

PENNSYLVANIA GAMING CONTROL BOARD

FEBRUARY 1, 2007, 10:58 A.M.

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

BEFORE :

TAD DECKER, CHAIRMAN
RAY ANGELI
MARY DiGIACOMO COLINS
JEFFREY COY
KENNETH McCABE (via teleconference)
SANFORD RIVERS
GREGORY FAJT, SECRETARY OF REVENUE
KEITH WELKS, EX-OFFICIO DESIGNEE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Thank you. Good morning.
2 I'm sorry we're late. We were reconsidering our vote
3 on the December 20th vote.

4 Let's see. I would like to welcome the
5 Board and everyone to this meeting today. This is an
6 informational meeting only because we do not have a
7 quorum at this time, so we're not going to be
8 conducting any official business or taking any action
9 that would be required for the majority vote under
10 Act 71.

11 However, since we have not had a meeting
12 since December, we decided to hold this session to
13 keep the public current on the Board's ongoing
14 activities.

15 Today's meeting, therefore, will consist of
16 a series of staff presentations to the Board, along
17 with questions and discussion from Board members.

18 Please note that Commissioner McCabe is
19 participating by phone. Ken, are you there?

20 COMMISSIONER McCABE: Yes, sir, I am.

21 CHAIRMAN DECKER: Great. Thank you.

22 And Secretary Wolff is not with us today.

23 And representing the Treasury is Keith
24 Welks. Mr. Welks, welcome.

25 MR. WELKS: Thank you.

1 CHAIRMAN DECKER: As always, let me ask the
2 members of the Board and the audience, please, to
3 turn off cell phones, blackberries, and other
4 electronic devices because they can interfere with
5 the sound system in this room.

6 Let's start as we usually do with the
7 Pledge of Allegiance.

8 (Pledge of Allegiance.)

9 CHAIRMAN DECKER: Thank you. Okay. By way
10 of old business, there are a couple of announcements.
11 First, adjudications for our December 20th --
12 December 20 Category I and II licensing decisions --
13 excuse me -- Category II licensing decisions are
14 being released today. They will be on our website
15 for public inspection. I'm not sure exactly what
16 time. Do you have a guess, Frank?

17 MR. DONAGHUE: 2:00.

18 CHAIRMAN DECKER: 2:00. You can check in
19 then. They will be on our website for public
20 inspection.

21 The adjudications on the Category I
22 decision, this is issuing the current racetrack
23 Conditional I temporary licensees for their permanent
24 licenses, those adjudications will be published in
25 the near future in a similar fashion.

1 The Board held Executive Sessions today,
2 January 9th and January 18th to discuss various
3 personnel matters. No business was conducted at
4 these sessions.

5 Third, we would like to thank all and I
6 particularly want to emphasize this, we would like to
7 thank all of the other gaming jurisdictions who have
8 provided assistance to us over the past two years;
9 New Jersey and Nevada in particular but also
10 Louisiana, Mississippi, Michigan -- I shouldn't do
11 this because I'm going to forget some -- they have
12 been unbelievably helpful and we would have never --
13 I will say it again -- never been able to meet that
14 timetable without their very, very gracious actions
15 to help us.

16 Again, the knowledge and experience that
17 they gave to us particularly early on made
18 significant contributions to the introduction of our
19 gaming. Again, we are very grateful for their help.

20 I also want to take a very quick moment to
21 thank, which I didn't do at the last meeting and I
22 certainly should have, the people at Pricewaterhouse
23 Coopers, who were exceedingly and have been our --
24 one of our main consultants for a couple of years now
25 and in particular, the help they gave us in setting

1 up the procedure and process to work on financial
2 viability and financial suitability of all of our
3 applicants.

4 Mike French and his team did really a
5 terrific job for us, particularly in the face of the
6 expertise and the projections that we were getting
7 from outside consultants from each of the applicants.

8 Fourth, I want to take a moment on behalf
9 of my fellow Board members and myself and staff to
10 thank our former Board member, Chip Marshall, who
11 left us at the end of December, for his extremely
12 hard work and dedication to the Board and the
13 issuance of the licenses.

14 Since the inception of the Board in 2004,
15 if I'm correct, I believe that Chip was actually the
16 first person appointed to the Board. Chip, we wish
17 you well and you will be missed and we look forward
18 to seeing you, obviously, in the near future.

19 Fifth, with his resignation as Treasurer,
20 we want to also formally say good-bye in this context
21 to US Senator Bob Casey, who was an ex-officio member
22 of the Board.

23 Bob, too, was a key member of the
24 organization and provided a lot of great advice to
25 us, and he will also be very missed.

1 Finally, as you also know, Greg Fajt is
2 taking on new duties on Governor Rendell's staff and
3 leaving the Department of Revenue, where he has been
4 secretary for four years.

5 Greg was an ex-officio member of the Board,
6 but he has been an unbelievable contributor to us and
7 an integral part of our process since the Gaming Act
8 was passed in 2004.

9 Many of you may not know this, but Greg led
10 the Gaming Implementation Task Force that laid the
11 groundwork for the Board's first meeting and,
12 frankly, our organization and his department has a
13 statutory role, obviously, in regulating
14 Pennsylvania's gaming industry into the future.

15 Greg, we can't thank you enough for all you
16 have done. We're going to miss you in the capacity
17 of being an ex-officio member. We know you're not
18 going that far. If you weren't there, I'm not so
19 sure this would have gotten done.

20 So please join me.

21 (Applause.)

22 SECRETARY FAJT: Thank you.

23 COMMISSIONER COY: This doesn't require a
24 vote, does it?

25 CHAIRMAN DECKER: I'm not sure.

1 COMMISSIONER RIVERS: Up or down.

2 SECRETARY FAJT: Why would you guys stop
3 busting my chops now, right? Just real quick. Thank
4 you, Tad. I want to say to you individually and to
5 the members of the Board, it's been my pleasure.

6 Tad and I have talked many times about, you
7 know, the kind of the perception in the public about
8 the Gaming Board, the staff, and I don't think
9 anybody realizes how hard you all have worked and the
10 sacrifices you have made both on the staff level and
11 also on a Board level.

12 When we went through this process, I've
13 told many people publicly, I have never met a more
14 ethically bound and a competent group of
15 Commissioners in my history in Pennsylvania politics.
16 It was my pleasure to work with you.

17 I think back on those early days when we
18 first met in my office to go through, you know, kind
19 of what we had in the gaming quiver, if you will, and
20 I have really enjoyed our working relationship. So
21 thank you very much.

22 CHAIRMAN DECKER: Thank you, Greg. Your
23 comments are very much appreciated.

24 The one good thing, I'm glad he has
25 admitted finally that there was no ethical violations

1 in taking half of his staff to join us over the
2 years. We're happy for that as well. Greg, thank
3 you very much. I know you're not going to be a
4 stranger.

5 New business. I'm going to turn it over to
6 Anne Neeb, who will make her report, but then we have
7 a number of reports from our other staff members
8 through the key operations of what is going on with
9 the Board now.

10 Anne?

11 MS. LaCOUR NEEB: Thank you, Chairman
12 Decker. Members of the Board, good morning. Since
13 we don't have an official meeting for voting
14 purposes, we are going to, as the Chairman said, give
15 you an update on the activities of each of our key
16 sections.

17 But before we do that, I just want to give
18 you a quick preview. As you all know, Harrah's
19 Chester Casino and Racetrack in Delaware County
20 opened its doors to the public last week following
21 their successful completion of two test nights.

22 These test nights were overseen by Chairman
23 Decker and Commissioner Colins. They were successful
24 in completing their opening checks.

25 With their opening, we now have three

1 licensed facilities up and running and are generating
2 revenue for property tax relief, economic development
3 and tourism for local communities and for the horse
4 and harness racing industry.

5 We're really excited about that, to have
6 three operating casinos in such a short period of
7 time.

8 As of yesterday, gaming had generated more
9 than \$25 million toward property tax relief for home
10 owners. This came from Mohegan Sun, which has been
11 operating for 48 days. Let's see. Philadelphia
12 Park, which has been operating for 12 days and
13 Harrah's Chester, which has been open and operating
14 for 10 days.

15 When you factor in the \$50 million in
16 licensing fees, the total raised for property tax
17 relief reaches approximately \$200 million.

18 In addition, the slot win per day at each
19 of these properties has consistently exceeded the
20 owners and the Board's projections and in some cases
21 has doubled what we initially anticipated.

22 Eileen McNulty, who is our Chief Financial
23 Officer, is going to give a more detailed report on
24 the revenue, so I'm going to reserve all of the
25 details for her.

1 We're very pleased though with the success
2 of gaming and I would like to thank a lot of -- a lot
3 of hard work has gone into this from our staff and
4 from the Board members, who has participated in these
5 openings.

6 We're happy to say that what is most
7 important at this point is that our emphasis has now
8 shifted into the regulatory side and regulating the
9 activities at the properties.

10 We're pleased to announce that we have in
11 place a very strong enforcement section in each
12 casino, with casino enforcement agents who have been
13 trained in casino operations and activities and
14 patron disputes.

15 They have been busy, and we are on top of
16 all of the activities that are going on in all of
17 those casinos and watching them very closely.

18 There will be a learning curve for both the
19 casino and, I guess, the public to understand the
20 process.

21 These operating casinos are doing a good
22 job though as far as trying to come into compliance,
23 paying attention to the details, paying attention to
24 the rules. We have been working with them to keep
25 them on their toes.

1 There will be some missteps, which is to be
2 anticipated; and we will work through that. So I'm
3 very happy to say that we have this in place and
4 we're moving forward. They're doing an excellent
5 job.

6 Our casino enforcement agents work through
7 the Department of Bureau of Investigation and
8 Enforcement.

9 David Kwait, who is the director of BIE,
10 will also give a presentation today and he -- you can
11 ask him anything you want concerning, you know, that
12 area; but overall, we're very pleased.

13 I would like to just commend the Board and
14 our staff for all of their efforts because this to me
15 has been a historic event. Casino gaming is a very
16 complex industry. It's not snowball stands. You
17 don't have those here. This is a very complicated
18 industry.

19 The fact that we have three casinos open in
20 less than two years and, you know, coming down the
21 pike, we're looking at opening two more at least
22 within the next few months, that's an enormous task.
23 So I'm very happy about that.

24 I'm going to conclude my report now so we
25 can go on to all of the different divisions and

1 unless you all have any questions about any
2 particular casino or issues.

3 CHAIRMAN DECKER: Are there any questions
4 for Anne? You're going to be here.

5 MS. LaCOUR NEEB: I'm here.

6 CHAIRMAN DECKER: As we go through the
7 reports, maybe you should stay up there in case
8 there's any questions.

9 MS. LaCOUR NEEB: That's fine.

10 CHAIRMAN DECKER: Who is going to be first
11 up?

12 MS. LaCOUR NEEB: Eileen.

13 CHAIRMAN DECKER: Eileen?

14 MS. LaCOUR NEEB: This is our Chief
15 Financial Officer.

16 CHAIRMAN DECKER: Welcome.

17 MS. McNULTY: Thank you. Good morning,
18 Chairman Decker and members of the Board. I would
19 like to begin by providing you with an update on slot
20 machine revenues.

21 Since gaming began in November of 2006,
22 Mohegan Sun at Pocono Downs, the first slots venue in
23 Pennsylvania, has been operating for 81 days,
24 including test nights.

25 In that time, they have received wagers of

1 \$354.2 million and paid out prizes of 319 million,
2 earning gross revenues of \$35.4 million.

3 Philadelphia Park, during its first 46 days
4 of operation, received wagers of 366.1 million and
5 paid out prizes of 333.9 million, earning gross
6 revenue of 32.1 million.

7 In 12 days of operation, Harrah's Chester
8 has received 90.5 million in wagers and paid prizes
9 of 81.9 million, earning gross revenue of 8.6
10 million.

11 Altogether, these three venues have
12 generated state tax revenues of \$41.9 million for
13 property tax relief, support for local government,
14 economic development and tourism and support of the
15 horse racing industry in Pennsylvania. This is in
16 addition to license fee revenue of \$150 million.

17 So altogether, gaming has provided a little
18 less than \$200 million to support property tax
19 relief, local government, volunteer fire companies,
20 and other programs in just 81 days.

21 By the end of the fiscal year, it is
22 estimated that gaming will have produced more than
23 \$453 million for property tax relief, economic
24 development, support for local government, and for
25 the horse racing industry.

1 Next, I would like to present to you
2 financial statements --

3 CHAIRMAN DECKER: Let me ask a question if
4 I could, Eileen. I'm sorry to interrupt. I got too
5 close to the mic. What was the original amount of
6 the loan that was given to us -- again, emphasizing
7 the word loan as opposed to an appropriation? What
8 was the original amount of the loan that was given to
9 the various agencies; us, DOR, Pennsylvania State
10 Police?

11 MS. McNULTY: The total of all of the
12 agencies portions of the loan was \$36.1 million.

13 CHAIRMAN DECKER: 36.1. Has that been
14 repaid from one fund to another?

15 MS. McNULTY: I don't know if the actual
16 transaction has been taken place, but the money has
17 been appropriated out of the Gaming Fund into the
18 General Fund. So the General Fund from a budgetary
19 point of view, yes, has been repaid.

20 CHAIRMAN DECKER: So before we enter the
21 month of February, just to make sure I'm doing the
22 calculations right, for the \$36.1 million loan
23 investment, if you will, which is going to get paid
24 back, there has been a return of \$200 million for use
25 in various sort of things including property tax

1 relief? Am I doing this math right?

2 MS. McNULTY: Well, you would have to
3 subtract the 36.1 from the 200 million but there has
4 been a --

5 CHAIRMAN DECKER: I hate to bring reality
6 into the situation. For \$36 million investment, you
7 got back \$200 in the space of two years?

8 MS. McNULTY: In 80 days.

9 CHAIRMAN DECKER: Yes. Well, even if you
10 went back to the original, which it wasn't, but
11 suppose you did.

12 MS. McNULTY: Okay.

13 CHAIRMAN DECKER: Does anybody not want to
14 sign up, think that's a bad investment?

15 MS. McNULTY: That's a great investment.

16 CHAIRMAN DECKER: I don't think too many
17 businesses would turn that down, would it?

18 MS. McNULTY: That's a great investment.

19 Next, I would like to present to you financial
20 statements for the two funds in which the Board
21 records revenues and expenses.

22 In your binders, you have two statements of
23 revenue and expenditures for each fiscal period. One
24 is for the General Fund and one is for the Gaming
25 Fund restricted revenue account.

1 The General Fund statement shows
2 expenditures made primarily out of the General Fund
3 loan that was made to get gaming operational in
4 Pennsylvania, which we were just discussing.

5 The Gaming Fund restricted revenue account
6 shows expenditures made out of revenues the Gaming
7 Board has received from application fees and
8 investigative charges that it has received.

