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THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION

OPEN MEETING

CHAIRMAN

Stephen P. Crosby

COMMISSIONERS

Gayle Cameron

James F. McHugh

Bruce W. Stebbins

Enrique Zuniga

JULY 17, 2012, 12:00 p.m.

OFFICE OF THE DIVISION OF INSURANCE

First Floor, Hearing Room E

1000 Washington Street

Boston, Massachusetts

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JULY 17, 2012

PROCEEDINGS:

CHAIRMAN CROSBY: We are ready to go.
Let's call to order the 16th public meeting of
Massachusetts Gaming Commission on Tuesday July 17.

We have sort of a funny process today.
We're going to have the first two hours from 12:00 to 2:00
will be devoted to our regular weekly Gaming Commission
meeting. At 2:00 if we are finished, we will conclude
that meeting. If we have not finished our business, we
will suspend that meeting and have the brief press
availability with or gaming consultant and Gaming
Commissioner to talk about the State Racing Commission
report. Then we will reconvene. When that is done we
will reconvene if necessary the ongoing regular meeting.

And at 3:00 we will have a separate meeting
whether we have to suspend this one or if it is done, we
will start that one fresh, which will be an opportunity
to get feedback on the regulations for what? Which
regulations?

COMMISSIONER MCHUGH: The final
regulations for Racing.

CHAIRMAN CROSBY: That's right, changing
emergency regs. into regular permanent regs. We will

1 may have missed it.

2 Any other issues? Okay. Do we have a
3 motion to accept?

4 COMMISSIONER STEBBINS: So moved.

5 CHAIRMAN CROSBY: Second?

6 COMMISSIONER CAMERON: Second.

7 CHAIRMAN CROSBY: All in favor of
8 accepting the minutes for July 10 say aye.

9 COMMISSIONER ZUNIGA: Aye.

10 COMMISSIONER CAMERON: Aye.

11 COMMISSIONER STEBBINS: Aye.

12 COMMISSIONER MCHUGH: Aye.

13 CHAIRMAN CROSBY: All opposed? The aye's
14 have it. The minutes are accepted.

15 Item number three, administration,
16 executive director search update, Commissioner Stebbins
17 has been managing this process.

18 COMMISSIONER STEBBINS: Sure. We will
19 invite our consultants, JuriStaff, to come forward.

20 MR. LAROSA: Good afternoon, Jim Larosa
21 with JuriStaff.

22 MS. RUMAIN: I am Jennifer Romain also
23 with JuriStaff.

24 COMMISSIONER STEBBINS: Jen and Jim, if
25 you just want to give us an update for the one week you

1 have been on the job?

2 MR. LAROSA: For the one week we've been
3 on the job, actually a lot has happened this last week.
4 Since we last convened, we were able to get a copy of the
5 job description. I was able to get that from Bruce after
6 the meeting last week, which I thought was very helpful,
7 very well prepared, very thorough.

8 It was, in essence, a standard executive
9 director job description for a gaming commission. So,
10 it was a great starting point.

11 On Thursday of last week, I had the
12 opportunity to go down to Lynnwood, New Jersey and meet
13 with Fred Gushin in his office and a few other folks. I
14 had some really good conversations with him on his
15 feedback as to what the Executive Director position
16 should look like for this Commission in particular.
17 Being a startup and relating to the issues of really a
18 strong focus on a regulatory bend.

19 He advised me about what states would be
20 the best states for us to look at in terms of looking and
21 targeting some candidates. So, we had a chance to talk
22 about that. He also gave me some advice on whether we
23 should look at lotteries or racing commissions and so
24 forth. And he was also able to give me some information
25 of some people to contact and to start speaking to. So,

1 it was a real good meeting with him.

2 Jennifer, as you know, had the opportunity
3 to speak to each of you over the course of the last week.
4 That really was helpful from two avenues, I think.
5 First, it helped us flush out the job description, which
6 you guys have in front of you now, the draft. But I also
7 think it really, as I was saying to Bruce, I think it
8 really made this more three-dimensional for us. It was
9 more than just a piece of paper and talking to you guys.
10 We really got some good insights as to what you guys are
11 feeling with regard to what this position should look
12 like.

13 For the most part, I would say that
14 everybody seems to be on the same page as to what you're
15 looking for from both behavioral traits and from
16 experience. I think that the general consensus is that
17 the strong preference is someone from another gaming
18 commission. There is a little bit of give and take on
19 whether there should be some consideration of strong
20 candidates outside of the gaming industry.

21 CHAIRMAN CROSBY: When you say give and
22 take, do you mean that some people think there should and
23 some people think there should not?

