosecuted by Regan's office.²⁸⁷

Driving Under the Influence ("DUI") Arrests

With the tremendous increase in traffic in southeastern Connecticut, so too has come an increase in DUI arrests. This is particularly true for many of the municipalities near the two Indian casinos.²⁸⁸

Norwich, for example, a municipality just north of the two casinos, had 129 DUI arrests in 1992; 252 in 2008. DUI arrests in Montville totaled 37 in 1992; 87 in 1997 and 116 in 2007.

²⁸⁵ Interview August 2008 New London State's Attorney's office.

²⁸⁶ Connecticut Division of Criminal Justice, "Frequently Asked Questions," <http://www.ct.gov/csao/cwp/view.asp?a=1795&q=285526&pp=12&n=>, (accessed on April 16, 2009).

²⁸⁷ Connecticut State Police.

²⁸⁸ Research, State Police accident reports.

The increases come at a time when DUI arrests statewide have fallen. In 1992, they totaled 12,088. In 2005, they declined to 9,874, a decrease of 18 percent.²⁸⁹

To give the DUI issue more context, we gathered information from local police departments, the State Police and the Department of Transportation to compare some of the towns close to the casinos with those of similar population that are much farther away from the casinos.

Figure 112: DUI Arrests in Towns with Casinos Compared with Similar Size Towns

	2004	2005	2006	2004-2007 2007 Totals	2007 Population*	Comments**
Montville	193	177	148	116	634	19,744 Site of Mohegan Sun
Mansfield	59	71	79	64	273	24,884 52 miles from Mohegan Sun
Ledyard	89	78	86	119	372	15,100 Site of Foxwoods
Ellington	61	50	44	45	200	14,370 66 miles from Foxwoods

* US Census Bureau estimates, July 1, 2007

**Mapquest

Source for DUI Arrests: Connecticut Division of State Police, Public Information Office, April 18, 2008

Note: All four towns use a resident state trooper to oversee their police departments.

The chart below compares Norwich with Trumbull and Shelton for DUI arrests from 2004 to 2006. Both Trumbull and Shelton have a land mass and population similar to that of Norwich. Norwich registered significantly more arrests. We ended with 2006 because not all of the municipalities could provide data for 2007 and 2008. Norwich, however, did. Police there made 158 arrests in 2007 and 252 in 2008, the highest number of arrests made during the 16-year span that records were made available to us.

Figure 113: DUI Arrests in Norwich Compared with Similar Size Towns Farther Away From Casinos

	Square Miles	2004	2005	2006	Total 2004- 2006	2007 Population*	Distance from Mohegan Sun**
Norwich	28	147	147	153	447	36,432	8.4 miles
Shelton	31	53	50	55	158	40,011	64.5 miles
Trumbull	23	82	36	75	193	34,465	70.9 miles

* US Census Bureau

**Mapquest

²⁸⁹ Connecticut State Police, Crime in Connecticut Annual Reports, Local police departments

Figure 114: DUI Investigations Conducted by Connecticut State Police

	2003	2004	2005	2006	2007	Total
Troop A	425	330	311	291	272	1,629
Troop B	154	122	100	96	122	594
Troop C	343	351	380	305	389	1,768
Troop D	388	314	285	279	229	1,495
Troop E	555	599	564	505	490	2,713
Troop F	536	389	340	381	388	2,034
Troop G	373	321	376	347	320	1,737
Troop H	377	305	322	416	340	1,760
Troop I	555	208	197	199	210	1,369
Troop K	267	251	291	211	244	1,264
Troop L	276	273	188	227	138	1,102

Source: Connecticut State Police
Troop A-Southbury, Fairfield County
Troop B-Canaan, Litchfield County
Troop C-Stafford, Tolland County
Troop D-Danielson, Windham County
Troop E-Montville, New London County
Troop F-Westbrook, Middlesex County
Troop G-Bridgeport, Fairfield County
Troop HQ-Middletown, Middlesex County
Troop I-Bethany, New Haven County
Troop K-Colchester, New London County
Troop L-Lichtfield, Lichtfield County

The Troop E Barracks consistently leads the state in DUI investigations. The barracks is located within two miles of Mohegan Sun, and about 10 miles from Foxwoods. Troop E conducted nearly one out of every six State Police DUI investigations. It registered one-third more investigations than Troop F in 2007, the barracks with the next-highest number of DUI investigations. Troop F is located in Westbrook, 24 miles from Mohegan Sun. The totals reflect only State Police DUI investigations.