9 Together, the two funds show all of the
10 financial activity of the Gaming Board for the fiscal
11 period.

12 I will summarize the statements for fiscal
13 year '05-'06 rather than going through each statement
14 in detail.

15 Expenditures in both funds combined for
16 fiscal year '05-'06 were \$13,207,075. Of this
17 amount, the personnel expenses were 8,839,638 or 66.9
18 percent and operating expenses totalling \$4,367,457
19 or 33.1 percent.

20 Turning now to the statements for the
21 current fiscal year 2006-2007, these statements show
22 revenues and expenditures of the Board on a budgetary
23 basis through January 29, which was Monday of this
24 week.

25 Looking first at the General Fund

1 statement, the sources of funding for this fiscal
2 year are, the carry over of \$533,267 from the prior
3 fiscal year, a transfer of \$6.6 million from the
4 Department of Revenue for a portion of the General
5 Fund loan, a transfer of \$3,847,404 from the State
6 Police portion of the General Fund loan and a
7 transfer of \$3.5 million from the restricted revenue
8 account in the Gaming Fund to cover the expense of
9 investigations where the revenue had been collected
10 in the Gaming Fund but the expense was recorded in
11 the General Fund, and finally 45.33 of miscellaneous
12 revenue.

13 Total revenues in the General Fund in the
14 fiscal year to date are \$14,480,716. Expenditures in
15 that General Fund through Monday, \$9,505,845 for
16 personnel and \$3,442,862 for operating expense for
17 total expenses of \$12,948,707.

18 Those expenses left a balance of \$1,532,009
19 to fund encumbrances of \$1,589,816 through the
20 remainder of the fiscal year. Thus, we have a
21 negative budget of negative \$57,807 on January 29th.

22 Looking now at the restricted revenue
23 account in the Gaming Fund as of January 29th,
24 revenues in this fund so far this fiscal year are
25 comprised of a carry over of the \$2,519,610 surplus

1 from the previous fiscal year; application fees and
2 investigative fees of \$7,818,608; management company
3 fees of \$500,000; supplier license fees of \$425,000;
4 and manufacturer license fees of \$250,000.

5 CHAIRMAN DECKER: Can I interrupt you for
6 one second?

7 MS. McNULTY: Yes.

8 CHAIRMAN DECKER: Just to clarify this so
9 people understand. This portion -- this fund, right,
10 comprising two pieces of our budget basically and our
11 expenditure levels, these revenues you're talking
12 about, came from fees that were collected from the
13 applicants, correct, by and large?

14 MS. McNULTY: Yes.

15 CHAIRMAN DECKER: For various things.

16 MS. McNULTY: Not just the applicants for
17 the gaming licenses, but also for applicants for
18 manufacturer licenses, the supplier licenses.

19 CHAIRMAN DECKER: Jobs and everything else?

20 MS. McNULTY: Yes, exactly.

21 CHAIRMAN DECKER: Okay. Thank you.

22 MS. McNULTY: Those total revenues in that
23 fund were \$11,513,218 so far this year. Expenditures
24 through January 29th in this fund totaled \$7,306,564.
25 Of that, \$18,035 was for personnel expense and

1 \$3,788,530 were for operating expenses.

2 Three and a half million dollars was
3 transferred to the General Fund account to cover the
4 costs of the investigations for which revenue was
5 received in the Gaming Fund account.

6 Those expenses left a balance of
7 \$4,206,654, against which there are encumbrances of
8 \$3,258,312.

9 CHAIRMAN DECKER: And encumbrances in this
10 case means payables?

11 MS. McNULTY: Yes.

12 CHAIRMAN DECKER: So everybody understands.

13 MS. McNULTY: These are --

14 CHAIRMAN DECKER: Trying to put it in
15 non-state budgetary lingo.

16 MS. McNULTY: Okay. Yes. This is money
17 set aside to pay for services, which for the most
18 part, not entirely but for the most part, we have
19 already received from investigatory agencies that
20 have helped us perform the investigations or provided
21 data or consulting services to us. The remaining
22 balance of \$948,342 is available for expenditure.

23 Expenditures in '06-'07 through January
24 29th in both funds together totaled \$16,755,272, of
25 which 56.8 percent was for personnel, and operating

1 expenses were 43.2 percent in the combined funds.

2 The net budgetary balance of both funds is
3 \$890,534. I have also provided you with cumulative
4 statement of revenue and expenditures for both the
5 General Fund and the restricted revenue account in
6 the Gaming Fund, which show all revenues and
7 expenditures for all years since the Gaming Board was
8 established.

9 Revenue in the General Fund for all years
10 through January 29th totaled \$29,747,449 and were
11 comprised of \$25,247,404 from the original \$36.1
12 million General Fund loan and four and a half million
13 dollars transferred from the restricted account in
14 the Gaming Fund to cover General Fund costs of
15 investigation.

16 Expenditures from the General Fund in this
17 time frame included personnel expenses of \$19,325,898
18 and operating expenses of \$8,889,543, with \$1,589,816
19 reserved for encumbrances. The balance remaining is
20 negative \$57,807.

21 Revenue in the restricted account for all
22 years through January 29th of this year totaled
23 \$13,301,987 from fees and investigative deposits.

24 Expenditures in this account included
25 \$18,035 in personnel and \$9,083,299 in operating

1 expense, for a total of \$9,101,333.

2 Reserve for encumbrances here, the same
3 reserve we were just discussing was \$3,258,312,
4 leaving a balance of \$948,342.

5 The total amount of revenue in both funds
6 for all years was \$38,555,437. The total expended in
7 both funds in all years through January 29th is
8 \$32,816,774.

9 Personnel was 58.9 percent of those
10 expenditures and operating expenses were 41.1
11 percent.

12 After removing encumbrances in both funds,
13 the budgetary balance of the combined funds was
14 \$890,534, which is available to meet the payroll of
15 \$700,000, which will post next week.

16 CHAIRMAN DECKER: Eileen, just so I
17 understand it, the operating expenses included the
18 amount that we expended on those frivolous -- I'm
19 sorry -- those dismissed lawsuits, all of the
20 dismissed lawsuits, correct?

21 MS. McNULTY: Yes, it did include those.

22 CHAIRMAN DECKER: And also, some of the --
23 well, people we had used initially, when our staff
24 wasn't big enough to do some of the investigations,
25 correct?

1 MS. McNULTY: Yes, all of those costs are
2 incorporated in that.

3 CHAIRMAN DECKER: In the operating expense
4 side, as opposed to the personnel side, correct?

5 MS. McNULTY: Yes.

6 CHAIRMAN DECKER: Right. Thank you.

7 MS. McNULTY: In light of the fact that the
8 agency has nearly depleted its available funding,
9 Chairman Decker and Secretary Fajt recently sent a
10 joint letter to slot licensees indicating that funds
11 would start to be drawn from the operators' accounts
12 established by Statute to fund the operations of the
13 regulatory agencies.

14 The funds will be withdrawn at the rate of
15 1 and a half percent of gross terminal revenue, as
16 well as a fixed contribution from each licensee of
17 \$800,000.

18 These funds combined with other fee revenue
19 will meet the budget of the Gaming Board for the
20 remainder of this fiscal year.

21 In accord with that plan, yesterday, the
22 Department of Revenue withdrew \$3,470,318 from the
23 accounts of the three operating entities. This
24 represented the contributions calculated as described
25 above since the inception of gaming in November of

1 last year.

2 Total costs to be withdrawn from the
3 operators accounts this year are estimated to be
4 approximately \$9.4 million to meet a reduced budget
5 for 2006-2007 of \$25,836,121. This budget is 2.27
6 percent less than the budget that was approved on
7 November 21, 2006.

8 Turning now to the budget for fiscal
9 '07-'08, I would like to advise you --

10 COMMISSIONER COY: Mr. Chairman, if I
11 could.

12 CHAIRMAN DECKER: Please.

13 COMMISSIONER COY: Before you make that
14 turn, and I think you should, let me make sure I
15 understand.

16 So the Gaming Board operated with our
17 employees and our expenses for two years on a loan
18 from the Commonwealth General Fund, which because of
19 revenues from gaming during the last -- how many
20 days?

21 MS. LaCOUR NEEB: 81.

22 COMMISSIONER COY: -- 81 days is now paid
23 in full?

24 MS. McNULTY: Yes. We also used some fee
25 and self-generated revenue from investigative

1 expenses to meet those costs as well.

2 COMMISSIONER COY: So all of the expenses
3 of the Gaming Board so far have been paid in full by
4 gaming revenues?

5 MS. McNULTY: Yes.

6 COMMISSIONER COY: In addition thereto,
7 there is how much remaining for property tax and
8 economic development -- property tax relief, economic
9 relief, volunteer firefighters, etc.?

10 MS. McNULTY: A little over \$200 million as
11 of today.

12 COMMISSIONER COY: So after 81 days of
13 operation of three facilities, obviously, some longer
14 than others, the operations of gaming in Pennsylvania
15 have netted the taxpayers on -- as the Chairman
16 pointed out before, even easily enough for me to
17 understand -- after a loan, which was the investment
18 of the Commonwealth of 30 --

19 MS. McNULTY: 36.1 taken out of the 200
20 million.

21 COMMISSIONER COY: The return now is
22 approximately 200 million netting out the 36 million,
23 which leaves the figure you said 160 million or so
24 for property tax relief --

25 MS. McNULTY: Yes.

1 COMMISSIONER COY: -- for Pennsylvanians.

2 MS. McNULTY: Property tax relief and other
3 program expenses, economic development, local
4 government for the Commonwealth.

5 COMMISSIONER COY: Thank you.

6 COMMISSIONER RIVERS: Excuse me, Eileen.

7 MS. McNULTY: Yes.

8 COMMISSIONER RIVERS: At any point, have
9 you done any projections to the end of the fiscal
10 year to talk about the revenue that would be
11 generated?

12 CHAIRMAN DECKER: Could you cover that one
13 more time, Eileen?

14 MS. McNULTY: Yes. We did some
15 projections. After payment of the loan by the end of
16 the fiscal year, we believe that gaming will
17 contribute \$417 million in tax and fee revenues
18 combined for property tax relief, aid to local
19 government, economic development, and support of
20 volunteer fire companies and the horse racing
21 industry.

22 The gross figure prior to payment of the
23 General Fund loan is an estimated \$453 million that
24 gaming will return to the Commonwealth.

25 COMMISSIONER RIVERS: And that's looking at

1 how many casinos being open?

2 MS. McNULTY: That's assuming that five
3 will be open by the end of the fiscal year.

4 COMMISSIONER RIVERS: Good.

5 CHAIRMAN DECKER: And Eileen, not to beat a
6 dead horse but that's within seven months of having
7 people up and running, correct, and two of which --
8 one of which is only going to be up in May?

9 MS. McNULTY: Right.

10 CHAIRMAN DECKER: Right. So four for two
11 months or three months and three for a few more
12 months, etc.; but that's going to generate over \$400
13 million in money available for various programs,
14 including taxes and economic development, etc.?

15 MS. McNULTY: Yes.

16 CHAIRMAN DECKER: Am I doing that right?

17 MS. McNULTY: Yes.

18 CHAIRMAN DECKER: I just want to make sure
19 I understood.

20 MS. McNULTY: Just to add to --

21 CHAIRMAN DECKER: Just in case anybody else
22 might be watching this on TV, everyone in this room,
23 I have seen before; but I found in the last couple of
24 days that there are a lot of people that don't seem
25 to know what we do or what the benefits of what we

1 have done just to be safe and be cautious about it.

2 Thank you.

3 COMMISSIONER COY: Just to be safe.

4 MS. McNULTY: I just want to add to the
5 point that Commissioner Coy made. In addition to the
6 fact that gaming operators and the gaming industry
7 has completely repaid the General Fund loan and
8 generated money for the Commonwealth up to this point
9 on a going forward basis, the industry will be paying
10 their own cost of regulation through the five million
11 dollar accounts that have been established to pay --
12 to reimburse the cost of the regulatory agency, so no
13 tax monies will be used in support of even the
14 governmental activity of regulating gaming.

15 COMMISSIONER COY: One more question making
16 it clear, if you don't mind.

17 CHAIRMAN DECKER: Please.

18 COMMISSIONER COY: So the expenses, I think
19 that's what you just said, but I want to make sure,
20 the expenses of Secretary Fajt's department, the
21 Department of Revenue, and the Pennsylvania State
22 Police --

23 CHAIRMAN DECKER: And wait a minute. Even
24 the Attorney General's Office.

25 COMMISSIONER COY: -- and the Attorney

1 General's Office, insofar as their expenses regarding
2 gaming are also repaid at this point?

3 MS. McNULTY: They have not been repaid out
4 of the accounts that have been established but the
5 gaming operators.

6 COMMISSIONER COY: That's more of an
7 accounting function. The fact is the dollars are
8 there for them to be repaid and when the controller,
9 whoever does those internal accounting things, that
10 will be done.

11 MS. McNULTY: I would say that the
12 mechanism is in place for that to happen. No funds
13 have been withdrawn that are designated to repay the
14 State Police at this point. They're still operating
15 on their portion of the General Fund loan as is the
16 Department of Revenue right now.

17 CHAIRMAN DECKER: But again, that loan has
18 been -- is being repaid or will be repaid through the
19 money in the --

20 MS. McNULTY: Yes, it's there.

21 CHAIRMAN DECKER: It will be done at some
22 point, right?

23 MS. McNULTY: Yes.

24 COMMISSIONER COY: Thank you.

25 MS. McNULTY: Okay. Turning now to the

1 budget for fiscal '07-'08, I would like to advise you
2 that a budget requesting reduced funding of
3 \$31,266,112 for '07-'08 will be sent to the Budget
4 Office to replace the budget of \$34,147,343 that was
5 approved by the Board at its meeting of December 4th.

6 The reduced budget represents a 10.4
7 percent reduction in personnel expenses from the
8 \$27.8 million that was in the prior budget request to
9 24.9 million in the current request as a result of
10 the Chairman's review of the agency's personnel
11 needs.

12 The complement funded in '07-'08 has been
13 reduced from an anticipated 362 positions in the
14 prior budget to 299 positions in the current budget
15 proposal.

16 The Board has also received a reduced
17 budget proposal from the Department of Revenue in
18 response to the Chairman's request that regulatory
19 agencies reduce their '07-'08 costs by 10 percent.

20 In recent days, there has been some
21 comparison of the cost of regulating gaming with
22 other regulatory bodies in other states.

23 This Board has chosen a model of strict
24 regulation and broad investigation to protect the
25 public interest.

1 Our staff is trained in casino enforcement
2 techniques, which differ from the skills required for
3 general criminal enforcement.

4 The budget submitted maintains these high
5 standards of regulation. If approved by the General
6 Assembly, funding for the Gaming Control Board's
7 reduced budget, as well as the budget of the other
8 regulatory agencies will be drawn from the operators
9 accounts during fiscal '07-'08 as necessary to fund
10 those budgets.