24 MR. LAROSA: Not that there should not,
25 but that it would not be wrong to consider a good candidate

1 or to at least give consideration to candidates that did
2 not come from the gaming commission if they had regulatory
3 experience or other experience that may be transferable.

4 That was not the preference stated but it
5 was not ruled out.

6 CHAIRMAN CROSBY: Everybody to one degree
7 or another was willing to accept the idea of a sort of
8 a nontraditional, outside the box candidate if someone
9 was really good?

10 MR. LAROSA: I will let Jennifer talk a
11 little bit more of that since she spoke to you. I think
12 again there is varying degrees of it, but I will let
13 Jennifer --

14 MS. RUMAIN: Two varying degrees. I
15 think no one at this point would want to preclude someone
16 from candidacy if they had some sort of either gaming
17 industry experience repertory or the operator side or
18 even profiles of those currently working with a public
19 agency at a pretty high level. Those were the kinds of
20 -- I guess two of the buckets that we would consider
21 outside the primary preferred profile of someone
22 currently sitting on another state's commission.

23 MR. LAROSA: In speaking with Fred also,
24 his opinion was that understanding again that this is a
25 startup Commission and that for many reasons that is your

1 strong desire to get someone from another commission.

2 That being said, as he said to me, it is
3 not uncommon to see this position filled outside of the
4 gaming commission. But it typically is someone from a
5 government agency that has a high level in the government
6 agency with a lot of regulatory experience. That was his
7 sense.

8 I think what he was saying to me was we may
9 identify and you may speak to several gaming commissioner
10 or gaming background candidates, but you may at the end
11 of the day may not find them to have all of the skill sets
12 and all of the -- kind of the mindset is what he said.
13 He said, I don't know that all of the folks from gaming
14 commissions around the country or the gaming operations
15 around the country are of consistent mindset to what
16 Massachusetts is looking for.

17 I think that the point was to be very strong
18 on the regulatory side. And I think his point was that
19 there are certain states in which the culture is one where
20 you may bend a little bit on the regulatory side. He
21 cautioned me to make sure that that was really something
22 that we were focusing on. He said that may rule out a
23 significant number of candidates because they come from
24 that culture.

25 So, from his point of view, he said you

1 probably should not close the door on looking at people
2 outside of the industry.

3 All that being said, obviously, our
4 primary and initial focus is going to be on the industry.
5 We already have a list of people that we want to speak
6 to once we basically have all the processes in place. We
7 have got our homework done and we are ready to go and start
8 talking to folks once all of the processes are in place.

9 The next thing I guess on our agenda this
10 week was we took the information from Fred, from the
11 discussions that Jennifer had with each of you and with
12 some research we did on our own to try to kind of revise
13 the job description a little bit.

14 I think you each have a copy of it. A
15 little explanation on what we did. Again, from what we
16 started with, it was a great starting point. I think what
17 we tried to do was take a standard job description and
18 make it a little bit more relevant to this position,
19 particularly of being a startup. You will see there are
20 some redundancies and some overlaps in it. I kind of left
21 that in there almost to kind of drive home certain points
22 on what you guys are looking for. Obviously, this is a
23 draft and we can take portions of it out.

24 In the first section in the scope, I added
25 a section just to make sure that it was clear that racing

1 is covered and everything that is covered within it.

2 I also put a paragraph in addressing the
3 mission statement. I think that from our conversations
4 and from reading what the Commission's points of view are,
5 I think the mission statement is fairly important to the
6 Commission. So, I wanted to make sure that that was
7 addressed in the job description.

8 The near-term duties and
9 responsibilities, the focus of that I think is we took
10 a lot of the comments that we got -- that Jennifer from
11 her conversations with the Commissioners. And really it
12 is to make it there be a focus that this is a startup.
13 A lot of the points in the near-term duties and
14 responsibilities that may be different from a job
15 description that you may see for a mature organization.
16 It is a lot of the issues related to application and
17 licensing. Again, just driving home the point that it
18 is a startup.

19 General duties responsibilities, we added
20 a few things. Truthfully, a lot of that came from just
21 additional things that I had seen from executive director
22 positions in other states. I took some things that I
23 thought would be appropriate to your job description.

24 The candidate knowledge and preferred
25 abilities, those are really a lot of, I guess in the

1 business we call them behavioral type traits. A lot of
2 this we took from Jennifer's conversations with the
3 Commissioners.

4 If nothing else, it is almost a reminder
5 to us when we are interviewing candidates to kind of
6 screen them for these behavioral traits. If the
7 Commissioners have in front of them while they are
8 conducting their interviews or your interviews, again,
9 it is almost a roadmap to some of the ideas that you
10 expressed to us were important to you.