Local and state police in the region have become increasingly concerned with the rising number of DUI arrests involving drivers who last consumed alcohol at a casino.²⁹⁰

We asked police in Ledyard, Montville and North Stonington to determine how many DUI arrests had a casino nexus. Police in those municipalities reviewed arrest reports to see where motorists had their last drink during the 12-month period ending June 30, 2008.

In Ledyard, nearly one out of four arrests involved casino patrons. In North Stonington, the figure was nearly one out of three. And in Montville, it was one of five. The figures only reflect those patrons who told police where they had their last drink. Roughly 20 percent of suspects refused to provide the information.

²⁹⁰ Interviews with law enforcement officials in Norwich, North Stonington, Ledyard, Montville and New London.

Two motorists charged with DUI were involved in separate accidents that killed two Connecticut people in southeastern Connecticut in March and April of 2009. Both acknowledged to police that they had been drinking at Mohegan Sun, according to police.

On March 7, 2009, police reported that a sailor at the Naval Submarine Base in Groton drove a car into a van on Interstate 395, killing a Connecticut College student and injuring seven others. He allegedly was driving the wrong way on I-395.²⁹¹

Michael Collins, Montville's resident state trooper, reported that the barracks received three emergency calls about the sailor's driving but troopers were 10 miles away at Foxwoods Resort casino investigating a report of a stolen vehicle. Dispatchers redirected the troopers to I-395 but they could not get there before the accident occurred.²⁹²

Meanwhile, Collins told us in an interview that he is concerned about a legislative proposal to extend drinking hours at the casinos, noting that his troopers "are already stretched too thin."

On April 5, 2009, a Lisbon construction worker allegedly caused a crash on I-395 in Norwich that claimed the life of a 59-year-old woman from Willimantic, Connecticut. He, too, was arrested for DUI.²⁹³ Police charged both motorists with manslaughter.

In response to the fatalities and other DUI-related fatal crashes in southeastern Connecticut, State Police and local police patrolled sections of I-395, Route 2 and Route 2A between 7 p.m. Saturday, April 11, 2009, and 3 a.m. Sunday, April 12, 2009. They made seven DUI arrests.

The Associated Press reported on April 30, 2009, that Mohegan Sun increased its efforts to spot gamblers who may be drunk in response to the two fatal accidents. Employees are receiving more training, and servers are limiting the number of drinks to two.

Norwich Police Chief Louis Fusaro said his department has not done a study of where motorists had their last drink but added he is convinced that for many of them, it was at a casino.

In a 1998 report, Fusaro said that two DUI-related fatal accidents that year claimed three lives. In both instances, motor vehicle operators admitted they had their last drink at one of the two casinos.²⁹⁴

In 2000, State Police were so concerned over the increase in DUIs that troopers began referring arrest investigations to the state Liquor Control Division in the hope that the division would cite the casinos.²⁹⁵

From 2002 to 2008, Mohegan Sun paid nearly \$1 million to settle charges that it violated state liquor control laws involving nearly 300 casino patrons who were allegedly intoxicated or under age. Mohegan Sun spokesman Gary Crowder blamed overzealous enforcement for many of the offenses. The result is that many bartenders refuse to serve patrons who are perfectly

²⁹¹ Megan Bard, "Driver in Fatal Was Drinking At Casino," *New London Day*, March 9, 2009.

²⁹² Ibid.

²⁹³ Interview, Montville Resident State Trooper Michael Collins, April 27, 2009.

²⁹⁴ Norwich Police Chief Louis Fusaro, "Impact of Neighboring Resort Casino," October 9, 1998, Page 1.

²⁹⁵ Georgina Gustin, "Drunken Driving Arrests Soar Near The Region's Casinos," *New London Day*, December 10, 2000.

sober, according to Crowder, who noted many angry patrons have filed complaints with the casino.

The casinos are the only entity in the state where full-time Liquor Control agents are stationed. Each casino has five agents.²⁹⁶ Crowder accused the state of using the fines as a way to generate additional revenue for the state. John Suchy, Liquor Control Division Director, denied the charge. He said his agents simply enforce the letter of the law.

Liquor Control agents also cited Foxwoods for more than 30 violations of state liquor laws from 2005 to 2008. The casino paid fines of more than \$80,000 to settle the charges.²⁹⁷

Neither casino has ever administratively challenged a Liquor Control agent's citation, according to Suchy. The offenses are almost always settled with a \$3,000 fine.

His agents, Suchy noted, must visibly observe an intoxicated patron. And then a patron must agree to identify himself or herself before a case is brought.