11 The draw of these funds from accounts
12 replenished by gaming operators ensures that no tax
13 dollars are being used to pay the costs of government
14 agencies in performing their regulatory
15 responsibilities.

16 Unlike other state agencies that depend on
17 tax revenues to operate, all of the costs of the
18 regulation of gaming are borne by the regulated
19 industry.

20 The loan from the General Fund to establish
21 gaming has been repaid from revenues in the Gaming
22 Fund, and gaming operators are not only paying for
23 their own regulation but contributing substantial tax
24 revenues to the Commonwealth.

25 After payment of the loan, gaming will

1 contribute \$417 million in tax and fee revenue for
2 property tax relief, aid to local governments,
3 economic development, and support of volunteer fire
4 companies, and the horse racing industry this fiscal
5 year. This concludes my report.

6 CHAIRMAN DECKER: Are there any questions?
7 Please, go ahead. I have a few at the end of it. Go
8 ahead.

9 COMMISSIONER COY: Mr. Chairman, it might
10 be -- maybe Secretary Fajt would care to comment. I
11 think it would be interesting for everyone to know,
12 and certainly the public as a whole, actually how
13 those -- what enables the Department of Revenue to
14 make those withdrawals from a physical point of view.

15 SECRETARY FAJT: Sure. Each operator two
16 days before they open, I believe, is required to put
17 a standing balance of \$5 million with the Department
18 of Revenue or Treasury. It's called a 1401 account.
19 The 1401 account is pursuant to the Section 1401 of
20 the enabling legislation.

21 As Chairman Decker said earlier, he and I
22 worked tirelessly, quite frankly, Tad worked harder
23 on it than I did, working with the operators,
24 legislators to come up with a compromise on how we
25 would remove this money from these accounts so that

1 the gaming operators could start to pay the ongoing
2 expenses of the Gaming Board revenue, PSP and OAG.

3 So Commissioner Coy, those \$5 million are
4 on account. We have three of those accounts
5 established so far, pursuant to a letter that
6 Chairman Decker and I sent on January 29th to the
7 operators, followed up actually with phone calls to
8 them to give them the exact amount of money that we
9 would be withdrawing yesterday. We made that
10 withdrawal. The withdrawal, again, was \$800,000
11 spread across the three of them and then 1.5 percent
12 of their gross terminal revenue back to the day that
13 they started business.

14 So Mohegan Sun's drawdown, I believe, was
15 largest, simply because they had been in business the
16 longest. We have received money from those
17 operators. So that's physically how it's done.

18 COMMISSIONER COY: And this is -- these
19 fees are in addition to the licensure fees that these
20 operators are paying and have paid?

21 SECRETARY FAJT: That is correct. The last
22 point, we will make this withdrawal every week. So
23 we will every Tuesday, I believe, we will send a
24 notice to the gaming operators that are up and
25 running, and we will withdraw the next day on

1 Wednesday one and a half percent of their gross
2 terminal revenue.

3 COMMISSIONER COY: And these fees will
4 increase then with the addition of every other racino
5 or casino?

6 SECRETARY FAJT: That's correct. As these
7 other casinos or rasinos come on Board this fiscal
8 year for '06-'07, they will also pay the \$800,000 and
9 then pay one and a half percent of their gross
10 terminal revenue on an ongoing basis for this fiscal
11 year.

12 COMMISSIONER COY: In addition to the \$15
13 million license fee?

14 SECRETARY FAJT: That is correct.

15 COMMISSIONER COY: Thank you, Mr. Secretary
16 I guess you're still Mr. Secretary.

17 SECRETARY FAJT: Jeff, you can call me
18 anything you want, Buddy. I know you would even if I
19 did or didn't say that.

20 Tad, can I ask a question?

21 CHAIRMAN DECKER: Please.

22 SECRETARY FAJT: Eileen, I'm a little
23 confused actually. Tell me -- we talked about the
24 36.1 million being available to be repaid and the
25 monies there that are in the account. How does that

1 square with the payment of the 36.1 million from the
2 operators?

3 I mean, I thought the law said that once
4 all 14 jurisdictions are up and running that the
5 operators would have to pay that back. So I'm a
6 little confused on that.

7 MS. McNULTY: That's a really good question
8 because that is kind of confusing the way it is set
9 up.

10 The General Fund made the loan to the
11 agencies and the Gaming Fund repaid the General Fund
12 from monies that the Gaming Fund received from the
13 license fees.

14 So now, the debt that the operators have is
15 to the Gaming Fund, not to the General Fund. So the
16 General Fund has been repaid, but the Gaming Fund now
17 holds the debt that must be collected from the
18 operators when all 14 are up and operating.

19 SECRETARY FAJT: Thank you.

20 CHAIRMAN DECKER: To say it another way,
21 just so people focus on this. As a result of that
22 repayment to the General Fund means the taxpayers
23 have put up zero dollars now?

24 MS. McNULTY: They have been repaid.

25 CHAIRMAN DECKER: Right. The General Fund

1 will be repaid. Those operating expenses, in essence
2 that are covered by a note to the General Fund, are
3 going to be repaid by the payments through
4 reimbursements from the operators when all 14 or so
5 are up and running?

6 MS. McNULTY: The operators will repay the
7 Gaming Fund. The Gaming Fund already has the money
8 to repay the General Fund.

9 CHAIRMAN DECKER: Right. That's what I
10 mean. And that will be \$36 million more at that time
11 for economic development, tax relief, etc.?

12 MS. McNULTY: That won't go to economic
13 development. That's in a separate fund. It will go
14 to property tax.

15 CHAIRMAN DECKER: Property tax relief.
16 Thank you for correcting me on that. One other
17 question, we are now moving forward and one of the
18 issues that has been raised to cover it is the
19 question of since we're on the topic of when the
20 operators pay back these loans, is the topic of our
21 budget next year and for the remaining portion of
22 this year being paid in whole or in part by the
23 current operators.

24 And just for the record, our view was that
25 it was unfair to stick all of the current operators

1 with the entire cost of our budget. Therefore,
2 that's why we came up with the solution that we did.

3 However, I also want to mention something
4 else and, Eileen, you can confirm because you've
5 looked at the numbers, but we have done a lot of
6 benchmarking about our cost versus other agencies,
7 who have the same philosophy that we think we have
8 mandated to us under Act 71, and that is to have a
9 strict regulatory environment in Pennsylvania in
10 order to protect the public and the patrons in these
11 casinos.

12 As a result of that, we looked in New
13 Jersey and we looked to Nevada for total expenses.
14 We looked to Michigan. We looked to Mississippi,
15 Louisiana, and a few others.

16 We don't look to Connecticut where the
17 operating costs -- where the gaming regulatory
18 environment is very different. Regulation levels are
19 extremely different.

20 We don't look to Delaware for the same
21 reason. We don't look to West Virginia. So when you
22 see averages being put out in certain circumstances
23 of all gaming regulators and you see a number of 1.1
24 percent of gross terminal revenues, don't be fooled
25 and don't be distorted by the use of those less

1 regulatory environments to skew the number.

2 All right. The minimum number in those
3 environments is around 1.5 percent. If you look at
4 New Jersey and I just want to get this out on the
5 public record, if you look at New Jersey, a state we
6 admire, and many people have asked us to look at them
7 as a model in the sense of their expenses and how
8 they regulate and that's what we do in most parts,
9 they're spending about \$68 million, 342 people, to
10 regulate, again, both slot operations and table games
11 but all in an environment of about two square miles.

12 All right. So their revenue is about 75
13 percent of their total revenue is slot operations.
14 So you can do the numbers as well as we can.

15 We think our budget next year of around 50
16 million compares very well with that. I think that's
17 what the citizens of Pennsylvania should look at when
18 we -- when they compare us to other agencies. They
19 ought to pick the ones where there's a heavy amount
20 of regulation.

21 Any questions for the Board on that?

22 Eileen, am I stating that in sort of a
23 summary fashion, okay?

24 MS. McNULTY: Absolutely great. I just
25 want to point out one thing that you said, our budget

1 next year of approximately 50 million. That
2 incorporates the budgets of all of the regulatory
3 agencies, not just ours.

4 CHAIRMAN DECKER: Our budget next year is
5 what number, for us is what?

6 MS. McNULTY: 31 --

7 CHAIRMAN DECKER: Our portion of the 50
8 million is 31.

9 What is Greg's portion?

10 MS. McNULTY: Ask him.

11 CHAIRMAN DECKER: I think it's like 9
12 million, isn't it, or thereabouts?

13 SECRETARY FAJT: I think that's right.

14 MS. McNULTY: I think it's 9 million.

15 CHAIRMAN DECKER: It's 39 of the 50
16 million. It might be less of that. It might be too
17 much than the 51 million for next year in those two
18 organizations. Okay?

19 SECRETARY FAJT: I think that's right.
20 Most of our budget for next year will be G-Tech fees.

21 MS. McNULTY: 8.273.

22 CHAIRMAN DECKER: I thought it was more
23 like 8. I just thought -- just to let you know for
24 the total for the two of us.

25 Any questions for Eileen or Anne on the

1 budget issues?

2 Thank you very much. That was a great
3 presentation, Eileen.

4 Anne, who is up next?

5 MS. LaCOUR NEEB: I would like to have Nan
6 Davenport, who is our Director of Compulsive Gaming
7 to come up. I'm sorry. Nan Horner. Sorry about
8 that.

9 CHAIRMAN DECKER: I thought you were
10 confusing Nan for a second with Mike Walsh.

11 MS. LaCOUR NEEB: My brain was getting a
12 little messed up there. Sorry. She's going to give
13 an update on compulsive gaming programs.

14 CHAIRMAN DECKER: Thanks, Nan. Welcome.

15 MS. LaCOUR NEEB: Sorry.

16 MS. HORNER: That is okay. I'm the other
17 Nan. Tall Nan.

18 Good morning, Chairman Decker, members of
19 the Board. Today, I'm going to present to you an
20 informational update on the undertakings and
21 accomplishments on the Office of Compulsive and
22 Problem Gambling.

23 In September of 2006, the Board created the
24 Office of Compulsive and Problem Gambling, OCPG. I
25 was named as the first director.

1 The OCPG is independent from all other PGCB
2 offices and Bureaus. I report directly to the
3 Executive Director.

4 My independence is important because I act
5 as liaison between the Board and, one, the licensees
6 regarding compulsive and problem gambling plans; two,
7 the Department of Health, specifically the Bureau of
8 Drug and Alcohol Programs, BDAP, regarding their
9 compulsive and problem gambling program guidelines;
10 and, three, the public regarding compulsive and
11 problem gambling awareness and the state's self
12 exclusion program.

13 The regulation of legalized gambling has
14 expanded over the years. It began with law
15 enforcement to ensure suitability of the operators.

16 The next phase included accounting and
17 auditing to ensure financial integrity. The third
18 phase added technology to the mix as casinos became
19 automated and slot machines are no longer strictly
20 mechanical devices.

21 We are now entering a fourth phase, which
22 involves mental health, the realization that not
23 everyone can play responsibly.

24 Pennsylvania has demonstrated its
25 commitment to understanding and ameliorating the

1 devastating effects of pathological gambling by being
2 the first gambling jurisdiction in the United States
3 to establish an office and a director in its gaming
4 regulatory body that is dedicated to many functions.

5 The office and I, as the director, am
6 dedicated to ensuring that every slot machine
7 operator has established and continues to comply with
8 an approved compulsive and problem gambling plan,
9 which includes the plans, goals, training of their
10 employees, procedures for dissemination of materials,
11 and the establishment of outreach programs.

12 I look to heightening public awareness of
13 the dangers of compulsive, problem, intoxicated, and
14 underage gambling.

15 I'm dedicated to the development of
16 prevention programs and harm reduction tools for
17 gamblers, the establishment of education programs for
18 residents of all ages, liaising with the Department
19 of Health and the Horse, Harness, and Lottery
20 Commissions, and the directing of problem gamblers
21 and their families to compulsive gambler assistance
22 organization toll free help lines for crisis
23 counseling, referral services, and treatment.

24 On October 25th, the Board granted to the
25 director of OCPG the authority to review and approve

1 the compulsive and problem gambling plans submitted
2 to the Board by the slot machine licensed applicant.

3 Approval of the plan is not a condition of
4 licensure, but it is required prior to the conduct of
5 gaming.

6 I have reviewed and approved the compulsive
7 gambling plans, training procedures, internal
8 controls and signage for Mohegan Sun at Pocono Downs,
9 Philadelphia Park and Chester Downs prior to each
10 facility's opening.

11 Representatives of BDAP, the Lottery, Horse
12 Racing, and Harness Racing Commissions and this Board
13 have begun monthly meetings in order to ensure a
14 uniform approach to the issue of problem gambling in
15 the Commonwealth.

16 Topics of discussion have included the toll
17 free help line and toll free information line,
18 interlinking our respective websites and problem
19 gambling information, and our joint support of the
20 National Problem Gambling Awareness Week.

21 National Problem Gambling Awareness Week,
22 NPGAW, is a grassroots approach to educate the public
23 and the healthcare professionals about problem
24 gambling and to raise awareness that hope and help
25 are available.

1 NPGAW is March 5th through 11th, 2007. I
2 am currently preparing informational documents to be
3 posted on our website and sent electronically to our
4 employees and to everyone on our list served.

5 Each day of the week we'll have a different
6 theme such as, older adults and problem gambling,
7 teen gambling, problem gambling in the workplace,
8 etc.

9 In addition to the informational documents,
10 I'm going to request official proclamations from
11 government officials regarding NPGAW. I'm going to
12 research placing television and radio public service
13 announcements.

14 I challenge all of our licensees, industry
15 organizations, healthcare organizations, and the
16 media to become involved with and to follow the lead
17 of some of our licensees such as Harrah's and IGT,
18 who are platinum sponsors of National Problem
19 Gambling Awareness Week.

20 For more information on National Problem
21 Gambling Awareness Week, you can go to their website
22 which is www.npgaw.org.

23 Self exclusion, we created the Commonwealth
24 self exclusion program in October. It is a voluntary
25 program to assist problem gamblers to be excluded

1 from participating in legalized gambling activities
2 that are under the jurisdiction of the Board and from
3 receiving any gaming privileges that may be a
4 temptation for problem gamblers, such as check
5 cashing privileges, player club membership,
6 complimentary goods and services, targeted mailings,
7 and promotional materials related to gaming
8 activities.

9 With me is Elizabeth Cromwell. She has
10 been wonderful in assisting me in developing some of
11 these programs. Liz and I created the application
12 packages and intake interview process.

13 The self exclusion program includes a 20 to
14 30-minute intake interview with a trained Board
15 employee, which creates an opportunity for us to
16 discuss with the problem gambler prevention,
17 education, and treatment options, as well as allowing
18 us the opportunity for data collection to allow for
19 continued expansion and improvement of compulsive and
20 problem gambling programs.

21 The BIE agents that are at each of the
22 facilities have been trained by Liz and I regarding
23 the intake procedures.