11 So, this is the draft we put together. We
12 obviously welcome your comments, additions, deletions on
13 that.

14 MR. STEBBINS: Mr. Chairman, I know that
15 this just got put in everybody's packet this morning.
16 So, what I would recommend or suggest if everybody agrees
17 is that if you look through the document and have some
18 changes, updates, drafts, edits you want to make, you can
19 share them with me and I can feed them back to JuriStaff.

20 Hopefully, at next Tuesday's business
21 meeting, we can get final approval to a final job
22 description that they can run with and begin to share as
23 having unanimous approval by the Commission and moving
24 forward.

25 CHAIRMAN CROSBY: Jennifer, was there

1 anything else that you picked up? Was there any type
2 divergences in perspectives on what this person should
3 be doing or what the background should be or anything?

4 MS. RUMAIN: None that I thought were I
5 guess major to the position. Everyone seemed to be on
6 the same page with describing the Executive Director's
7 place with respect to the board. As being a position
8 where the person would be expected to act on his or her
9 own will if there is a reporting structure. To that
10 extent, no, I think everyone was on the same page.

11 CHAIRMAN CROSBY: Okay.

12 MR. LAROSA: The other thing that I got
13 from Jennifer's notes was that everybody seemed to be on
14 the same page about was the okay to look at candidates
15 from the private casino gaming sector. They would have
16 to meet all of the qualifications and criteria, however
17 that you were open. It obviously is not first choice,
18 however that it was something that I think everybody said
19 that if the appropriate candidate was there that you
20 should explore that avenue.

21 COMMISSIONER MCHUGH: That is the point
22 that I was going to make, because it seems to me that there
23 is some and we have seen some very good people. In fact,
24 we have had some at our forums who have been on both sides.
25 The regulatory experience coupled with the business

1 experience might, if all other qualities were the same,
2 be a great combination to have.

3 MR. LAROSA: That obviously was our first
4 thought, playing devil's advocate in terms of some
5 information I received from Fred when I was meeting with
6 him. His concern was the conflict of interest issue in
7 that you don't really know who is going to be applying
8 for licenses. And it may be a tricky situation without
9 knowing who is going to be applying.

10 His initial thought was I don't know how
11 you are going to go down that road because you just don't
12 know who's going to be applying for licenses. With that
13 caveat out there --

14 Again, I think our philosophy at this point
15 is we obviously will be targeting people within the
16 industry, within other commissions and other agencies.
17 That is our primary. But when we see strong candidates
18 that maybe come from within the casino industry or even
19 outside, we will vet them and present them and really let
20 you guys make the decision.

21 The next piece of business I guess was the
22 job advertisements.

23 COMMISSIONER ZUNIGA: Jim, before we do
24 that, I just wanted to make a point on the job description.
25 It is too small edits, but I think they will help me make

1 the point that I want to make, which is relative to the
2 place and the role of the Executive Director.

3 Under the near-term duties, subsection
4 three that starts with the word: design, implement and
5 manage infrastructure and procedures, I would strike out
6 the word design because I see the role of the Commission
7 relative to policy-setting as having a direct role in the
8 design of those procedures for evaluation of the
9 licensees. Whereas the Executive Director would have
10 more of an implementation role or a managerial role in
11 that.

12 CHAIRMAN CROSBY: I had the same reaction.
13 I was going to say help to design, but it is the same point.
14 I agree with that point. There is that distinction.

15 COMMISSIONER ZUNIGA: Thank you.
16 There's a second under general duties and
17 responsibilities on subsection D, the sentence finishes
18 with: and oversees the development of fiscal policies
19 and procedures of the Commission. Again, I would insert
20 assist the Commission in the oversight and implementation
21 of fiscal policy.

22 But it is the Commission's ultimate
23 responsibility to have that role where the Executive
24 Director must be an assistant role. The rest of it, by
25 the way, looks very good. It's great work.

1 MR. LAROSA: I appreciate those comments.
2 What I'm going to do is because I know the Commission has
3 not had a great opportunity to really go through it since
4 you just got it last night, I am taking those thoughts
5 and I will go through it again. And if there are any areas
6 like that that need to be cleaned up, we will do so.

7 CHAIRMAN CROSBY: Great.

8 COMMISSIONER MCHUGH: Can I just ask one
9 more question? We are in as much of a selling mode as
10 we are a buying mode with this process. Is there going
11 to be another piece of this that gives our sales pitch?
12 Maybe that is something on your agenda. How do we deal
13 with that point? This is a great opportunity. This is
14 a wonderful environment. This is great cultural
15 environment, great business environment, great history.
16 And this is going to be an important new part of the energy
17 in Massachusetts.

18 MR. LAROSA: I think probably what you are
19 asking is will there be any collateral I guess that we
20 can provide to prospective candidates?

