



PENNSYLVANIA GAMING CONTROL BOARD

Meeting of the Board

February 1, 2007

Minutes

An informational meeting of the Pennsylvania Gaming Control Board was held on February 1, 2007 in Hearing Room 1 of the North Office Building. The meeting began at 10:58 a.m.

Members in attendance were:

Thomas Decker, Chairman
Raymond S. Angeli
Mary DiGiacomo Colins
Jeffrey W. Coy
Kenneth W. McCabe (via teleconference)
Sanford Rivers

Ex-officio members in attendance were:

Gregory C. Fajt, Secretary of Revenue

Ex-officio designees in attendance were:

Keith Welks, Acting Deputy State Treasurer for Fiscal Operations

Individuals who appeared officially before the Board:

Anne LaCour Neeb – agency update
Eileen McNulty – budget and regulatory costs
Nan Horner – compulsive and problem gambling
Melinda Tucker – racetrack gaming
Richard Sandusky – regulations
Susan Hensel – licensing
David Kwait – investigations and enforcement update
Dale Miller – enforcement counsel update
Michael Cruz – gaming laboratory update

Chairman Decker called the meeting to order. Due to the lack of a qualified majority, the Board was unable to take action on any agenda items.

Announcements

Chairman Decker made the following announcements:

- The Category 2 adjudications for the Philadelphia, Pittsburgh and At-Large applicants would be released at 2 p.m.
- Executive sessions were held on January 9, January 19 and prior to the meeting. No business was conducted at these sessions.

Executive Director

Anne Neeb provided the Board with an update on the activities of the agency during the past month and on the status of casino openings. Ms. Neeb stated that, with the opening of Harrah's Chester Casino and Racetrack last week, three casinos are open to the public and generating significant tax revenue for the Commonwealth. Enforcement agents have been assigned to each casino to provide an immediate response to patron complaints and on-site investigations. Ms. Neeb commended the Board and staff for their efforts over the past two years to get to this point.

Chief Financial Officer

Eileen McNulty provided the Board with an update on slot machine revenues, 2006-07 Budget and anticipated 2007-08 Budget. Ms. McNulty stated that since gaming began in November 2006 it has generated almost \$200 million in revenue in 81 days. Ms. McNulty further explained that payment of \$36.1 million to the Commonwealth General Fund, which assisted the operation of the PA Gaming Control Board for two years, leaves a remaining \$160 million to support property tax relief, local government, volunteer fire companies, and other programs.

Compulsive and Problem Gambling

Nan Horner provided the Board with an update on the Office of Compulsive and Problem Gambling (OCPG). The OCPG works as the liaison between the Board, the licensees, Department of Health - the Bureau of Drug and Alcohol Programs and the public to heighten the awareness regarding compulsive and problem gambling. Ms. Horner stated that although not required as a condition of licensure, approval of the problem gambling plans submitted by the licensed applicant must be approved by the Director of OCPG prior to conducting gaming. The plans submitted for approval include training procedures, internal controls and signage. Ms. Horner further stated that the Self Exclusion Program was created in October 2006 and although there were a small number of people on the list in 2006, it continues to grow. The program allows

our office to collect data which in turn creates the ability to expand and improve the compulsive gambling programs. Our office will keep the Board up to date as well as post information, which is not deemed confidential, to our website.

Racetrack Gaming

Melinda Tucker updated the Board on the monthly revenue report distributed to the various horsemen's organization as required by Act 71. Ms. Tucker stated that the statute requires that 12 percent of the gross terminal revenue goes into an account known as the Pennsylvania Racehorse Development Fund or 1405 account. The revenue from the 12 percent is to be distributed as follows: 80 percent of that money is distributed to the horsemen for purse supplements, 60 percent is distributed for breeder incentives and 4 percent of the amount is distributed to the health and pension benefit funds. In a total of 81 days of gaming, Mohegan Sun has provided \$4,251,489, Philadelphia Park provided \$3,855,450 and Harrah's Chester has provided a total of \$1,030,617 for a grand total of \$9,137,556 toward the Racehorse Development Fund. Ms. Tucker further explained that the biggest benefit to the horse racing industry is going to be in the breeding industry. Melinda indicated that a recent sale in December far exceeded expectations and a number of horses were sold for 25-30 percent more than the same quality horse the previous year. Ms. Tucker indicated that the horse racing industry and those that supply it certainly benefit the agriculture in Pennsylvania. Ms. Tucker further stated that it was the intent of the Act to also require owners of the racing facilities to improve the conditions of the backside of racing facility. Ms. Tucker indicated that in addition to tracking these results, the health, pension and benefit plan is monitored by the Pennsylvania Gaming Control Board and all contracts entered into must have the approval of our organization. A report showing the amounts expended is also required and will be provided to the Board for their information and review.