24 We currently have double digit enrollment
25 in the self exclusion program, and we will be

1 releasing the numbers along with some related data in
2 the near future.

3 The OCPG has begun and will continue to
4 explore best practices for the prevention, education,
5 treatment, and research of gambling problems.

6 Liz and I are available for any questions
7 that you may have.

8 CHAIRMAN DECKER: Please.

9 COMMISSIONER COY: Thank you, Mr. Chairman.
10 Nan, I just want to make sure I understand what you
11 said.

12 You say have double digit enrollment in the
13 self exclusion program. Is that from previous gaming
14 in other states or just from having the experience in
15 Pennsylvania?

16 MS. HORNER: We created the self exclusion
17 program in October prior to any of our facilities
18 opening up.

19 It was intended as a prophylactic device so
20 that people could refrain from going in as soon as
21 the facilities were open. No one signed up prior to
22 the casinos opening.

23 In 2006, we had a very small number of
24 people on the list. It is growing. I'll release --
25 when we are ready to release the data, we will

1 release some of the numbers and where people have
2 played if they are self excluded in other
3 jurisdictions, if they have a players card, if they
4 have sought treatment in the past, we're taking all
5 of that data in the intake interview.

6 COMMISSIONER COY: How about any of the
7 problems at any of the three existing licensed
8 locations so far? Any problems that you can point to
9 in this regard or whatever?

10 MS. HORNER: You know, it's all a learning
11 process. We are the first jurisdiction to have such
12 restrictive programs. It's been great. The
13 facilities have been wonderfully cooperative. We
14 have not had any issues to date.

15 COMMISSIONER COY: So you haven't been
16 encountering any resistance on the part of the
17 operators? They are very willing to work with you
18 and us on this?

19 MS. HORNER: Yes. They see it as a very
20 serious issue. They want people to come and play as
21 an extension of entertainment. They don't want
22 problem gamblers.

23 COMMISSIONER DiGIACOMO COLINS: Excuse me,
24 Mr. Chairman, if I may.

25 CHAIRMAN DECKER: Please.

1 COMMISSIONER DiGIACOMO COLINS: Nan, how,
2 if at all, due to principles of confidentiality apply
3 to self exclusion?

4 MS. HORNER: With the self exclusion
5 program, the intake interview is confidential. It's
6 between a Board employee and the player.

7 Once the process is completed, we create a
8 list with demographics of the person. That list is
9 -- it's the Board's list. We share it with our
10 operators and the Pennsylvania State Police so that
11 they can identify someone who may be violating the
12 ban. That is about as far as the list goes.

13 It is a confidential list. It will not be
14 placed on our website. It's only given to certain
15 operations in the facility such as marketing,
16 cashiering, surveillance and security; but it is held
17 highly confidential with one caveat, that facilities
18 are allowed to share this list with their facilities
19 in other jurisdictions.

20 COMMISSIONER DiGIACOMO COLINS: As a
21 regulating agency, do we review whether or not the
22 operators have internal controls to ensure
23 confidentiality and the proper procedures for the
24 exchange of the information of that list, because I
25 think the public should know that this is sensitive

1 information that will be used only in the most
2 limited way?

3 MS. HORNER: Yes. There are internal
4 controls to ensure that -- to ensure the
5 confidentiality of the information that we are
6 providing to the facilities. I reviewed the internal
7 controls.

8 They must address how they are going to
9 keep this list confidential. They must address that
10 in their compulsive and problem gambling plan.

11 COMMISSIONER DIGIACOMO COLINS: Thank you.

12 COMMISSIONER RIVERS: Could you talk about
13 the consequences of someone violating this --

14 MS. HORNER: The violation of being on the
15 self exclusion list?

16 COMMISSIONER RIVERS: Yes.

17 MS. HORNER: If a person who is on the list
18 is identified on the property engaging in gaming
19 activities, that person will be arrested for
20 trespass, and any winnings that are found on the
21 person will be confiscated and they will be turned
22 over to the Board for use for compulsive and problem
23 gambling programs.

24 CHAIRMAN DECKER: Any other questions?

25 MR. WELKS: May I just follow-up? Is the

1 facility obligated to arrest or cause the person to
2 be arrested for trespassing or is within their
3 discretion to do that?

4 MS. HORNER: It is not within their
5 discretion if they identify someone on the list.

6 CHAIRMAN DECKER: It's not actually the
7 facility that would be doing it. They would be
8 turning it over to the State Police --

9 MS. HORNER: Yes.

10 CHAIRMAN DECKER: -- or local law
11 enforcement but probably the State Police?

12 MS. HORNER: Yes. I apologize, Mr.
13 Chairman.

14 If the facility identifies a person on the
15 list, then the facility must notify our agents
16 on-site and Pennsylvania State Police, at which point
17 it is up to the State Police to issue the citation.

18 MR. WELKS: But is there an option for a
19 person to voluntarily leave at that point?

20 CHAIRMAN DECKER: No. This isn't something
21 we made up. This is something that goes on in almost
22 all regulatory bodies now.

23 MS. HORNER: Yes. We did a lot of research
24 into which jurisdictions make it mandatory, which
25 jurisdictions simply want to get the person out of

1 the property, but it's a much more useful tool for
2 someone who is fighting an addiction to know the
3 possibility of arrest exists. It helps them to stay
4 away from the facilities.

5 MR. WELKS: What are they charged with?

6 MS. HORNER: It's trespass.

7 MR. WELKS: Thank you.

8 CHAIRMAN DECKER: Greg, please.

9 SECRETARY FAJT: Just a quick question.

10 The probability of arrest and confiscation of
11 winnings, is that something that is part of the
12 agreement when somebody signs up to be self excluded?
13 You had mentioned the interview that somebody from
14 the Gaming Board staff does and then they sign this
15 agreement that says, I've come forward, disclosed
16 that I have a problem. I agree or understand that
17 these are the consequences if I enter the facility.
18 Is that the way it works?

19 MS. HORNER: Exactly, yes. In this
20 interview process that Liz and I have created, it's
21 an eight-page checklist document. The person has to
22 reread the release, which says I understand that I
23 can be arrested if I violate and that my winnings
24 will be confiscated.

25 We go over each and every point of it. If

1 at any point during this intake process, this
2 interview, the person says, I'm not ready for this,
3 we give them information on treatment options that
4 are available, on help line numbers.

5 We tell them to go think about it and when
6 they're ready to sign up to, you know, take another
7 step in their recovery that they can come back to us
8 at that point. We haven't had anybody walk away.

9 CHAIRMAN DECKER: I mean, the first
10 impression to something sounds harsh in terms of
11 having a citation or arrest, which we discussed in
12 great depth, Nan, as you remember after looking at it
13 and thinking about it and seeing what the trends were
14 and what the experts said, we adopted this policy as
15 well. I want people to understand, we didn't do it
16 in a cavalier fashion.

17 MS. HORNER: No, and it's not meant to
18 criminalize the addiction. It's meant to be a tool,
19 a useful tool that helps someone fight the desire to
20 go into a casino.

21 If they have this desire to gamble, they
22 have a gambling problem. That's a very strong
23 desire. It's pulling on them. They will then have
24 to weigh that with the possibility of being arrested
25 for trespass and the possibility that their name is

1 going to be in the newspaper and the grandchildren
2 are going to have to deal with seeing grandma's name
3 in the newspaper. So it is a tool and it's a
4 deterrent.

5 CHAIRMAN DECKER: Okay. Any other
6 questions for Nan?

7 Thank you very much. You've moved this
8 ball along very quickly. We certainly do appreciate
9 it.

10 MS. HORNER: Thank you.

11 CHAIRMAN DECKER: I know you're going to do
12 the next step, the things you've outlined. So we're
13 looking forward to that.

14 MS. HORNER: Yes, and we are continuing to
15 research and grow.

16 CHAIRMAN DECKER: It's a very serious
17 problem.

18 MS. HORNER: Yes, it really is.

19 CHAIRMAN DECKER: We recognize that.

20 MS. HORNER: Thank you.

21 MS. LaCOUR NEEB: Thank you, Nan. I would
22 ask that we continue to -- the public monitor our
23 website because she will continue to update it with
24 information on compulsive gaming.

25 Our next report will be from our Director

1 Melinda Tucker, who is the Director of Racetrack
2 Gaming. She will give you an update on what is going
3 on with the racetracks of rasiinos.

4 CHAIRMAN DECKER: You mean these casinos
5 aren't open through the use of a computer only?

6 MS. TUCKER: Good morning, Mr. Chairman and
7 members of the Board. You know, when this industry
8 first started, racinos was sort of a pejorative word
9 in the horse racing industry. They didn't like that,
10 but it's got to be common usage now. So I guess that
11 this is what this is, a racino report.

12 I would like to give you my first monthly
13 report on the revenues that have been distributed to
14 the various Horsemen's organizations pursuant to the
15 requirements of Act 71.

16 So this is a happy day for me to be able to
17 finally tell you how the horse racing industry is
18 being benefited by this.

19 The calculation of these amounts, as you
20 may recall from the statute, are that 12 percent of
21 the gross terminal revenue goes into an account that
22 I describe as a 1405 account. That's the statutory
23 reference but also known as the Pennsylvania
24 Racehorse Development Fund.

25 Out of that account, 80 percent of that

1 money is distributed to the horsemen for purse
2 supplements, 60 percent is distributed for breeder
3 incentives, and 4 percent of the amount is
4 distributed to the health and pension benefit funds
5 that have been statutorily set up for the horsemen to
6 manage.

7 So with that in mind, these are the reports
8 to date for the 80 -- how many days -- 81 days of
9 gaming that we have had already.

10 Mohegan Sun opened on November the 10th of
11 2006. Since their opening, \$3,401,191 has been
12 distributed for purse supplements, \$680,238 for
13 breeders awards, and \$170,060 for health and pension
14 benefit fund.

15 Philadelphia Park has been opened since
16 December the 17th of '06. Since that time,
17 \$3,084,360 has been distributed for purse
18 supplements, \$616,872 for breeders awards, \$154,218
19 to the health and pension benefit fund.

20 Harrah's Chester, which has only been open
21 now 11 days, January the 20th was their opening date,
22 so far, they have generated \$824,494 for purse
23 supplements, \$164,899 for breeders awards and \$41,224
24 for the health and pension benefit fund.

25 Next month, as these figures start to come

1 in, what I would like to be able to do is give you a
2 report on how the increase has occurred.

3 In other words, the difference between the
4 purse supplements prior to the institution of slot
5 machine gaming on a daily basis and post slot machine
6 gaming. So that will give you a little idea,
7 comparative idea.

8 CHAIRMAN DECKER: I think it would also be
9 helpful at some point if we can track what the
10 benefits are. In other words, we see the money going
11 in but how is it benefiting the race industry? It's
12 too early to do that but you know what I mean.

13 MS. TUCKER: Yes.

14 COMMISSIONER COY: Let's try to anticipate.
15 How do you believe that these revenues might help
16 horsemanship in Pennsylvania and the breeder's fund
17 and so on, in what specific ways that we could
18 understand and that the public might appreciate?

19 MS. TUCKER: I think the biggest benefit to
20 the horse racing industry is going to be in the
21 breeding industry. I think you have already seen
22 that.

23 They had the standard bred breeder sales at
24 the Farm Show last December, I believe it was.
25 Unfortunately, I wasn't able to go to it. I

1 understand that already a number of the sales there
2 exceeded -- far exceeded expectations.

3 A number of the horses were sold for 25 to
4 30 percent more than they had been the -- the same
5 quality of animal had been sold the year before. I
6 definitely think the breeding industry is going to
7 see the biggest impact initially.

8 When you start talking about an increase in
9 daily purse expenditures, for instance, at
10 Philadelphia Park, I believe their purse expenditure
11 prior to the institution of slot machine gaming is
12 about a quarter of a million a day. They anticipate
13 that that's going to go up to 350 to \$400,000 a day
14 and then add on top of that any additional purse
15 supplements for breeders awards. I think that you're
16 going to see a lot more Pennsylvania horses running,
17 too.

18 So that's going to be -- I hate to say it
19 in trickle down economic terms, but that's going to
20 be a great benefit to all of the industries that
21 supply the horse racing industry.

22 COMMISSIONER COY: So there's no doubt -- I
23 mean, I know that there were votes in the legislature
24 for Act 71 because of the benefit to agriculture in
25 Pennsylvania.

1 MS. TUCKER: Yes.

2 COMMISSIONER COY: And so now we are
3 beginning to see folks who are interested in the
4 agriculture side of this and in the promotion of
5 agriculture in Pennsylvania horses and so on are
6 beginning now to see benefits financially from
7 Pennsylvania's participation in slot gaming as it
8 affects agriculture.

9 MS. TUCKER: That's right. I mean, as I
10 understand it, and I haven't confirmed exactly where
11 this has occurred, it's primarily in the standard
12 bred industry I've been hearing this, is that a
13 number of major breeders are moving operations to
14 Pennsylvania specifically because they anticipate
15 that the breeders awards are going to be so great
16 that they can't afford not to come here. That's
17 going to be a tremendous benefit to the agricultural
18 industry.

19 COMMISSIONER COY: And you have been
20 working -- just one more, Mr. Chairman.

21 CHAIRMAN DECKER: Please.

22 COMMISSIONER COY: You have been working
23 with the Horse and Harness Racing Commission to make
24 sure that we know their needs and they know our
25 needs; and that together, we work for the benefit of

1 the various constituencies.

2 MS. TUCKER: Yes. I meet with the Horse
3 and Harness Racing Commissions on a regular basis. I
4 attend all of their meetings in addition to their
5 monthly meetings, unless there's a conflict with our
6 meeting.

7 In addition to the monthly meetings, I also
8 meet with their staff on a monthly basis to discuss
9 any issues that come up in terms of coordinating
10 regulation, licensing issues, just operational issues
11 that might be occurring at the racing facilities. I
12 feel we have a very good relationship with the racing
13 commissions, both of them.

14 COMMISSIONER COY: Thank you.

15 COMMISSIONER DIGIACOMO COLINS: Yes,
16 Mr. Chairman.

17 CHAIRMAN DECKER: Please.

18 COMMISSIONER DIGIACOMO COLINS: If I may, I
19 was going to suggest, I think a really helpful data
20 for us to collect -- I don't know what your thoughts
21 are, would be -- just what is the -- what is the
22 number of -- or the increase in breeders coming to
23 Pennsylvania? How many more new horse farms are
24 opening? I think that would be a very helpful thing
25 for us to track to see the benefits of these

1 revenues.

2 MS. TUCKER: I think that's going to be
3 possible.

4 COMMISSIONER DIGIACOMO COLINS: I would
5 suggest that perhaps we would want to look at that
6 and maintain that data.

7 MS. TUCKER: I would be happy to do that.

8 CHAIRMAN DECKER: You're seeing it already
9 in terms of better horses being brought in for
10 breeding, to be bred, and etc. It's starting. How
11 many people are in the racetrack industry in
12 Pennsylvania?