21 COMMISSIONER MCHUGH: Yes, that is part of
22 the plan that you are going to get to.

23 MR. LAROSA: Typically, every position is
24 different. In terms of what we provide to prospective
25 candidates, oftentimes we will work with you if there are

1 -- In private history, they typically have kind of
2 marketing package that they will have a pass on to the
3 candidates.

4 For a public entity like yourself, we
5 would typically put together in essence the selling
6 points and the highlights of the position itself. We can
7 put in some information typically about the region and
8 the area and so forth.

9 For the most part, it's really just putting
10 the job description. And Jennifer and I would have
11 something whenever we talk to a candidate, we follow it
12 up with some collateral information is basically what we
13 call it, in essence some type of marketing materials. If
14 you wanted us to work with you, the Commission, to
15 actually put something very specific together and work
16 with your team, we can do that to.

17 COMMISSIONER MCHUGH: I have been
18 involved in a couple of other searches. We did have that
19 kind of thing, touting some of the really exciting
20 features of this. This is a great job description. This
21 is a really exciting position at a really exciting time.

22 MR. LAROSA: Hopefully, we are talking the
23 same line. We are not talking collateral. This is
24 basically in essence marketing materials selling the
25 position.

1 MS. RUMAIN: A lot of what I would say on
2 the calls, I usually have a document that I'll speak from
3 that I will pull together and be able to reference that
4 the Executive Director will -- the person will be very
5 entrepreneurial. They will be able to build an agency
6 from the ground up. There seems to be similarly a great
7 deal of power compared to other states' commissions,
8 something to that effect.

9 I always write up in my sort of pitch, I
10 can cater and speak to certain things depending on the
11 person's current responsibilities in selling the
12 position. That is something that I can definitely craft
13 along with the Commission too.

14 CHAIRMAN CROSBY: I think it would be
15 great. Your sort of bullet points, talking points if we
16 could take a look at them, I think you just mentioned two
17 good ones but I think that is perfect.

18 MR. LAROSA: Typically, as Jennifer
19 mentioned, we would have more than one, because the reason
20 that one person may be interested in the position is
21 different than somebody else. It is either crafted in
22 a way that we can very quickly cut and paste different
23 points in or we have more than one.

24 COMMISSIONER CAMERON: We had an
25 opportunity to bring in gaming experts from mostly

1 Pennsylvania, New Jersey, one from upstate New York to
2 come in and educate us. To a person they commented on
3 the city and how much it has changed. Many of them hadn't
4 been here in years. And how beautiful the city was, the
5 walking -- the ability to walk the city, the safe features
6 of the city. That was to a person.

7 I got calls thanking us for inviting them.
8 That was something I thought, wow, this is a way to get
9 people who have not been here in a long time to realize
10 that this is a great city. So, just another piece.

11 MR. LAROSA: Especially when you're in a
12 city like Boston.

13 COMMISSIONER CAMERON: It's such a
14 changed city. Interestingly enough, I had been gone for
15 a number of years and it is very much a changed city.

16 CHAIRMAN CROSBY: We live here and don't
17 think of it. And that's really interesting insight.
18 That's a great.

19 COMMISSIONER MCHUGH: Top hospital in the
20 country now too.

21 COMMISSIONER CAMERON: All of those
22 things are important.

23 CHAIRMAN CROSBY: And the most expensive.

24 COMMISSIONER CAMERON: You don't have to
25 emphasize that part.

1 CHAIRMAN CROSBY: Are you finished with
2 your --

3 COMMISSIONER ZUNIGA: I have one more
4 comment relative to a prior point, which is the statute
5 has a section relative to a timing limit or a timing
6 exclusion in which an employee of the Commission cannot
7 have worked for a gaming licensee within three years of
8 his or her coming in for employment.

9 It gets tricky with what you identified,
10 which is what Fred's point was, we don't know exactly who
11 the licensees will be. I will let you know of that
12 section in particular because at least for three years.
13 If the experience comes within three years, we might be
14 less certain areas relative to potential employment when
15 you are looking at that second sphere of influence that
16 we talk about.

17 COMMISSIONER STEBBINS: I think it is
18 helpful to be able to share with a potential candidate
19 kind of what some of those employment restrictions are
20 after their service as well just so they have the complete
21 picture.

22 MR. LAROSA: I guess the next point if
23 everybody is finished with the job description is the job
24 advertisement. I had presented through email last night
25 some of the research we have done on that.

1 Basically, there are three industry
2 publications that are the most widely read. Fred had
3 suggested that Casino Management Enterprise is probably
4 the one that would appeal the most to executive level
5 leaders. We were able to get copies of all three of them.