Case Study: The Southeastern Connecticut Regional Traffic Unit

The Southeastern Connecticut Regional Traffic Unit was created after Foxwoods opened in 1992. Public safety officials banded together to confront the issue of increased traffic accidents, drunk-driving incidents and low safety-belt usage. Affected communities, along with the Connecticut State Police, entered into a Mutual Police Assistance Compact that authorized area police departments to pool their resources to jointly conduct patrols and make arrests on a regional basis.²⁹⁸ The action was taken after officials noticed a substantial traffic flow increase after Foxwoods opened in 1992.

The traffic unit became a non-profit entity to receive court-ordered contributions to purchase equipment and training materials. Enforcement efforts were rotated to a different community every month.²⁹⁹

In an assessment of the unit in 1996, Waterford Police Chief Murray Pendleton said the regional approach resulted in increased enforcement and media attention and allowed officers to sharpen their skills in impaired driving apprehensions.

But despite the advantages, funding cutbacks among police departments throughout New London County resulted in the unit becoming inactive by 2001 at a time when the need for it was and is greater than ever as casino expansions have put more traffic on the highways, according to Pendleton.

Housing

Earlier in this report, we discussed the economic shift in southeastern Connecticut from high-wage manufacturing jobs to lower-paying service jobs. The shift exacerbated Connecticut's statewide affordable housing crisis. The Office of Policy and Management warned the General

²⁹⁶ Interview with State Liquor Control staff.

²⁹⁷ State Liquor Control Division.

²⁹⁸ Southeastern Connecticut Regional Traffic Unit Press Release.

²⁹⁹ Ibid

Assembly in December 2007 that young people were leaving in alarming numbers because they could not afford to live in the state.

Connecticut lost 25 percent of its 25-to 34-year-olds since 1990, higher than any other state. The loss is “likely pegged in part to the cost of living and housing, and puts Connecticut in a poor competitive position in attracting business and jobs.”³⁰⁰

Another study arrived at a similar conclusion: “Connecticut’s capacity for economic growth is directly linked to its ability to attract and retain a quality workforce. The rapidly increasing cost of housing, however, threatens the ability of vital skilled employees to live in Connecticut.”³⁰¹

The biggest problem has been a lack of supply. Connecticut was 49th in 2007, and 46th since 2000, in homes built per capita. And the homes that were built were overwhelmingly of the single-family variety.³⁰²

Even with plummeting real estate prices, the gap between what families make and the median sales price of a home continues to be steep. The median house price in Connecticut rose 70 percent from 2000 to 2007 while personal income rose 34 percent.³⁰³

Eighty-four percent of the municipalities in Connecticut have median sale prices that are unaffordable for most households.³⁰⁴ Housing experts say a household should spend no more than 30 percent of its income on housing. The number of Connecticut households spending more than that increased from 331,000 in 2000 to nearly 513,000 in 2006, a 55 percent increase, according to the US Census.

The housing wage — the hourly wage required to afford a two-bedroom apartment at fair market rent in Connecticut — remained high at \$21.11 in 2007, making it difficult for renters as well to live in Connecticut.³⁰⁵ More than one-third of the homes in New London County are occupied by renters, and one-third of those renters are spending more than 35 percent of their household income on rent. In Norwich, nearly half of the homes are occupied by renters.³⁰⁶

Jane Dauphinais, executive director of the Southeastern Connecticut Housing Alliance, noted there has always been an affordable-housing problem in the state as well as the region. The addition of so many low-paying jobs has made the problem that much worse in southeastern Connecticut.

HOMEConnecticut, an initiative of the Partnership for Strong Communities, examined median sale prices and compared them with median income to determine the percent of households that qualify for a mortgage. The group noted that even the affordable municipalities may not be affordable to many households because the criteria used to buy a home involved a 10 percent down payment, a borrower with no debt and a 1 percent property tax rate, which HOMEConnecticut acknowledged “ is a rare, if not fictitious, commodity.”

³⁰⁰ HOMEConnecticut.

³⁰¹ DataCore Partners, *The Need for Affordable Housing in Connecticut*.

³⁰² HOMEConnecticut.

³⁰³ *Affordability in Connecticut, 2007*, HOMEConnecticut .

³⁰⁴ *Ibid.*

³⁰⁵ *Ibid.*

³⁰⁶ American Community Survey, US Census Bureau, December 9, 2008.