13 MS. TUCKER: About 15,000, as I understand.

14 CHAIRMAN DECKER: 15,000.

15 MS. TUCKER: That's what I've been told.

16 CHAIRMAN DECKER: That's an important
17 number for employment.

18 MS. TUCKER: One of the other things that I
19 want to mention to you and one of the intents of the
20 Act is for the owners of these racing facilities to
21 improve the conditions of the backside of the racing
22 facility.

23 That is a report that is required of these
24 racing associations to submit to us on a quarterly
25 basis. I think their first report is supposed to be

1 due at the end of December. Obviously, there's going
2 to be a little difficulty maybe getting all of that
3 in. The money has not been expended as of yet.

4 I know that there are ongoing meetings with
5 the horsemen about the improvements that need to take
6 place. That's a \$5 million -- at least \$5 million
7 needs to be spent on the backside. So I anticipate
8 giving you that report as well in the future.

9 COMMISSIONER RIVERS: You made reference to
10 the health, pension, and benefit plan. Who monitors
11 that fund?

12 MS. TUCKER: We do.

13 COMMISSIONER RIVERS: We meaning?

14 MS. TUCKER: The Gaming Control Board. The
15 Gaming Control Board approves all of the health and
16 benefit contracts that the horsemen's organizations
17 enter into. None of these organizations have entered
18 into a contract for these services, yet.

19 When they do, they understand that it has
20 to be submitted to us and reviewed by our staff and
21 submitted to the Board for their approval. Then the
22 horsemen's organizations are required also to make a
23 quarterly report to the Board on the expenditure of
24 their money, and they are required to have an annual
25 audit of their -- of their accounts, one of which is

1 the health and pension benefit fund account.

2 CHAIRMAN DECKER: Thank you. We're going
3 to take a very quick stand up break. We'll be back
4 in three or four minutes.

5 (Break.)

6 CHAIRMAN DECKER: Okay. We're going to get
7 started again, Commissioners. Thank you. Sorry for
8 that. Okay. We're getting started. All right.

9 Next up, Richard?

10 MS. LaCOUR NEEB: Our Director of --

11 CHAIRMAN DECKER: Regulations. Our
12 Director for lack of understanding of what those
13 letters mean. Thank you.

14 MR. SANDUSKY: Good afternoon,
15 Mr. Chairman, and members of the Board. What I'm
16 going to do today is just highlight six items that
17 will be up for the Board's consideration at our next
18 meeting. I'm not going to go into great detail here
19 at the meeting, unless you would like me to read all
20 few hundred pages.

21 CHAIRMAN DECKER: After the adjournment
22 will be fine.

23 MR. SANDUSKY: After the adjournment, I'll
24 be more than willing --

25 COMMISSIONER RIVERS: Back at your office.

1 MR. SANDUSKY: Yes. You all know where I
2 am. That's not a problem. We will have two
3 temporary proposals. As you may remember, as a
4 result of Act 135, we do have the authority to do
5 temporary regulations through April 15th.

6 The one package will be a very simple
7 deletion of one section that is in Chapter 405. It
8 deals with enforcement action. In that section, it
9 sort of sketched out how BIE would be doing
10 enforcement actions. We're actually going to be
11 doing that stuff using the formal complaint process.
12 That is outlined in more detail in Chapter 493.

13 So this section simply is no longer
14 necessary and actually in a couple of areas slightly
15 conflicts with what appears in 493. So that will be
16 a deletion. Also proposed for --

17 COMMISSIONER DiGIACOMO COLINS: Could I
18 interrupt for one second?

19 MR. SANDUSKY: Yes, Mary.

20 CHAIRMAN DECKER: Please.

21 COMMISSIONER DiGIACOMO COLINS: The only
22 thing that I notice is that that 405.7, at least the
23 first part of it, a, embodies the whole Lyness
24 principle to me.

25 MR. SANDUSKY: Right.

1 COMMISSIONER DiGIACOMO COLINS: I want to
2 make sure that that language remains in the regs so
3 we can discuss it later, but I think it's very
4 important that that language to some extent remain in
5 the regs.

6 MR. SANDUSKY: Right.

7 COMMISSIONER DiGIACOMO COLINS: Thank you.

8 CHAIRMAN DECKER: That's a good point.

9 MR. SANDUSKY: The second temporary
10 proposal that will come before you is a fairly
11 substantial revision of Chapter 511, which deals with
12 persons required to be excluded.

13 We are proposing this as a temporary
14 regulation because there are -- also at the same
15 meeting, we will be proposing it as a proposed
16 permanent rule in the exact same form.

17 The reason why we're doing a temporary reg
18 is our current regulations under Chapter 511 don't
19 match how we want to pursue this program.

20 So to get the thing up and running
21 immediately the way we want it, that's why we're
22 doing the temporary regulation for Chapter 511.

23 There will be two proposed rule making
24 packages on the agenda. The first one of those will
25 be the remainder of our Chapter 490's series, which

1 deal with our hearing and appeals regs, basically all
2 of our proceeding regs.

3 Chapter 493 deals with pleadings, 494 deals
4 with hearing procedure, 495 documentary filings, 497
5 time, how we calculate it, and 499 representation
6 before the Board.

7 The revisions that have been made in these
8 chapters mainly are editorial. The only place where
9 we made fairly significant, substantial revisions was
10 in the appeals and that was to bring our regulations
11 more into conformity with the rules of appellate
12 procedure in Pennsylvania.

13 The other proposed rule making package, you
14 know, that will come before you is proposed permanent
15 rules for Chapter 511 relating to persons required to
16 be excluded and Chapter 513, which is our chapter on
17 underage gaming.

18 We have made, you know, some revisions in
19 511 to clarify in the regulations how we will be
20 handling petitions to exclude people.

21 In essence, a petition will come from BIE.
22 There is to be an investigation. If the person will
23 be served with a copy of that petition, they have 30
24 days to request a hearing.

25 If they don't request that or demand is

1 what the statute is, if they don't ask for that
2 hearing, it will be deemed to have admitted the facts
3 in the petition and then that will come before the
4 Board for final action.

5 The individual will go on the excluded
6 persons list once the petition is filed. It does not
7 require, you know, action up front. This is
8 reflected as to the way the Statute has been drafted
9 to deal with these individuals.

10 In the underage, there are some minor
11 changes that we have made in that chapter. Most
12 notably, a bar on check cashing for anyone who is
13 underage and the requirement the facility post signs
14 that individuals under 21 are not permitted to
15 gamble.

16 Most happily, the last two items have to
17 deal with final form regulations. In other words,
18 these will be permanent regulations that will not
19 expire as the temporary ones will.

20 The first three chapters that we have are
21 451 and 471, which are very small recordkeeping and
22 filing fee chapters, but more significantly, Chapter
23 481 which is our diversity regulations. Once these
24 final regulations are adopted by the Board, we still
25 have a few steps to take.

1 They will at that point go to the standing
2 committees and the Regulatory Review Commission for
3 their formal review and action.

4 The Committees may hold Committee meetings
5 on these. They're not required to. IRRC will
6 consider these final form regulations in its public
7 meeting.

8 After IRRC and the Committees have acted,
9 we will submit them to the Office of Budget for a
10 final fiscal note and to the Office of Attorney
11 General for final review for form and legality. From
12 that point, they can be published in the Bulletin and
13 put in the Pennsylvania Code.

14 We did not get a lot of comments, you know,
15 proposed on these regulations. We have made a few
16 additions in response to the couple of comments we
17 did get and a couple of other clarity things that we
18 did upon our further review.

19 If there are questions on the process, I
20 would be happy to take them at this time.

21 The last thing I would like to say is that
22 we are working very closely with the licensing folks
23 right now.

24 We hope to have for the next meeting
25 proposed regulations, which will be all of the

1 licensing chapters.

2 We are trying to rewrite them and clarify
3 them and make them a little more consistent across
4 chapters and address any issues that we have run
5 across since the temporaries were done.

6 CHAIRMAN DECKER: Richard, thank you.

7 Any questions?

8 COMMISSIONER ANGELI: Just on procedure.

9 Now, the temporary regs run out in April? I mean,
10 our ability to --

11 MR. SANDUSKY: Our ability to promulgate
12 temporary regulations will expire in April. The
13 regulations themselves will expire in July.

14 COMMISSIONER ANGELI: In July. So all of
15 those that are temporary as they move forward to
16 permanent, do they come before the Board again for
17 review?

18 MR. SANDUSKY: Yes. Yeah, the Board will
19 see them. You'll see them once proposed and then
20 you'll see them a second time as we put them forth as
21 final.

22 COMMISSIONER ANGELI: Are any of these
23 regulations, the temporary ones, have they moved
24 forward to anyone in the Regulatory Commission to
25 review or do we start from scratch to review these?

1 MR. SANDUSKY: The temporary, per se, were
2 not submitted to IRRC. Having previously been there,
3 I will tell you that the staff at IRRC were reviewing
4 the temporary regulations as they were issued by the
5 Board.

6 We have had very close communications with
7 the staff at IRRC, keeping them abreast of where we
8 are in terms of developing the proposed rules and how
9 they're different from temporary rules.

10 COMMISSIONER ANGELI: Thank you very much.

11 COMMISSIONER DIGIACOMO COLINS: I was going
12 to ask Richard having been involved, having come from
13 IRRC and having relationships there and been involved
14 in them reviewing our temporaries, are you confident
15 that we will reach the deadline and be able to have
16 our temporaries approved by July?

17 MR. SANDUSKY: Because of --

18 COMMISSIONER DIGIACOMO COLINS: I guess are
19 you on track with that?

20 MR. SANDUSKY: We were on track until we
21 had the problem with the qualified majority. Because
22 the Board has not been able to act on these rule
23 makings that I have discussed today and,
24 specifically, I'm referring to the proposed rules, it
25 is almost physically impossible because of the time

1 periods that the Attorney General gets and the other
2 parties get anything that has not yet been proposed
3 adopted as final by the July 5th date. We will --

4 CHAIRMAN DECKER: But the thing is in the
5 pipeline, the temporaries we've been operating under
6 for so long?

7 MR. SANDUSKY: It is in the pipeline. We
8 should have through the IRRC process based on the
9 comments we have received and the work that we have
10 done with the agencies that are involved so far, I'm
11 not anticipating any problems getting those chapters
12 done.

13 Probably most importantly, the 465s, which
14 are the technical standards for the operators and
15 whatnot, all of those, I anticipate having before you
16 and adopted as final through the review process prior
17 to July 5th.

18 COMMISSIONER DiGIACOMO COLINS: As
19 technical standards?

20 MR. SANDUSKY: Yes.

21 COMMISSIONER ANGELI: One question.

22 CHAIRMAN DECKER: Please.

23 COMMISSIONER ANGELI: Now, after July until
24 the permanent regulations are ruled on, we can still
25 operate from the temporary regulations?

1 MR. SANDUSKY: As of July 5th, the
2 temporary regulations disappear. So they will no
3 longer be there as something we can rely on for an
4 enforcement action or action by the Board.

5 Fortunately, most of those chapters are
6 well grounded in statute. So we as an agency will be
7 able to rely on the statutory language to continue to
8 do the functions that we currently do under the
9 temporary regulations.

10 COMMISSIONER ANGELI: Okay. Thank you.

11 CHAIRMAN DECKER: The technical standards,
12 what are we talking about with respect to the
13 technical standards? You're talking about computers
14 and games that change pretty rapidly. I thought that
15 wasn't subject --

16 MR. SANDUSKY: I should draw a distinction
17 here in the terminology. We have in our regulations
18 the 465 standards, which lay out, you know, slot
19 machine standards, internal control requirements,
20 etc.

21 These are really things that the casinos
22 use as their Bible, as they're going through the
23 initiation of our operations and for our oversight.

24 In addition to those regulations, we have a
25 series of, I believe it's six statements of policy,

1 which are technical standards, which relate to things
2 like what the lighting scheme should look like on a
3 machine, what a particular color means, those sorts
4 of things. Because those are promulgated as
5 statements of policy they are not required to go
6 through the regulatory review process, and we can
7 quickly modify those to address changes in
8 technology.

9 CHAIRMAN DECKER: Thank you. Any other
10 questions for Richard?

11 Thank you very much.

12 MS. LaCOUR NEEB: Thank you.

13 CHAIRMAN DECKER: Anne.

14 MS. LaCOUR NEEB: I would like to ask David
15 Kwait, the Bureau of Enforcement Investigations, to
16 come forward.

17 CHAIRMAN DECKER: It got switched.

18 MS. LaCOUR NEEB: That's fine. Doesn't
19 matter to me. Who wants to go next?

20 CHAIRMAN DECKER: Susan?

21 MS. LaCOUR NEEB: This will be Susan
22 Hensel, Director of Licensing, to give an update in
23 the Bureau of Licensing.

24 MS. HENSEL: Thank you, Chairman Decker and
25 members of the Board. I would like to briefly update

1 you --

2 CHAIRMAN DECKER: I take it Frank is not
3 going to -- he had other pressing matters, so to
4 speak, this morning.

5 MS. LaCOUR NEEB: He had issues.

6 CHAIRMAN DECKER: All right. Good luck to
7 him.

8 Go ahead, Susan. I'm sorry.

9 MS. HENSEL: No problem. I would like to
10 update the Board on activities within the Bureau of
11 Licensing. I will focus on three areas; employee
12 licensing, permitting and registrations, vendor
13 applications, and renewal applications.

14 First, the Bureau of Licensing has been
15 working diligently to support the recent and upcoming
16 openings of the slots facilities.

17 To ensure each facility has a sufficient
18 number of workers, the Bureau of Licensing begins
19 working with the facility well in advance of the
20 scheduled opening.

21 During these discussions, we explain the
22 employee permit and regulation process and give a
23 time line for planned hiring. We then work with the
24 facility staff to obtain applications, answer
25 questions, and otherwise guide them through the

1 pre-opening.

2 We also train facility human resources
3 staff on how to use the Slotlinks system. As you
4 know, Slotlinks allows the facility gaming and
5 non-gaming employees to submit their applications
6 electronically.

7 Since introducing Slotlinks last fall, the
8 facilities have been taking full advantage of it. In
9 fact, close to 3,700 of the more than 4,700 gaming
10 and non-gaming applications submitted to date have
11 been submitted through Slotlinks.

12 Once we receive an application, the Bureau
13 of Licensing works in conjunction with the Bureau of
14 Investigations and Enforcement to complete background
15 investigations, authorize licenses, permits, and
16 registrations, and to issue credentials.

17 We have to date issued more than 400
18 credentials to Mohegan Sun, nearly 700 credentials to
19 Philadelphia Park and approximately 1,200 credentials
20 to Chester Downs.

21 In addition, we have credentialed
22 approximately 40 key employees and have permitted the
23 employees of licensed manufacturers and suppliers,
24 enabling them to perform installation and repair in
25 the facilities.