6 I guess the points that I would make with
7 regard to the advertising and I know it has been brought
8 up before that somebody at the Commission definitely
9 wants to do. All three of these casino industry
10 publications, none of them have a section set forth in
11 their publication are for what we term traditional
12 employment ads.

13 When we spoke to them, all three of them
14 said, yes, we have done it on occasion. We even asked
15 them for examples. As of this morning, they were not able
16 to find one. My assistant just sent me one right before
17 we walked in. So, I will flip it over to you guys. They
18 are not typically used to advertise for opened positions.

19 That being said, it has been done. I would
20 say that there are pros and cons to it. The con to using
21 -- Basically, what it would be is taking what are called
22 traditional display ads, so the selling of a product or
23 service, and using a display ad and putting an
24 advertisement that the Commission is looking for a new
25 Executive Director.

1 I would say that the cons to that that
2 somebody who is looking for a position typically goes to
3 the employment ad section of whatever publication they
4 are reading. They are not going to find that there.

5 The pros to it are you're going to get
6 people that really aren't looking for a job. Because if
7 you want the word out to the general population, they may
8 or may not be flipping to the back section and see what
9 job openings there are. You are going to hit people that
10 aren't looking for it.

11 The other downside, I guess, to
12 advertising in these publication when you use what again
13 is called a display ad, they are usually significantly
14 more expensive than an employment ad. So, the pricing
15 is here. You can see for a quarter-page ad the price is
16 \$2,700 and it is \$5,000 for a full-page ad. The prices
17 are fairly consistent across the board. That's a
18 decision that the Commission has to make.

19 We can put the ad together and put it in
20 there. The timing is such that to get in to two of these
21 three publications, we would have to have it done by
22 August 3 to be in the September issue, which comes out
23 either late August or early September. One of them,
24 which is Casino Journal, which I think is the least likely
25 one you would want to use. But that one they actually

1 need a decision by tomorrow on if we want to run in
2 September. If we don't do it, obviously, in September
3 now you are waiting until October. Those are the
4 publications.

5 What should be in your packet is updated
6 what I emailed you last night and I put some online --
7 I have some online advertising sites too. Those are the
8 significantly less expensive and many of them are free.
9 Again, I am focusing on industry-related online
10 advertising.

11 We can always go outside of the industry
12 to advertise the position, but I think that the primary
13 way we should start is industry publications or industry
14 websites. Once you get outside of an industry focus, you
15 obviously are going to be drawing a lot of candidates from
16 outside the industry.

17 Again, that's really the Commission's
18 decision. The alternatives to industry publications are
19 things like the Wall Street Journal and the New York
20 Times. Those two can be very expensive. Those two will
21 most likely draw a pool of candidates that are probably
22 qualified in their own way, have executive director or
23 similar type CEO experience, management experience, but
24 I would venture to guess that the vast majority of
25 responses that we got from non-industry ads would be

1 non-industry candidates. Again, I don't know that we are
2 there yet.

3 I guess at this point, I would just ask the
4 opinion of the Commission whether it be for today or get
5 back to us within the next several days on if you want
6 to move forward or how you want to move forward with regard
7 to advertising this position.

8 COMMISSIONER STEBBINS: I would suggest
9 -- Again, I knew Casino Journal is the one with the
10 deadline of tomorrow. I am not sure of what level of
11 information we would be able to provide them even though
12 I think they have a copy deadline of next week.

13 I like the idea of exploring the other two
14 magazines for whatever piece we think we can pull together
15 once we firm up the job profile as well as send you out
16 there with a better sense of the search process itself.

17 MR. LAROSA: I'm sorry. I don't think we
18 need a lot of information to put an ad out there. To put
19 the ad out there, it is going to be pretty big print. Just
20 Massachusetts Gaming, we will put a few good bullet
21 highlights. We just want it out there so people start
22 thinking about it and know who to reach out to.

23 I don't think every detail of the job
24 description needs to be nailed down. Truthfully, our
25 experience has been the less information in an ad the

1 better. You want to get people curious enough to reach
2 out to you so that you can tell them everything.

3 I think we have enough information now to
4 put an ad together. I can put that together in
5 half-an-hour and get it out. It's more a decision on
6 budgetary issues if you want to go ahead and do that.

7 CHAIRMAN CROSBY: It seems to me that if
8 you are going to use a display ad environment, and those
9 are prepared ads, you don't want to come across looking
10 tacky. So, it can't just be a thrown together -- If we
11 are going to do that it can't be just a thrown together.

12 In that environment if we were going to do
13 that, and I am mixed on whether we should, I think it ought
14 to be done well and it ought to hit some of the sale high
15 points. It's going to be a nontraditional ad and we want
16 to make it a nontraditional pitch. That would be an
17 opportunity where you say -- Maybe it's an overlay of the
18 picture of our new Greenway or something. Something
19 where you really make this a pretty striking provocative
20 ad even prepared by an agency.

