



The Commonwealth of Massachusetts

Massachusetts Gaming Commission

NOTICE OF MEETING and AGENDA

June 12, 2012 Meeting

Pursuant to the Massachusetts Open Meeting Law, G.L. c. 30A, §§ 18-25, notice is hereby given of a meeting of the Massachusetts Gaming Commission. The meeting will take place:

Tuesday, June 12, 2012
1:00 p.m.
Division of Insurance
1000 Washington Street
1st Floor, Meeting Room E
Boston, Massachusetts

PUBLIC MEETING

1. Call to order
2. Approval of minutes
 - a. June 5, 2012 Meeting
3. Administration
 - a. Executive Search Firm – procurement process update
 - b. Additional Hires
 - c. Discussion of MGC Internal Policies
 - d. Speaking engagements
4. Racing Division
 - a. Status Report
 - b. Field trips – Plainridge – June 21st
5. Project Work Plan
 - a. Consultant status report
 - b. Applicant relations with state agencies
 - c. Notice of Proposed Rulemaking
 - d. Technical assistance to communities
6. Charitable gaming
 - a. Status report
7. Finance / Budget
8. Public Education and Information
 - a. Economic Development Forum – June 14th
 - b. Community Mitigation Forum – June 18th
 - c. Compulsive Gambling Forum – June 25th
 - d. Compulsive gambling meeting – June 19th
 - e. Community outreach/responses to requests for information
 - f. Report from Director of Communications and Outreach

4.A



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LIEUTENANT GOVERNOR

BARBARA ANTHONY
UNDERSECRETARY

MEMORANDUM

TO: Massachusetts Gaming Commission
FROM: Gray Holmes, CFO
DATE: June 11, 2012-06-11
RE: Racing Development Trust Issues

In preparing the FY13 ISA between the Gaming Commission and the Division of Professional Licensure for the day to day management of racing operations for the first six months of FY13 (July 1, 2012 – December 31, 2012), we have identified two issues with the Racing Development Trust.

Issue #1

Due to the fact that the legislature, unlike past years, did not include a budget appropriation for racing operations in the FY13 budget, funding will have to come directly from the Racing Development Trust. In prior years, pursuant to chapter 128a, section 5(h), the trust has served the purpose of reimbursing the General Fund for all expenditures made from the budget appropriation. Without a budget appropriation in FY13, racing operations will have to be funded directly from the Racing Development Trust.

The issue is that the statutory language sets a cap of \$1,080,976 for operational expenditures made directly from the trust. As few expenses have been paid directly from the trust in the past, this cap has never presented itself as an issue. In FY13 with current racing operations budgeted at \$1.6 million this cap obviously becomes an issue.

Recommendation

File supplemental language that would delete this spending cap language.

Issue #2

When personnel costs are paid directly from a trust, additional fringe and indirect costs are assessed at a rate of about 40% (it varies from year to year). With no appropriation, all racing personnel costs will have to be paid from the trust which means an additional cost of about \$490,000. With annual Racing Development Trust revenues estimated for FY13 just covering current operating costs, this is an issue.



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Recommendation

1) File a fringe and indirect cost waiver request with the Executive Office of Administration and Finance.

and/or

2) File supplemental language to establish an appropriation for racing operations which would eliminate the need for a trust waiver for fringe and indirect costs.



Massachusetts Gaming Commission

MEMORANDUM

Date: June 11, 2012

To: Commissioners

From: Enrique Zuniga

Re: Topics for Discussion: Research Agenda and Technical Assistance to Cities & Towns

As we plan the two-phase approach of soliciting responses from potential licensees (RFA – Phase 1 & Phase 2), there are local-level considerations that this Commission should contemplate:

- *What kind of information about a casino project is needed locally where residents will soon be in a position to decide (by referendum) whether to approve one or not?*
- *What levels of resources will be available to local officials when entertaining and negotiating proposals from developers?*

Assumptions Regarding the Two Phase Request for Applications

This Commission has discussed and will likely implement a solicitation process consisting of two phases. In Phase 1, the Commission would invite respondents to submit only financial and personal information in order to conduct necessary background, financial and personal investigations. **It is assumed that no site-specific or project information will be sought at that time.**

It is further assumed that subsequent to obtaining qualifying approval, an applicant would seek approval from a host community (ies). At that time, a licensee would need to present to a local jurisdiction some level of project detail (size, traffic, economic benefit, job creation, etc). Officials in such city or town would be in a position to negotiate site and location mitigation resources for the proposed project.

The bidding process would then culminate with the Commission soliciting a detailed response (Phase 2) because the Commission is precluded from licensing to an applicant who has not yet obtained local approval. In this third step, the Commission will be in a position to evaluate whether an applicant's proposal meets the criteria set forth in the legislation and regulations of the Commission. In summary the three steps are as follows:

- 1) Commission issues the first phase of an RFA and obtains general information about the applicant, but no project or site specific information.
- 2) An applicant who is deemed to be qualified by the Commission seeks local approval (presumably after a period of negotiations with local officials).
- 3) The Commission conducts a "Phase 2" solicitation where an applicant who has been approved by a local jurisdiction seeks the license from the Commission. The Commission corroborates adherence to criteria prior to awarding the license.