1 In the weeks leading up to the facility
2 openings, the Bureau of Licensing has also had an
3 on-site presence in the facilities.

4 Our staff has worked with each facility to
5 coordinate the submission and processing of
6 outstanding employee applications and the
7 distribution of employee credentials.

8 Overall, we have authorized more than 3,200
9 permits and registrations and have printed more than
10 3,100 credentials. These credentials are required to
11 be carried by individuals who work in the facilities.

12 We are now in the process of working with
13 Presque Isle Downs, which has so far submitted more
14 than 700 gaming and non-gaming applications.

15 Although our focus has shifted to the next
16 planned opening, our work with the other facilities
17 continues on a daily basis as they hire new employees
18 and submit additional applications.

19 We have also begun holding preliminary
20 meetings with those approved licensees planning to
21 open later in the year.

22 Simultaneous with our processing of
23 employee applications, we have been working with the
24 licensees on vendor applications. Vendors, as you
25 know, are those companies doing business with our

1 slots facility licensees and applicants. We have to
2 date received 325 registered and more than 100
3 certified vendor applications.

4 After the vendor applications are processed
5 by the Bureau of Licensing, they are handed off to
6 the Bureau of Investigations and Enforcement for
7 investigation. In the future, I will be bringing to
8 you vendor applications for approval or denial.

9 Once a vendor application is approved, we
10 will be creating an approved vendors list from which
11 the operators will be able to choose vendors.

12 In addition to recent openings, another
13 significant milestone for the Bureau of Licensing and
14 the Board is the posting of the Board's first renewal
15 applications.

16 The first round of manufacturer licenses
17 will expire in February. In order for their licenses
18 to stay in effect, the licensees must file complete
19 applications with the Board.

20 We are now in the process of working with
21 the initial six manufacturer licensees on the
22 completion of those renewal applications.

23 Finally, the Bureau of Licensing has been
24 fielding questions from potential Category III
25 applicants, who are anxious to learn more about the

1 licensing process. We have recently received an
2 additional three manufacturer applications.

3 That concludes my update. I'll be happy to
4 take any questions.

5 CHAIRMAN DECKER: Questions for Susan?
6 Ray?

7 COMMISSIONER ANGELI: You say the licenses
8 expire in February?

9 MS. HENSEL: The end of February.

10 COMMISSIONER ANGELI: The end of February.

11 MS. HENSEL: Yes. The applications are due
12 from the manufacturers to the Bureau of Licensing by
13 February 23rd. Once they're filed, the license stays
14 in effect until the Board takes action.

15 COMMISSIONER ANGELI: So what they have
16 stays in effect?

17 MS. HENSEL: Yes.

18 COMMISSIONER ANGELI: Thank you very much.

19 COMMISSIONER DiGIACOMO COLINS: Susan, what
20 is the total number of employees who have been
21 permitted so far?

22 MS. HENSEL: We have issued 31 -- 3,200
23 permits and registrations.

24 COMMISSIONER DiGIACOMO COLINS: And then
25 with key employees, vendors, manufacturers, and

1 operators, how many licenses is that to date, a
2 ballpark figure?

3 MS. HENSEL: Oh, boy.

4 CHAIRMAN DECKER: Ballpark.

5 MS. HENSEL: I wish I had that.

6 COMMISSIONER DiGIACOMO COLINS: Around
7 5,000?

8 MS. HENSEL: Yeah, I would say about 5,000.

9 COMMISSIONER DiGIACOMO COLINS: And are all
10 of those 5,000 licenses subject to annual renewal?

11 MS. HENSEL: That is correct, with the
12 exception of vendor employees.

13 COMMISSIONER DiGIACOMO COLINS: Right. The
14 vendors are not subject to annual renewal by virtue
15 of regulation, correct?

16 MS. HENSEL: Correct.

17 COMMISSIONER DiGIACOMO COLINS: So then
18 that's with just three casinos open and still eight
19 casinos yet to open and bring on more employees,
20 correct?

21 MS. HENSEL: That is correct.

22 COMMISSIONER DiGIACOMO COLINS: So we're
23 looking at many thousands having to be renewed
24 annually, correct?

25 MS. HENSEL: Correct.

1 CHAIRMAN DECKER: Can I ask a question? Do
2 you know the licensing requirements, the renewal
3 licensing requirements of other states are? Is there
4 anyone else who has this one-year requirement,
5 certainly not New Jersey, Nevada, Louisiana, or
6 Michigan, the ones we compare ourselves to?

7 MS. HENSEL: Correct. Correct. I would
8 say that the one-year renewal period is the
9 exception.

10 CHAIRMAN DECKER: What portion of your
11 staff, do you think, is going to get tied up doing
12 these renewals? It's a ballpark. I'll ask David the
13 same question.

14 MS. HENSEL: Well --

15 CHAIRMAN DECKER: It requires people to do
16 this.

17 MS. HENSEL: Absolutely.

18 CHAIRMAN DECKER: Can you do this through a
19 computer without any people looking at it?

20 MS. HENSEL: Maybe some day.

21 CHAIRMAN DECKER: Just curious.

22 MS. HENSEL: I would like to see us and we
23 are working behind the scenes to take advantage of
24 technology; but today we are, as with any technology
25 have to be in process.

1 CHAIRMAN DECKER: What percentage of your
2 staff is going to get tied up in this?

3 MS. HENSEL: Our entire enterprise unit
4 will be focused on --

5 CHAIRMAN DECKER: Yeah, that's a lot of
6 people. That's a lot of people. Thank you.

7 Any other questions for Susan?

8 COMMISSIONER McCABE: Mr. Chairman?

9 CHAIRMAN DECKER: Yes, Ken.

10 COMMISSIONER McCABE: Susan, you mention
11 you're getting inquiries from possible Category III
12 candidates. Do you have any idea when we're going to
13 possibly open that up and will that create added work
14 for your people?

15 MS. HENSEL: That will absolutely create
16 added work for my people depending on the number of
17 applications we receive. We'll be putting those
18 through the exact same process that we went through
19 in the past year with the Category Is and then the
20 Category IIs.

21 When the period of accepting applications
22 is opened, it is up to the Board. I know that the
23 Board did announce previous to the December 20th
24 award of licenses that that period would be open
25 after the award of licenses.

1 CHAIRMAN DECKER: How much time do you
2 need, Susan, or how much time do you think is
3 reasonable to give to those applicants to get their
4 applications back?

5 So assuming we have a Board meeting March
6 1st, what is your guess -- and we could open up on
7 March 1st, what is your guess when we could actually
8 close it to get it going?

9 MS. HENSEL: If we use history as a
10 guide --

11 CHAIRMAN DECKER: Yes.

12 MS. HENSEL: -- we provided 60 days for the
13 applications for the Category Is and IIs, so
14 approximately 60 days.

15 CHAIRMAN DECKER: And I presume when I've
16 looked at their applications that the Category IIIs
17 are no less onerous as to what people have to go
18 through?

19 MS. HENSEL: Absolutely not.

20 CHAIRMAN DECKER: So you have to look and
21 see if they have problems and the people have
22 problems, etc.?

23 MS. HENSEL: It's a very extensive
24 application and investigation process.

25 CHAIRMAN DECKER: And they are going to do

1 the financial viability tests and other suitability
2 tests, correct? I'll ask David, too.

3 COMMISSIONER COY: Plus if they meet the
4 requirements of the Act for Category III.

5 MS. HENSEL: Correct.

6 COMMISSIONER DiGIACOMO COLINS: Just one
7 further question to underscore the magnitude of your
8 task. The vendor list, that's not a static list,
9 correct?

10 MS. HENSEL: Absolutely.

11 COMMISSIONER DiGIACOMO COLINS: That's
12 constantly growing, changing, right?

13 MS. HENSEL: Yes.

14 CHAIRMAN DECKER: What is the turnover in
15 this industry, might I ask, in terms of employee
16 turnover?

17 MS. HENSEL: We understand that there is
18 roughly a 40 percent turnover.

19 CHAIRMAN DECKER: That's a huge turnover.
20 I would go out of business if I were still at
21 Saint-Gobain doing the 40 percent turnover, but
22 nevertheless, 40 percent turnover.

23 MS. HENSEL: The Bureau of Licensing has
24 job security.

25 CHAIRMAN DECKER: The other question I

1 have, what percent of the employees, ballpark again,
2 have been rejected, have been denied permits, etc.?
3 Do you know, Susan, offhand?

4 MS. HENSEL: I don't know that I have seen
5 an actual calculation. I can tell you that I believe
6 that that number is running in the 20 to 25 percent
7 range.

8 Predominantly, what we are seeing in the
9 applications that will come before the Board for
10 possible denial is non-disclosure of information.
11 Predominantly a non-disclosure of --

12 CHAIRMAN DECKER: Non-disclosure of what?

13 MS. HENSEL: Non-disclosure of arrests and
14 convictions for the most part. These can range from
15 non-disclosure of a very minor offense that would not
16 be a licensing prohibitor to a felony conviction,
17 which depending on the time frame could be a
18 licensing prohibitor.

19 CHAIRMAN DECKER: I presume the people of
20 Pennsylvania, maybe we should ask them someday,
21 wouldn't really like to have their cars parked by
22 convicted felons, for example, right?

23 MS. HENSEL: We're doing our best to make
24 sure that that doesn't happen.

25 CHAIRMAN DECKER: Just curious. Okay.

1 Any other questions for Susan?

2 Thank you, Susan. You're doing a great
3 job.

4 MS. HENSEL: Thank you.

5 CHAIRMAN DECKER: We can't tell you how
6 much we appreciate the efforts that you're still
7 doing.

8 MS. LaCOUR NEEB: Okay. Thank you, Susan.

9 We will now ask David Kwait, the Director
10 of the Bureau of Investigations and Enforcement, to
11 come on up. Also, we have the Acting Director of
12 Hearings -- Enforcement Counsel and we will --

13 CHAIRMAN DECKER: Dale Miller.

14 MS. LaCOUR NEEB: Dale Miller will joint
15 present in the process.

16 MR. KWAIT: Good morning, Mr. Chairman,
17 Commissioners. I would like to give you an update of
18 what BIE has been doing since the general licensing.
19 First of all, to be a little redundant with Susan to
20 talk about casino employees, I have an exact figure
21 of 3,723 casino employees processed. Of that, 3,291
22 have been approved and 432 have been recommended by
23 BIE for denial.

24 We have also handled 142 registered vendors
25 and 22 certified vendors. They're currently assigned

1 to our field offices.

2 I want to go, if I may, for a couple of
3 seconds on what we do -- what the kind of enforcement
4 action we've been doing inside the casinos; but
5 understand, I have to speak generically, I can't go
6 into specific details about these cases.

7 I want to give you a sense of the sort of
8 things that are happening in the casinos. We've had
9 incidents of unreported, underage gaming.

10 We've had incidents of promotional material
11 being sent to people who are on the self exclusion
12 list or on the exclusion list.

13 We have unregistered vendors who have been
14 found working on the casino floor. We have had
15 numerous complaints from patrons due to various
16 things from malfunction of machines and their
17 perception to perception of jackpots. We have the
18 properties not responding to the deficiency letters
19 that we have sent out.

20 If I can comment briefly on the
21 Philadelphia incident, and I don't want to go into
22 detail about it, but I do want to comment on it
23 because it's been well publicized, and a lot of the
24 things I'm going to say I'll reiterate from press
25 accounts.

1 First of all, we had an individual who won
2 a jackpot, in his mind. He wouldn't leave the
3 machine until a BIE person came to verify the machine
4 and what it said.

5 We've taken an aggressive, a very
6 aggressive action in that regard. I don't think that
7 the case would have been settled by the property as
8 quickly as it has been with the patron, I might add,
9 unless it wasn't for that aggressive BIE approach to
10 that particular incident.

11 I want to go through a brief account of
12 what these agents are doing inside the casinos.
13 These fellows meet daily with PSP and with the
14 internal security apparatus. They review the days'
15 incidents.

16 We've been referring criminal matters that
17 come to our attention to PSP or appropriate law
18 enforcement agencies.

19 The big thing we do is mediate patron
20 disputes. We have settled several notable incidents
21 on-site immediately, just from our ability to review
22 surveillance camera records of a particular machine
23 and show the customer exactly what happened, and
24 generally the customer, patron, has walked away very
25 pleased.

1 CHAIRMAN DECKER: Dave, can I ask you a
2 question about that?

3 MR. KWAIT: Certainly.

4 CHAIRMAN DECKER: One of the things we took
5 from our visits to, you know, benchmarking visits we
6 did early on with Las Vegas and New Jersey, and I'm
7 talking about the entire Board here now, was that
8 that was such a crucial part of what they did inside
9 the casino, not criminal enforcement, not criminally
10 trained.

11 It's training you get as to what we're
12 doing now with our people about what happens in a
13 casino and how you regulate it and how you mediate
14 the disputes which arise during these time periods.

15 I didn't know anything about that when we
16 first went down. I'm sure the other Board members
17 were equally impressed about how those kind of things
18 are crucial for not only the operator, but obviously
19 for the patrons and the confidence that the patrons
20 have in the overall system of gaming in a particular
21 state. I don't know how you do that without having
22 people inside the casino. Maybe you have an idea. I
23 don't really know how you do it.

24 MR. KWAIT: I don't think there's any other
25 way.

1 CHAIRMAN DECKER: Trained people for
2 dealing with these kind of civil kinds of activities,
3 not criminal activities but civil activities.

4 MR. KWAIT: The patron is looking for a
5 response from a representative of this Board, who is
6 trained, who can give them an answer that they
7 understand and that there is integrity in the
8 process.

9 These agents take the complaints. They
10 report the incidents up the chain. We investigate
11 and, of course, go through the office of enforcement
12 counsel.

13 These agents maintain liaison on a daily
14 basis with the company management, with local law
15 enforcement, with vendors, with G-Tech and a sundry
16 of other people who are part of this industry inside
17 these casinos.

18 We have oversight of the surveillance
19 system, monitor -- the monitor rooms, the cameras.
20 We ensure that the daily camera results are stored
21 appropriately according to our regulations and then
22 we monitor activities.

23 We monitor slot machines and their
24 movements. We monitor the access badge system,
25 compulsive gaming, the exclusion -- self exclusion

1 list and regular exclusion list, even the exit alarm
2 systems, the hours of operation, accountant room, on
3 and on.

4 On the self exclusion list, BIE agents are
5 now trained to help people who want to be on the self
6 exclusion list to fill out their forms correctly. We
7 have been doing that in our offices at the property.

8 I hope that gives you a general sense of
9 what has been happening at these three casinos that
10 are opened.

11 CHAIRMAN DECKER: Thank you.

12 Any questions for David?

13 COMMISSIONER McCABE: Mr. Chairman?

14 CHAIRMAN DECKER: Yes, please. I'm sorry,
15 Ken. Go ahead.

16 COMMISSIONER McCABE: David, you said about
17 400 some odd applicants have been turned down. Could
18 you give us an idea, some of the reasons why they are
19 recommended to be turned down?