21 That would give you a sale's tool that you
22 could then use on the email recycling. I think the idea
23 of having 8.5 x 11 strong, provocative piece that we can
24 all send to our networks including our consultants -- not
25 our networks so much but of our consultants' networks and

1 everybody passes onto everybody they know that would
2 pretty much hit everybody in the industry.

3 It wouldn't be a bad idea it seems to me
4 maybe to sort of start it rolling and it gives you a
5 deadline you sort of have to run to, rush to. Maybe pick
6 the top one of those. Do one of the full-page ads. If
7 we can get it done, if we like it well enough to think
8 it does the job and then we can reuse that as the email
9 marketing piece then I think that I would be half inclined
10 to do that if we could design something that was pretty
11 spiffy.

12 MR. LAROSA: My response to that is I think
13 that is a great idea. We work with a couple of
14 advertising agencies to do that. We can obviously work
15 with anybody that you would suggest or we can. And I can
16 hopefully by the end of business tomorrow give you an
17 estimate as to what the cost would be.

18 My guess is to put something like that
19 together, the advertising would probably be somewhere
20 between \$1,000 and \$3,000 is probably what we could put
21 it together for. I am not 100 percent certain, but I will
22 talk to my assistant today. Again, there are two
23 companies we typically use. They can give us an
24 estimate.

25 I think meeting the deadline is fine and

1 I agree with the Chair that I think if you are going to
2 do it, taking a full-page ad out and doing it that way,
3 you really get the most bang for your buck.

4 CHAIRMAN CROSBY: And it speaks to your
5 issue, Commissioner, about this being a selling as well
6 as a buying.

7 COMMISSIONER MCHUGH: I agree.

8 CHAIRMAN CROSBY: How about,
9 Commissioner, if we do so the presumption of doing it,
10 assuming we can get an ad that we think is worth \$7- or
11 \$8,000 and is good enough to be reused.

12 If we are looking to try to break free some
13 candidates who might not otherwise be candidates, beyond
14 the people who are just looking then it would be nice --
15 it would be good to have something to send around that
16 isn't just the job description and all of the stuff. I
17 would say let's see if we can come up with something we
18 like with the presumption of doing it.

19 MR. LAROSA: If there's anything in the
20 next 24 to 48 hours -- I will start getting pricing. If
21 there is anything that the Commission thinks in terms of
22 theme they think they would like this ad to reflect.
23 There is obviously a lot of different ways you can go
24 with it.

25 It can be as Commissioner Cameron said the

1 focus on Boston, it can focus on the position. There's
2 a lot of different ways if you guys want to give us any
3 direction as to the theme of the ad.

4 CHAIRMAN CROSBY: I think that some of the
5 things Jennifer was saying. Have you ever wished you had
6 an opportunity to build a regulatory agency in the right
7 way, here is your chance. Something like that.

8 COMMISSIONER STEBBINS: Then to add on to
9 that point and I want to make a quick clarification, if
10 you do have comments about the Executive Director, send
11 it directly to Jim.

12 Thinking in mind that some of the work that
13 our Director of Communications has done in terms of
14 looking at branding and everything else, I want Elaine
15 to have a role in looking that material over.

16 MR. LAROSA: I think that would be a great
17 idea, especially if you are already talking about certain
18 branding. We, obviously, want this to be consistent with
19 whatever those branding messages are. In terms even of
20 just colors and theme, anything like that we want it to
21 be consistent with any other branding.

22 CHAIRMAN CROSBY: Right. So coordinate.
23 Commissioner, that's a good point. Okay.

24 MR. LAROSA: The two last things I think
25 is the issue -- as I said I think we are ready to go. The

1 next step for us is to start reaching out to candidates
2 that we would like to talk to and that have been identified
3 to us and that we have identified on our own.

4 That process typically is a process, which
5 entails us reaching out to them. At an executive level
6 position, oftentimes it takes several conversations to
7 really gauge their interest. The first couple of
8 conversations are explaining what this position is, all
9 of the selling points. It is really kind of laying corn
10 kernels down and having them follow and think about it.

11 Most folks that are in a sitting position,
12 as yourselves, are very busy people. They will usually
13 talk to us, but sometimes it takes quite a while to get
14 in touch with busy people. Then they are usually -- Not
15 everybody but a lot of people are very deliberate in their
16 decision-making process. They'll ask a lot of
17 questions. They will get off the phone and they will
18 Google the heck out of the Massachusetts Gaming
19 Commission and read everything that they can. Then we
20 will talk with them again, they will ask us more
21 questions.