The gap between income and qualifying income exceeded \$10,000 in 97 municipalities. Despite a 9 percent decline in housing sales in 2007, median sales price actually increased by 1.5 percent.³⁰⁷

The high housing costs force employees to live farther away from work, taxing state and local highways. It also leads to sprawl. The problem is especially acute for employees at the lower end of the wage scale.³⁰⁸

More than 1,200 casino employees have a commute of 30 minutes or more and 110 drive 50 minutes or more. More than 3,000 employees commute from Rhode Island. More than 1,000 live in New York.³⁰⁹

HOMEConnecticut Policy Director David Fink argues that the state must aggressively address the housing affordability problem. He said Connecticut's economy and fiscal future are tied to population and job growth, noting: "We can't have either unless we have homes people can afford. Either we create the homes and welcome the workers and tax revenues we need, or we let our workers and the Connecticut we love disappear."

IRS Migration Database

A review of the IRS migration database shows that in 2007, the state suffered a net loss of nearly 13,000 people who took annual income with them of \$770 million. New London County, even with all the new jobs created, sustained a loss of 2,000 people and \$62 million worth of income that year.³¹⁰

The database tracks the movement of taxpayers into and out of counties along with the amount of income flowing in and out. The database is a joint project of the IRS and the Census Bureau. Returns are matched from one year to the next to determine if a taxpayer moved to another county. For example, when a taxpayer files a return in 2007 for the 2006 year, the return is compared to the one filed in 2006 for the 2005 year to see if there was an address change.

The database shows returns or households along with exemptions, which more closely resembles population. The database can be used to compute the net migration into a county along with the net aggregate income change. Population and income estimates are usually on the low side because the database only includes taxpayers who file returns.³¹¹

So where are Connecticut citizens moving to? Some have moved to metropolitan areas such as New York and Boston, where housing affordability is just as bad if not worse than in southeastern Connecticut.

³⁰⁷ CT SMART GROWTH, "Housing and Sprawl," <http://www.ctsmartgrowth.com/diary/250/> (accessed on April 16, 2009).

³⁰⁸ A Crisis in the Making: The Need for Affordable Housing in Connecticut.

³⁰⁹ Ibid, Foxwoods, Mohegan Sun .

³¹⁰ IRS Migration Database, 2007.

³¹¹ Ibid.

But some 10,000 moved to a low-cost housing state such as Florida in 2007, taking with them an annual reported income of a half-billion dollars. North Carolina, Virginia, Texas and Georgia were also high on the list of places they migrated to.³¹²

More than 4,300 Connecticut residents moved to North Carolina in 2007. They took with them income of \$148 million. Those figures were somewhat offset by North Carolinians moving to Connecticut, but the figures pale in comparison. Only 1,500 moved to Connecticut taking with them income of \$48 million. The net losses are even greater for Florida; 5,000 people and income of \$400 million.

Figure 115: Where Connecticut Residents Move and the Income They Take With Them

State	People filing tax returns	Exemptions claimed on tax returns	Aggregate adj. gross income in 1000's
FL	5,770	10,425	\$539,790
MA	4,807	7,246	\$344,921
CA	2,325	3,750	\$173,154
NJ	1,723	3,030	\$142,446
VA	1,695	3,183	\$108,578
PA	1,627	3,007	\$111,550
FR*	1,417	2,546	\$106,124
TX	1,409	2,865	\$134,888
GA	1,332	2,848	\$74,030
RI	1,172	1,862	\$64,493
IL	895	1,660	\$77,982
NH	775	1,357	\$63,221

Source: IRS Migration Database *Foreign

The loss of taxpayers and income has been a problem for some time in Connecticut. From 2004 to 2007, as the table below shows, the net income loss was more than \$1.6 billion while the net loss of people was nearly 40,000. While other factors may have been behind the net migration losses, the high cost of housing was one of them.³¹³

Figure 116: Migration of People, Income from Connecticut

2004-2007	2004-2007	Net loss/gain	2004-2007	2004-2007	Net loss/gain
Number of exemptions claimed on tax returns who moved out of Connecticut	Number of exemptions claimed on tax returns who moved into Connecticut		Amount of income taxpayers took with them when they moved out of Connecticut	Amount of income taxpayers brought with them when they moved into Connecticut	Of taxpayers who moved into or left Connecticut
385,711	348,091	(37,620)	\$14,104,553	\$12,503,214	(\$1,601,339)

Source: Internal Revenue Service. Income figures are in thousands.

The statewide affordability issue has been very much felt in New London County, where the price of a home is unreachable for the more than 80 percent of casino employees who earn less than the required \$79,900 a year needed to qualify for a mortgage to purchase a home at the

³¹² IRS Migration Database, 2007.

³¹³ Interviews with state housing officials.