20 MR. KWAIT: Yeah, it's pretty much what
21 Susan has pointed out. We discovered a lot of
22 incidents of failure to disclose significant arrests
23 on their personal history forms. And then through
24 the process of doing these criminal backgrounds, and
25 I repeat, the Pennsylvania State Police have been

1 deeply involved because they're responsible for the
2 fingerprinting of all of these people and running of
3 all of these things through the FBI and through their
4 own system; but it's mostly self disclosure issues.

5 MR. MILLER: Could I address that briefly?
6 Commissioner McCabe's question was a good one. When
7 the Bureau of Investigation and Enforcement uncovers
8 something that was not revealed by the applicant,
9 that applicant is sent a letter that we intend to
10 deny that license application.

11 The applicant then can request a hearing
12 and I can tell you that a number of them have
13 requested hearings, a large number have requested a
14 hearing.

15 We have in place today hearings scheduled
16 for those applicants who have been notified that they
17 are to be rejected. We have four hearings scheduled
18 in Harrisburg on February 7th and four hearings on
19 February 12th. We have 12 hearings on February 13th
20 scheduled for Chester Downs. We have seven hearings
21 scheduled on February 14th in Chester Downs for those
22 applicants.

23 CHAIRMAN DECKER: This is something we also
24 saw when we visited New Jersey and Las Vegas, a big
25 portion of our activities going forward is going to

1 be dealing with these hearings and the consent
2 decrees that result from denial, etc.

3 MR. MILLER: That is correct.

4 CHAIRMAN DECKER: We're all aware of that.

5 COMMISSIONER COY: Mr. Chairman, I want to
6 ask Mr. Kwait a question so the public and all of us
7 are absolutely clear on the situation as we know it
8 so far that occurred in Philadelphia Park. So the
9 investigation is ongoing?

10 MR. KWAIT: Yes, it is, Commissioner.

11 COMMISSIONER COY: Do you have any idea
12 when the investigation may be complete?

13 MR. KWAIT: We have a couple of outstanding
14 interviews. We anticipate that this whole thing will
15 be wrapped up by us at least by the end of this week.

16 COMMISSIONER COY: And then at some point,
17 the matter will come before the Board?

18 MR. KWAIT: Yes.

19 COMMISSIONER COY: Which will happen and
20 the public will be aware of the results of the
21 investigation insofar as possible and the actions of
22 the Board.

23 MR. KWAIT: Absolutely correct.

24 COMMISSIONER COY: Thank you.

25 MR. MILLER: May I address your question

1 also, Commissioner?

2 Director Kwait is correct. We hope to have
3 this wrapped up by the end of the week. The Office
4 of Enforcement Counsel has been working closely with
5 BIE to develop the investigation in this situation,
6 as well as developing with our internal IT folks, who
7 have done a superb job of both investigating --

8 CHAIRMAN DECKER: With the gaming lab.

9 MR. MILLER: With our gaming lab, not our
10 IT folks but our gaming lab. They have been both
11 educating people, preserving evidence because there's
12 a lot of that involves the screens of the computer
13 and that sort of thing. They have done just a super
14 job in working with Director Kwait's agents in
15 developing this investigation.

16 Once the investigation is complete, my
17 office will take a look at it with a view to possible
18 enforcement actions. It is those actions if they are
19 developed to come before the Board.

20 MR. KWAIT: I might add that it's been
21 really beneficial to have the Office of Enforcement
22 Counsel attorney assigned to Conshohocken to have
23 this on-site ability to work directly with the agents
24 involved in the investigation.

25 I think that geographically positioning

1 these attorneys like we have is -- all along have
2 been a good idea.

3 COMMISSIONER COY: Mr. Kwait or for that
4 matter Anne, while the Board does not relish these
5 incidents taking place, these are -- we can't
6 anticipate that this maybe will not be the last or
7 these are the things that happen during the -- I
8 don't want to say during the regular course of
9 business or do I?

10 MR. KWAIT: You know what, I've dealt a lot
11 in recent months, the past year with Nevada
12 specifically and in New Jersey. Quite frankly, these
13 are common events that happen in these properties.

14 CHAIRMAN DECKER: Anne, you have had
15 experience as another Director of another agency,
16 Louisiana, in particular?

17 MS. LaCOUR NEEB: Pretty much it's not that
18 they're common occurrences and they are in a certain
19 regard by way of the types of violations, but these
20 are the kinds of things that happen.

21 One of the things, we're going to have many
22 more and we're going to have them on a regular basis.
23 What is so important is exactly what happened. We
24 had the casino enforcement agent available that
25 represents the Board in these casinos to respond

1 immediately, to preserve the evidence.

2 We have our gaming lab and our engineers
3 that can immediately go in and review the slot --
4 playing the slot activity and confirm it.

5 These are the kinds of -- this is the
6 actual -- you know, this is what regulating casino
7 activity is.

8 So those types of things, although no one
9 wants that to happen, they do happen. You're dealing
10 with machines. These machines are computers.
11 Sometimes it's a user error. Sometimes it's an
12 operator error. Sometimes it's programming error.
13 That's what we have to get to the bottom of to make
14 sure that there's nothing in there that is a
15 violation. So we'll see many more of these types of
16 things.

17 COMMISSIONER COY: I would continue to
18 encourage you, David and Anne, to make sure that our
19 personnel, the Board's personnel who are on premises,
20 are easily identifiable either through identification
21 or apparel or both, and maybe then sign --
22 appropriate signage of notification to the public
23 that if you do have a problem, here is who you look
24 for and that these people are there to protect you.

25 If you haven't -- I'm sure you have -- I

1 think the incident which occurred lends credibility
2 to the fact that the public must continue to be
3 reassured that there are people on premises employed
4 by the Gaming Control Board to protect the public.

5 MS. LaCOUR NEEB: And there have been other
6 things that have not, you know, made the press, so to
7 speak, where our agents have quickly through their
8 oversight and diligence have caught things, you know,
9 on the spot. We're working with those situations and
10 those incidents. So that's the kind of thing we do.
11 It's continual monitoring while the casino is open.

12 MR. KWAIT: I might address training a
13 little bit. We do have -- these agents who are on
14 the floor now have received a minimum amount of
15 training through people who have had gaming
16 experience, but we do now have a relationship with
17 UNLV, International Gaming Institute.

18 We're going to arrange for staff faculty
19 from that institute to come here to Pennsylvania and
20 conduct this sort of training for the agents.

21 COMMISSIONER COY: I think it's fair to
22 say, and Eileen is still here, but it's fair to say
23 that a lot of the personnel costs that were
24 identified earlier by her and our budget are costs
25 that are associated with this type of surveillance

1 and consumer protection, which are necessary.

2 MR. KWAIT: Absolutely.

3 CHAIRMAN DECKER: The percentage of our
4 employees that are involved in either licensing,
5 relicensing or investigations or enforcement or the
6 lab work, it's -- 80 percent of our budget is
7 personnel going forward and about 90 percent of those
8 people are in operations, if you will, and the rest
9 are corporate staff types, lawyers, you know, ALJs,
10 Michael Walsh types.

11 MS. LaCOUR NEEB: And we're in conversion,
12 too. We came from the whole emphasis of the agency
13 and to licensing, and now we have shifted gears to
14 100 percent of pushing forward with the compliance
15 and regulation and enforcement.

16 CHAIRMAN DECKER: Let me ask a question.
17 It's sort of on my mind. If I cut your staffs by 50
18 percent, could I do this job? I'm curious. I would
19 like to know.

20 I sort of have a reputation for this sort
21 of thing. I was just curious if we did that after
22 cutting 11 percent, if you could survive or you could
23 cover the regulatory front that way; and it goes to
24 Susan as well, might as well get it out front.

25 MR. KWAIT: That's a fine idea. Susan

1 alluded to the fact that we have annual renewals.
2 They're coming up beginning next month, beginning
3 today in February.

4 The amount of vendors, registered certified
5 vendors that we anticipate coming across in the next
6 three months is almost staggering. We have processed
7 already over 3,000, close to 4,000 casino employees.
8 This is a never ending --

9 CHAIRMAN DECKER: With a turnover of 40
10 percent, it's not a shock to me that that would be
11 the case but maybe it is to others.

12 MR. KWAIT: And I'm not even addressing
13 regulatory duties inside the casinos.

14 CHAIRMAN DECKER: But if we cut your staff
15 by 50 percent, I'm talking about the two of you,
16 could you still operate and say you were operating
17 and providing the public with a strict regulatory
18 environment?

19 MR. KWAIT: Absolutely not.

20 CHAIRMAN DECKER: I just want to get it out
21 front so everybody understands that.

22 MR. KWAIT: We would not be in compliance
23 with Act 71.

24 CHAIRMAN DECKER: Well, it's a matter of
25 interpretation. You wouldn't be able to say it was a

1 strict regulatory environment, correct?

2 MR. KWAIT: You're exactly right.

3 MS. LaCOUR NEEB: The other thing I think
4 staffing wise you have to keep in mind is that these
5 casinos are 24-hour a day operations. So if there's
6 an incident that happens, we have to be there.

7 CHAIRMAN DECKER: How could you not maybe
8 have anybody between 2:00 and 6:00 and leave it
9 unregulated?

10 MS. LaCOUR NEEB: People are there, the
11 machines are on, patrons are there.

12 CHAIRMAN DECKER: Problems actually occur
13 between 2:00 and 6:00.

14 MS. LaCOUR NEEB: Oh, I think they do. I
15 think from 5:00 p.m. to 8:00 a.m. the next morning,
16 things happen. We have an obligation to be there to
17 regulate.

18 So that's -- that is part of the staffing
19 issues, and people ask why so many people. Well,
20 it's 24 hours a day and I think that somehow --

21 CHAIRMAN DECKER: These are trained people
22 in regulatory activities. I just want to make the
23 point. That's the answer to that is yes.

24 MS. LaCOUR NEEB: That is the answer. We
25 need to train people. We train every day. We

1 continually train.

2 CHAIRMAN DECKER: We interrupted Dale's --
3 are you done, David?

4 MR. KWAIT: Yes.

5 CHAIRMAN DECKER: I'm sorry to ask it that
6 way. Do you have anything else? I should say it
7 that way.

8 MR. KWAIT: No.

9 CHAIRMAN DECKER: Dale, I know you have
10 something to go through, if you would. I know we
11 have asked a lot of questions and probably danced
12 around your presentation, but if you want to work
13 your way through it, let's do it.

14 MR. MILLER: I do, Mr. Chairman. Mr.
15 Chairman and Commissioners, it's a pleasure to be in
16 front of you. This is my first public presentation
17 since assuming the duties of Chief Enforcement
18 Counsel on January 1st.

19 I would like to say that my predecessor did
20 a great job in getting the operators ready for
21 licensing, going through the investigations, and
22 providing you with the information you need to
23 license these operators.

24 After the operators were licensed on
25 December 20th, we have now gotten into the mode of

1 enforcement.

2 When I assumed the Chair of Chief
3 Enforcement Counsel on January 2nd, was my first day,
4 the first thing I did was reorganized the office as
5 best I could for enforcement. I have a PowerPoint
6 presentation ready for you now, which will show you
7 how we are now reorganized.

8 I want to first emphasize that the Office
9 of Enforcement Counsel is different from the Office
10 of Chief Counsel. That's right out of our
11 regulations.

12 The Office of Enforcement Counsel
13 prosecutes all enforcement actions, while Chief
14 Counsel advises the Board.

15 As Commissioner Colins mentioned earlier,
16 the Lyness principle, this makes sure that we, as the
17 Office of Enforcement Counsel, do not interact with
18 the Board on any prosecution actions. You may seek
19 advice from Chief Counsel but not from us. We make
20 sure that line is drawn in the appropriate fashion.

21 Our duties in the Office of Enforcement
22 Counsel are, as you can see, we advise BIE and we
23 make recommendations on licenses and permits. We
24 initiate proceedings for violations, independent of
25 anyone else.

1 Once those proceedings are initiated, we
2 may seek settlement and other actions. Then, of
3 course, we appear, my staff appears at administrative
4 proceedings and other Board proceedings in order to
5 prosecute enforcement actions.

6 Our organization -- what I did was I took a
7 look at what we needed in order to regulate the
8 casinos. I divided my staff into three sessions. We
9 have an enforcement section, which is now headed by
10 Nan Davenport. We have an investigation section
11 headed by Tom Diehl, and I have an administrative and
12 training section and I have not decided yet who is
13 going to head that.

14 This is my table of organization. I am
15 here in Harrisburg as the Chief Counsel. I have a
16 Deputy Chief Counsel in Pittsburgh who is Barry
17 Creany. I have a Deputy Chief Enforcement Counsel in
18 Conshohocken, who is Cyrus Petri.

19 In Harrisburg right now, I have six
20 assistants who work with me. I have an
21 administrative assistant. I believe we will be
22 hiring another administrative assistant, which we
23 truly need.

24 I would echo the sentiments of Director
25 Kwait that the Deputy Chief Enforcement Counsels we

1 have in both Conshohocken and Pittsburgh are
2 absolutely crucial to the regulation of the casinos.

3 Unlike New Jersey, which has all of the
4 casinos located in Atlantic City, we will have
5 casinos and we do today spread throughout the state.
6 We need people in these regions.

7 I can tell you with respect to Philadelphia
8 Park incident, our Deputy Enforcement Counsel in
9 Conshohocken, Cyrus Petri, has been absolutely
10 invaluable in guiding this investigation.

11 CHAIRMAN DECKER: Dale, we also want to
12 point out that Cyrus has had a lot of experience in
13 Louisiana and New Jersey as well. We were lucky to
14 get him.

15 MR. MILLER: Cyrus has a tremendous amount
16 of experience.

17 CHAIRMAN DECKER: So having experience in
18 doing this, it's not like coming out, for example,
19 you plucked me out of a law firm and brought me to do
20 something I didn't know anything about. It would be
21 a tremendous learning curve.

22 MR. MILLER: That's correct, Mr. Chairman.

23 CHAIRMAN DECKER: That would be true of
24 other agencies I would suggest as well.

25 MR. MILLER: That would be, true, yes, sir.

1 Now, we with BIE have assigned casinos to
2 the different regions. This is where these
3 assignments are.

4 As you can see the three casinos that are
5 assigned to the central region, the east, which is
6 the Conshohocken office, you have -- you will have
7 when everything is up and running five casinos; and
8 in the west in Pittsburgh, you will have three
9 casinos under the jurisdiction of that office.

10 Under my enforcement section, what we do is
11 we advise the Bureau of Investigation. We initiate
12 enforcement actions. Then we prosecute those
13 actions.

14 As I said, that enforcement section is now
15 headed by Nan Davenport. She is assisted by the
16 Deputy in each of the area where the incident arises.