22 It would be great if the process is we talk
23 to somebody and they said yes we are interested, let's
24 move forward. That is typically not what we see. It is
25 usually a series of conversations.

1 So, we are ready to undertake those
2 conversations. The last really piece of the puzzle that
3 we need to kind of put to bed before we start doing that
4 is what will the process be? As we discussed last week
5 with the open meeting law, we do need to be able to tell
6 the candidates what to expect in terms of when in the
7 process their name may become public. Jennifer has
8 raised to me, knowing that a lot of candidates -- as
9 transparent as we can be in telling them this commissioner
10 is going to be the only one to see it until this point
11 or whatever the process is the better. That will
12 definitely be an issue regarding talking to candidates.
13 When will their name potentially become public?

14 One other issue that I wanted to raise is
15 the ability to talk to candidates about opting out if they
16 become a finalist. I think what we are telling them --
17 my understanding is we are moving in the direction of
18 saying that preliminarily, through the preliminary
19 screening process your name will be held confidential and
20 only these folks will know about your candidacy. Then
21 when we move to a finalist stage that is when your name
22 will become public.

23 I just want to know from the Commission if
24 we can affirmatively tell candidates because I think they
25 will ask us, if in the period from the preliminary to the

1 finalist stage I choose not to pursue the position, can
2 I withdraw or deny consent to become a finalist? I would
3 guess that that's okay. But it would be something that
4 we would want to know affirmatively that we can tell
5 people.

6 CHAIRMAN CROSBY: We are not going to let
7 the bidders withdraw, why should we let the candidates
8 withdraw?

9 Do you want to speak to this Commissioner?

10 COMMISSIONER MCHUGH: So, what we have
11 done on that is to draft two scenarios, one for a single
12 person conducting the screening interviews and one for
13 a subcommittee conducting the screening interviews. And
14 talking about the confidentiality that would surround
15 that process under either scenario and the anticipated
16 results of that process insofar as the unsuccessful
17 candidates are concerned, i.e., that the personnel files
18 that were accumulated, the application files would remain
19 confidential not subject to the Public Records Act. And
20 that the minutes of any executive session that were held
21 to interview candidates would likewise be remain
22 confidential and not be open to public disclosure.

23 I have sent both of those scenarios to
24 Commissioner Stebbins, to Jim and asked for feedback. We
25 have made some changes. We have now sent them to another

1 agency to try and look and see if we can get some feedback
2 on what their assessment of them is. And we have got a
3 conference call scheduled for Friday. So, we will have
4 an answer and an ability to present various scenarios by
5 sometime next week -- by our meeting next week.

6 CHAIRMAN CROSBY: So, we will come up with
7 a final process, but I think you can absolutely assure
8 people that we are looking for which of the two will be
9 the most secure. Or if they are equally secure than we
10 can pick one.

11 It is certainly going to be right that
12 people can be confidential until they become a finalist.
13 Certainly, they can opt out if they want.

14 COMMISSIONER MCHUGH: I don't see any
15 impediment to that and their confidentiality would
16 remain.

17 COMMISSIONER CAMERON: And I think the
18 question will be, and some people consider finalists 10
19 candidates, others consider five or two. So, I know that
20 you will have those kinds of questions. So, we will need
21 to be prepared to say what that will be.

22 CHAIRMAN CROSBY: I think you can say to
23 people we will firm this up in more detail. If they want
24 to pull out, they will know when they might become public
25 and they will have the right not to do that if they wish.

1 COMMISSIONER CAMERON: Not to move
2 forward?

3 CHAIRMAN CROSBY: Correct.

4 COMMISSIONER MCHUGH: Part of our charge,
5 to take Commissioner Cameron's point, part of our charge
6 to, whether it's the subcommittee or the individual,
7 ought to be to return with X-number of finalists so that
8 everybody knows that in advance, X or Y, but a narrow
9 range.

10 At least I propose that we think about
11 that. The idea of interviewing 10 finalists just
12 viscerally leaves me a little cold. I could be persuaded
13 otherwise.

14 COMMISSIONER CAMERON: I can't imagine
15 that there would be 10 equally qualified candidates.

16 CHAIRMAN CROSBY: We have to be talking
17 two or three or four.

18 MR. LAROSA: I guess when get to the final
19 process -- for right now, I know last week it was proposed
20 that Commissioner Stebbins would be our contact if any
21 issues came up or if in fact we even had a candidate at
22 this stage. Are we working under that assumption in that
23 we don't have the final process yet?

24 CHAIRMAN CROSBY: Yes.

25 COMMISSIONER MCHUGH: I just have one

1 caveat. If we have a candidate I would think we would
2 not want to do a screening interview until we have this
3 process ironed out. We can have this process ironed out
4 by next week.