Office of Chief Counsel

Richard Sandusky reviewed with the Board regulations which would require the Board's consideration at the February 27th meeting. Mr. Sandusky reviewed an amendment to § 405.7 (enforcement action), Chapter 493 (pleadings), Chapter 494 (hearing procedures), Chapter 495 (documentary filings), Chapter 497 (time), Chapter 499 (representation), Chapter 511 (persons required to be excluded) and Chapter 513 (underage gaming). Mr. Sandusky then discussed the final-form rulemakings. Chapters 451 and 471 are straight-forward chapters dealing with recordkeeping and filing fees. Chapter 481 is more significant as it deals with our diversity regulations. Mr. Sandusky stated that following the Board's consideration, the regulations must be submitted to the standing committees and the Independent Regulatory Review Commission. Upon the IRRC's approval, the Board will submit the regulations to the Office of Budget and the Office of Attorney General for final review for form and legality. Mr. Sandusky explained that once these approvals have occurred, the

regulations can be published in the *Pennsylvania Bulletin* and placed in the *Pennsylvania Code*.

Bureau of Licensing

Susan Hensel briefed the Board on activities within the Bureau of Licensing. Ms. Hensel explained in detail the process of employee licensing, permitting and registrations, vendor applications, and renewal applications. The process is extensive and to date approximately 3,200 employees have been issued permits and registrations. Ms. Hensel further stated that an estimated 5,000 licenses have been issued to key employees, vendors, manufacturers, and operators. Susan stated that it is estimated that between 20-25 percent of these applications have been denied permits and the employee turnover rate for these positions is roughly 40 percent. Ms. Hensel indicated that inquiries have been received by potential Category 3 candidates. She explained that when the Board opens up the acceptance of these applications, it is approximately 60 days to complete the investigation process. Ms. Hensel stated that the entire process both application and investigation is very extensive.

Bureau of Investigations and Enforcement

David Kwait updated the Board on what the Bureau of Investigations and Enforcement (BIE) has been doing since the issuance of licenses. Mr. Kwait stated that 3,723 casino employees have been processed; 3,291 approved and 432 recommended by BIE for denial. Mr. Kwait, speaking generally, stated that the incidents that occurring in the casinos are incidents of unreported underage gambling, promotional material being sent to members of the self exclusion program, unregistered vendors working on the casino floors, various complaints from patrons regarding malfunctioning of machines and perceptions and misperceptions of jackpots. Mr. Kwait further stated that properties are not responding to the deficiency letters. Mr. Kwait briefly explained the events of the Philadelphia incident and stated that due to the BIE agents responding immediately, it was his opinion that that matter would not have been resolved as quickly. BIE agents work with the Pennsylvania State Police (PSP) and internal security, company management, local law enforcement, vendors, G-TECH and many more in the industry. BIE agents are also trained to assist patrons who wish to be included in the self exclusion program.

Office of Enforcement Counsel

Dale Miller, Acting Chief Enforcement Counsel updated the Board on the functions of the Office of Enforcement Counsel (OEC). Mr. Miller stated that the OEC prosecutes all enforcement actions. Mr. Miller further stated that the OEC advises BIE and makes recommendations on licenses and permits. He stated that the OEC initiates proceedings for violations and may seek settlement and other actions. The OEC will appear at the administrative proceedings and other Board proceedings in order to prosecute

enforcement actions. Mr. Miller stated that the new organizational structure of this office has greatly improved the response time and has been extremely helpful to strategically place members of the OEC office near the casino locations. Mr. Miller stated that the BIE and OEC are mirrored of one another which will enable the offices to work efficiently and effectively.

Gaming Laboratory

Michael Cruz updated the Board and the responsibilities of each manager under the Gaming Laboratory. Mr. Cruz indicated that his responsibilities include evaluating the gaming devices for compliance, security and accounting as well as modification to such gaming devices. Heather Dill is responsible for evaluating the integrity of communications, security, accounting, and reporting between slot machines and both the state-run central computer system and casino in-house slot management systems. Ms. Dill also manages the analysis of voucher redemption kiosks. Nimish Purohit is responsible for evaluating the theoretical return for each gaming theme submitted to the lab, analysis of progressive award payouts and random number generator analysis. Mr. Cruz stated that Mr. Purohit also handles the auditing of the casino floor. Mr. Cruz provided detail on the coordination of the Gaming Lab with the Department of Revenue and slot machine manufacturers. The Gaming Lab relocates and works full time approximately two weeks prior to the casino opening to ensure its success.

Adjournment

There being no further business before the Board, on a motion by Board Member Angeli seconded by Board Member Rivers, the meeting was adjourned.