Local Approval – Interim Step between Phase 1 and Phase 2

It is hard to predict the level of detail that a host community may require or a would-be developer may put forward, when it comes to unveiling a proposal to the local jurisdiction. This Commission, with the help of other state agencies, has started to consider what level of detail should be contained in such proposals. As we discussed last week, the level of detail is not only highly dependent on the site and locality, but also on the size and characteristics of the proposal.

A developer may not be incentivized to spend significant resources detailing proposal above the minimum requirements (i.e., construction drawings and site investigations, detailed traffic studies, or environmental and economic impact). On the other hand, if assumptions about site, traffic and economic benefit are too broad or ambiguous, a proposal runs the risk of being misunderstood by the local voter, and hence ultimately failing at the ballot.

Further, because these proposals are inherently site specific, it may be difficult for anybody (local officials and residents) to ascertain whether the benefits promised are less than, only commensurate with, or significantly greater than the impact that such a project may bring to a specific community.

However detailed those proposals may be, they may be met with skepticism **if the assumptions behind those proposals have not been corroborated by a third party.** Local jurisdictions have a disincentive to spend significant resources in the arena of contracting with third parties for verification. **Therefore, I believe the Commission has an important role to play in this step when it comes to corroborating claims and assumptions about schematic proposals.**

Research Agenda

The Commission has begun to discuss topics and variables that should be included as part of the research agenda, and there have been a number of recent studies **at the state level.** While some of those studies may need to be updated (given that some were done prior to the passage of the legislation), to my knowledge there has not been much research done at the local level yet.

For example, a jurisdiction voting to approve a casino of \$500 million dollars (the minimum investment required for a Type 1 license) is told that such an investment may bring approximately 2,000 permanent jobs. But are there ways to estimate whether a large or small percentage of those jobs end up residing in, and therefore directly benefiting such community? What about adjoining communities? The answer

to that question may be very different from one city to another town. Is such a question simply too hard to answer because there are a number of additional variables (price & availability of housing, or workforce development efforts at the local level)? I suggest that this Commission consider a research discussion around this topic, as we undertake our economic impact educational forum.

Another related issue is the level of mitigation monies offered or required. Developers for these types of projects seem ready and willing to discuss a range of additional resources that would be available to communities, including: direct payments to the City or Town, funding for additional law enforcement positions for the local police, and specific infrastructure improvements. The question remains:

How can officials negotiating those proposals and the voters approving the results of those negotiations ascertain whether the level of mitigation offered is appropriate?

• Technical Assistance to Cities and Towns

A local jurisdiction may be reluctant to spend significant resources evaluating “what if” scenarios from developers who have not yet been qualified by this Commission. Therefore I believe that we should start discussions as to what type of technical assistance this Commission will make available to Cities and Towns. These could be in the following three disciplines:

- 1) A financial and gaming expert to verify assumptions and projections relative to revenues and financial benefits
- 2) A project manager or planner to evaluate assumptions about site, environmental thresholds, traffic patterns, permitting, timeline and other Commonwealth-specific pre-development requirements
- 3) An economist/researcher to ascertain the level of local economic impact (both direct impact and any “multiplier” effects)

Why Discuss this Now?

While it has been just 10 weeks since this Commission formed, and we have only undertaken the initial planning stages of what will be a thoughtful and deliberative process, I believe it is important to signal to local jurisdictions and developers that this Commission has the intention and resources to provide technical assistance to Cities and Towns.

It may be incumbent on this Commission to communicate such a position given that some developers are ready to unveil proposals with local officials ready to entertain and negotiate with such proponents.

The technical assistance offered and/or funded by the Commission will have the added benefit of providing an independent and objective review during the local evaluation and negotiating process. This will likely benefit not only both parties (local officials and developers) but will also inform and validate for the public about the negotiating process the two parties undertake.

BUDGET
Economic Impact Forum
Quinsigamond Community College

June 14, 2012

College Personnel	\$ 653.00
Video Production	2,100.00
Stenographer	1,200.00
Hotel – Staff	500.00 (app)
Hotel – Speakers	2,500.00
Transportation	<u>500.00</u>
SUBTOTAL	\$7,453.00

BUDGET
Mitigation Forum
Sheraton Tara Hotel

June 18, 2012

MAPC	\$5,000.00
Video Production	2,100.00
Stenographer	<u>1,200.00</u>
SUBTOTAL	\$8,300.00

BUDGET
Compulsive Gambling Forum
North Shore Community College

June 25, 2012

MA Council on Compulsive Gambling	\$5,000.00
Video Production	2,100.00
Stenographer	<u>1,200.00</u>
SUBTOTAL	\$8,300.00

SUBTOTAL	\$24,053.00
10% contingency	<u>2,405.00</u>
TOTAL	\$26,458.00 ~ \$26,500.00