17 In the Philadelphia Park situation, for
18 example, Nan is here in Harrisburg working with
19 Tracee Hackett to look and see if there were
20 violations but she works directly with our Deputy in
21 Philadelphia, who is on the scene, can visit the
22 casino, discuss the things that need to be discussed
23 with the casino personnel.

24 In addition to those type of enforcement
25 actions, the enforcement section also advises the

1 Bureau on the licenses as we spoke before, applicants
2 for licenses have to be vetted. When that occurs, we
3 are intimately involved with the Bureau on that
4 vetting procedure.

5 Once our BIE agents take a look at the
6 application and decide that the person may not be
7 suitable for employment, one of our enforcement
8 counsel attorneys reviews that application and then
9 responds to licensing and the Bureau with the
10 hearings that I mentioned before, which are already
11 set up for those individuals who are likely to be
12 rejected and who have requested hearings.

13 Our attorneys will then appear at those
14 hearings on behalf of my office to prosecute the
15 case.

16 I should note that when a person applies
17 for a license, the burden is always on them to show
18 that they are suitable. It is not on us.

19 COMMISSIONER RIVERS: Excuse me, Dale.
20 Let me ask a question. The slide program that you're
21 presenting, is this something that you have
22 implemented or this is the way it's been since we
23 started?

24 MR. MILLER: I have implemented this.

25 COMMISSIONER RIVERS: So this is brand new?

1 MR. MILLER: Yes. I set up these sections
2 because we needed an organization that would work
3 quickly and efficiently to regulate the industry.

4 CHAIRMAN DECKER: We have had the design
5 all along.

6 MR. MILLER: The design has been all along.
7 It's the organization to respond quickly that I
8 implemented.

9 I have divided my people into sections that
10 will more easily regulate the industry. I'm not
11 taking credit for all of the thoughts that have gone
12 into this. Absolutely not. But we had to move
13 quickly and that's what I did.

14 The investigation section in the office
15 will do the following: We're going to monitor those
16 existing licenses, as you well know, that have to be
17 monitored. We're going to investigate new
18 applicants, advise BIE and then other duties as
19 required.

20 Tom Diehl is in charge of this section.
21 He'll be doing whatever is necessary to get the
22 investigations done. Again, this has been going on.
23 I'm just organizing it into a fashion that is easily
24 workable.

25 My administrative and training section will

1 develop policies and procedures internally for
2 handling all of these things. Then we'll be in
3 charge of training both our employees and working
4 with BIE agents to make sure that they're trained in
5 the knowledge of the regulations that need to be
6 enforced and are better able to regulate at the
7 casino themselves.

8 The Bureau of Enforcement -- what I did
9 when I first got into the job is I met with Director
10 Kwait and Tom Sturgeon, who is the Director of
11 Enforcement, to make sure that the Office of
12 Enforcement Counsel and the Bureau of Investigation
13 and Enforcement had what -- we're on the same line.
14 In other words, we're organized the same way and I
15 think we now are.

16 BIE now has a regulation section. Their
17 duties obviously are well documented in the
18 regulations. Again, I would note that the last
19 bullet up here, they refer criminal violations to the
20 state police. We are not a law enforcement agency.

21 The regulatory function of BIE is as you
22 see on the screen. Again, they are also divided into
23 a licensing investigation function and an enforcement
24 function. It mirrors what we have in the Office of
25 Enforcement Counsel.

1 Their investigation division investigates
2 employees and entities. Their enforcement division
3 obviously investigates operations, audits, and IT
4 investigations.

5 The training we're conducting now within
6 our shop is to make sure that all our attorneys who
7 will be appearing at hearings have the necessary
8 skills to do that.

9 I have a great group of talented people but
10 you have to train constantly in order to be ready to
11 perform your duties.

12 To that extent, we conducted two mock
13 hearings recently, one in Harrisburg and then we
14 traveled to Conshohocken and conducted a mock hearing
15 at the offices of the Bureaus there, in which the
16 Bureau participated and watched the hearing.

17 It was very successful in that they also
18 need to know that the -- the Bureau agents at the
19 regions need to know what we're doing and what will
20 be conducted, because at various times those agents
21 will be testifying at those hearings.

22 We're continuing all of the time conducting
23 training for and with the BIE agents in the casinos.
24 That continues on a daily basis.

25 The future, we're going to continue to work

1 on enforcement. We're going to continue to train.
2 You can't regulate unless you're ready. Training is
3 the key. That's what we're going to do.

4 CHAIRMAN DECKER: Any questions for Dale?

5 Thank you.

6 One more presentation from our lab.

7 MS. LaCOUR NEEB: Yes, I would like to ask
8 the gaming lab -- Mike Cruz --

9 CHAIRMAN DECKER: Michael, come on up.

10 MS. LaCOUR NEEB: -- come up and give your
11 report on gaming lab operation up to date.

12 MR. CRUZ: Thank you, Anne.

13 Good afternoon, Chairman Decker, members of
14 the Board. On behalf of the other two managers in
15 the gaming lab, Heather Dill and Nimish Purohit, I
16 would like to give you a brief update on the gaming
17 lab, what we have accomplished to date, what our role
18 is in the opening of each new slot facility, and the
19 role of the lab this year and beyond.

20 Since the Board's last meeting, former lab
21 director, Richard Williamson, has moved on to pursue
22 other opportunities.

23 Over the past two years, Richard was
24 instrumental in getting the Bureau up and running,
25 laying the groundwork for the creation of the

1 state-of-the-art gaming lab at the Board's office and
2 assisting with the openings of the first two casinos.

3 Heather, Nimish and I worked with Richard
4 at the New Jersey Division of Gaming Enforcement and
5 during his tenure here at the Pennsylvania Gaming
6 Control Board.

7 The loss of someone with his level of
8 regulatory experience will be great but with more
9 than ten years of combined gaming experience between
10 us, Heather, Nimish and I are prepared to continue
11 the important work of the lab, which is to ensure the
12 performance and integrity of every slot machine and
13 piece of gaming-related equipment in the
14 Commonwealth.

15 As I had mentioned previously, the three
16 managers that currently run the lab are myself, who
17 is in charge of slot certification. My
18 responsibilities include the evaluation of gaming
19 devices for compliance with Pennsylvania's minimum
20 design standards of communication, security, and
21 accounting, as well as modification to such gaming
22 devices and ancillary equipment.

23 There is also Heather Dill, who is the
24 manager of systems and kiosks. Her responsibility is
25 for evaluating the integrity of communications,

1 security, accounting, and reporting between slot
2 machines and both the state-run central computer
3 system and casinos in-house slot management systems,
4 as well as the analysis of voucher redemption kiosks.

5 We also have Nimish Purohit, who is the
6 manager of statistical review. His responsibility is
7 for evaluating the theoretical return for each gaming
8 theme submitted to the lab, analysis of progressive
9 award payouts, and random number generator analysis.

10 In addition to the three managers that
11 currently run the lab, we have one other manager, who
12 is pending background and Board approval, who will be
13 head of our gaming equipment inspectors.

14 His responsibility is for the auditing of
15 the casino floor. He will also assist the local BIE
16 agents in patron complaints of a technical nature and
17 act as a liaison to escalate issues that arise on the
18 casino floor to the gaming lab for further review.

19 Now, I'm just going to go into a little
20 history of what led up to where we are today.
21 Leading up to the first casino opening in November of
22 2006, the lab aided greatly in the development of
23 regulations and technical standards for slot
24 machines, slot monitoring systems, and associated
25 equipment.

1 We also coordinate with the Department of
2 Revenue in the development and implementation of the
3 G-Tech central computer system used to generate the
4 tax invoice for the properties.

5 We also coordinated with all major slot
6 machines manufacturers to ensure that every piece of
7 software and hardware that was desired by a licensee
8 was submitted and subsequently reviewed and approved
9 for use.

10 To date, the lab has reviewed around 8,200
11 products, which includes a variety of software and
12 hardware. This includes approximately a 100
13 Pennsylvania approved software, which was tested
14 entirely at the lab without the use of an abbreviated
15 testing process.

16 In addition, we have and we currently
17 coordinate with the executive staff of the first
18 round of opening, which includes Mohegan Sun, Poconos
19 Downs, Philadelphia Park, Harrah's Chester, Presque
20 Isle and the Meadows, to make certain that their
21 respective openings and continued operation would be
22 a success.

23 So as the opening approaches, approximately
24 two and a half weeks prior to the opening of the
25 casino, the lab itself relocates and works full-time

1 at the casino.

2 During this two and a half week time frame,
3 a full 100 percent audit of the opening casino floor
4 is conducted for approved software, game percentages,
5 and progressive configurations.

6 A verification of back-end slot monitoring
7 systems, voucher redemption kiosks, and soft count
8 equipment takes place as well.

9 Training of on-site PGCB staff such as BIE
10 agents is also conducted during this two and a half
11 week period.

12 In particular, a coin test, which is done
13 to verify connectivity and in counting integrity with
14 the central computer system and the in-house slot
15 monitoring system, was conducted on every single slot
16 machine, which is approximately 1,100 at Mohegan Sun
17 and Pocono Downs.

18 Subsequent openings, such as Philadelphia
19 Park and Harrah's Chester and moving forward to other
20 openings, coin tests were done on unique games found
21 on the respective floors. This generally limited it
22 to roughly about 100 to 200 machines.

23 These tests were conducted by the
24 Department of Revenue and, in turn, gave them a
25 certain comfort level that the property was able to

1 commence slot operations. These tests are done in
2 addition to the property's own full floor coin
3 testing.

4 So this leads us to where we are today.
5 The lab continues to train key personnel on the
6 fundamental technical aspect of gaming in
7 Pennsylvania.

8 This includes but not limited to the Bureau
9 of Investigation and Enforcement, Licensing,
10 Pennsylvania State Police, etc.

11 In addition to training, the lab is a
12 knowledge base that different Bureaus within the
13 agency, as well as the Board itself, can draw upon at
14 any time when needed.

15 In addition, the lab is currently
16 coordinating with the Chief Financial Officer, Eileen
17 McNulty, to create a billing structure for the lab's
18 work leading up to and going forward for the initial
19 round of openings.

20 So moving on from today, the lab will
21 continue to prepare for the upcoming openings of
22 Presque Isle Downs and the Meadows Racetrack casinos.

23 After the Meadows opening, completion of
24 the permanent lab facility, gearing up and staffing
25 up for full autonomy by July 1, 2007 will be the

1 highest priority.

2 The lab will then prepare for the impending
3 Category II openings and permanent racetrack facility
4 openings.

5 Thank you for your time. If you have any
6 questions, feel free to ask.

7 CHAIRMAN DECKER: Thank you, Michael.

8 Any questions for Michael?

9 Where has the group been spending most of
10 their time in getting things open, right, up and
11 running?

12 MR. CRUZ: The past -- I would say since
13 November, we've spent a majority of our time at the
14 property, two and a half, three-week period. So
15 basically, November was Mohegan Sun. December was
16 Philadelphia Park. January, it was Harrah's Chester.

17 CHAIRMAN DECKER: And how about potential
18 violations and things, investigations, you guys are
19 started to get involved in those?

20 MR. CRUZ: Yes. Like Dale and Dave have
21 mentioned, one of our roles as a lab is to aid the
22 investigation of any incidents, since we have the
23 knowledge of the equipment that is in the field, to
24 show that these are the types of things that they
25 need to look for.

1 CHAIRMAN DECKER: Commissioner Colins?

2 COMMISSIONER DIGIACOMO COLINS: Yes. Thank
3 you.

4 Michael, once all of the casinos are open
5 and you have certified all of the games that are in
6 them, is your job done or is there an ongoing work
7 associated with rapidly growing new products that
8 come into the Commonwealth?

9 MR. CRUZ: Our job is never done. In
10 addition to -- in addition to the investigation
11 portion that the lab plays into, I mention that one
12 of the jobs is to keep Pennsylvania competitive with
13 other gaming jurisdictions and the geographical
14 region.

15 With a highly technological industry, one
16 way that manufacturers tend to distinguish themselves
17 is by advancing technology.

18 A continual process is submission of new
19 and improved products for use in the gaming industry
20 at which our role is to efficiently turn that around
21 and allow the properties to have the latest and
22 greatest technology for their players.

23 COMMISSIONER RIVERS: Michael, question, is
24 there anything that we need to do to make sure that
25 you and the rest of the staff have the technical

1 expertise to be able to evaluate these nuisances that
2 the industry itself is developing?

3 MR. CRUZ: Well, we have in place
4 procedures where as far as the engineers that we
5 hire, we look for particular types, computer
6 electrical engineer and computer science software
7 engineering.

8 We look for people with strong statistical
9 background. So when we hire people, we look for the
10 people that have the aptitude to learn and be
11 adaptable to the changing technology.

12 COMMISSIONER RIVERS: Thank you.

13 CHAIRMAN DECKER: Thanks.

14 Any other questions for Michael?

15 Thank you, Michael. That was great.

16 Anne, thanks very much for having everyone
17 come in today. It was very, very, very useful.

18 MS. LaCOUR NEEB: Thank you very much.

19 CHAIRMAN DECKER: We have just a couple of
20 items to talk about by way of announcements. Our
21 next public meeting will be in the auditorium of the
22 State Museum on Thursday, March 1st at 10:00 a.m., I
23 believe. However, please check the date, time, and
24 location through our website to make sure it's
25 staying consistent.

1 Like all of our meetings, that one will be
2 open to the public. We look forward to seeing
3 everyone there.

4 Do any of the Board members have any final
5 questions or comments?

6 Okay. I'll entertain a motion to adjourn.

7 COMMISSIONER RIVERS: So moved.

8 COMMISSIONER ANGELI: Second.

9 CHAIRMAN DECKER: So moved and second. All
10 in favor? We're adjourned.

11 Ken, thanks for sitting in. Good luck to
12 your brother.

13 COMMISSIONER McCABE: Thanks. I'm going
14 back to the hospital if you need me on the cell
15 phone.

16 CHAIRMAN DECKER: One last thing I forgot.
17 I want to thank -- and I would be remiss in not doing
18 this -- Michelle Afragola, who has recently left us
19 to move back to Connecticut, for all her hard work,
20 particularly in the early part -- especially in the
21 early part of our existence. She was the sixth
22 employee we had or something like that -- second?
23 Maybe fourth. She was in the first group of four or
24 five. Also, the great job she has done on our regs.

25 I know she worked with Richard. She's

1 disappointed she's not going to be working with you
2 anymore, Richard. She really enjoyed it, just to let
3 you know that.

4 MR. SANDUSKY: Not nearly as much as I did.

5 CHAIRMAN DECKER: I'm sure. She was
6 terrific.

7 COMMISSIONER COY: Must have heard the same
8 thing that you heard about the need for regulation in
9 Connecticut.

10 CHAIRMAN DECKER: We'll see.

11 Okay. Thank you very much. We are now
12 adjourned.

13 (The meeting concluded at 1:22 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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