5 I think we just need to be careful as to
6 what we're doing and all onboard as to how it is going
7 to work, all of us.

8 MR. LAROSA: I agree.

9 CHAIRMAN CROSBY: Anything else?

10 MR. LAROSA: That is all we have.

11 COMMISSIONER CAMERON: Thank you.

12 COMMISSIONER MCHUGH: Thank you very
13 much.

14 CHAIRMAN CROSBY: Thank you. We'll see
15 you next week.

16 Additional hires, the only thing I noticed
17 on the agenda at all is Commissioner McHugh, you have been
18 talking about possibly legal assistance. Is there
19 anything --

20 COMMISSIONER MCHUGH: No, there is
21 nothing more to talk about except to reiterate the
22 desirability of doing that. And I think Commissioner
23 Cameron and I are both of the opinion that we could make
24 use of -- full-time use of such a person. We need to draft
25 a job description and bring it back to the Commission and

1 then move forward with a process for finding somebody.

2 COMMISSIONER ZUNIGA: Chairman, I
3 volunteered to draft that job description and I will do
4 so in the next day or two and will circulate it for input,
5 of course.

6 CHAIRMAN CROSBY: This is a junior, this
7 is not a general counsel?

8 COMMISSIONER MCHUGH: This is somebody
9 with several years experience but not the top-level.

10 CHAIRMAN CROSBY: Mid-level counsel.

11 COMMISSIONER MCHUGH: Not at the senior
12 level.

13 CHAIRMAN CROSBY: And Enrique will do the
14 job description. I don't think there is anything else.
15 We are still searching for another executive assistant,
16 which we hope to have shortly.

17 3C, discussion of MGC internal policies,
18 Commissioner Zuniga, do you want to give us an update?

19 COMMISSIONER ZUNIGA: I distributed
20 Monday the latest draft, the first draft, let's call it,
21 to all of you via email of the employee manual. It is
22 six chapters. They have been edited by Commissioner
23 McHugh relative to content and a lot of other policies
24 and statutes out there.

25 I distributed not with the intent of

1 discussing them today because it is a lengthy document.
2 But they have been distributed for your consideration.

3 CHAIRMAN CROSBY: I think the press should
4 take notice that Commissioner Zuniga did an amazing job
5 of drafting a six-chapter personnel manual. This is
6 great.

7 COMMISSIONER ZUNIGA: With tremendous
8 help from Commissioner McHugh, who is a great editor.

9 CHAIRMAN CROSBY: I haven't looked at it
10 yet. Did you highlight areas of particular focus that
11 we should really focus on as opposed to pouring equally
12 over every page?

13 COMMISSIONER ZUNIGA: Yes. Each of them
14 contain two different highlights, comments inserted in
15 revision mode and others just yellow highlights that
16 really require attention.

17 CHAIRMAN CROSBY: Is there anything else
18 in the way of -- Should this be on the agenda for next
19 week? Should we try to plan to have it in the feedback
20 loop for next week if we can?

21 COMMISSIONER ZUNIGA: Sure.

22 CHAIRMAN CROSBY: Is there anything else,
23 other policies?

24 COMMISSIONER ZUNIGA: No.

25 CHAIRMAN CROSBY: How about project

1 management consultant, where are we in that process?

2 COMMISSIONER ZUNIGA: I met with PMA to
3 start planning for an integrated session. They had some
4 good questions relative to the current timelines,
5 relative to stakeholders. They have insightful
6 questions relative to some policies that we will be soon
7 having to think about that have a result or an effect on
8 the overall timeline and schedule.

9 I can speak a little bit to that. The
10 point is that it was the first meeting and they will start
11 producing work product that will be very beneficial for
12 the Commission.

13 There is one important note, which we will
14 do which is start coordinating with our own gaming
15 consultants because they do have a lot of the initial
16 intelligence relative to timeline. I will put them in
17 contact very soon. I think they may have already reached
18 out to Kathy and Kristen.

19 CHAIRMAN CROSBY: Okay. Racing
20 Commission, the first item on the agenda is a presentation
21 from our consultant. Commissioner Cameron do you want
22 to introduce and move this forward here?

23 COMMISSIONER CAMERON: Sure. This is Ann
24 Allman from Last Frontier Consulting. She worked in
25 conjunction with Spectrum Gaming to prepare this report

1 for us. I turn it over to you, Ann.

2 MS. ALLMAN: Thank you. Good afternoon
3 everyone. I would like to start by thanking you for the
4 opportunity to provide a report out on the recently
5 concluded piece of work that we undertook at the
6 Commission's request.

7 I would also like to take the time to thank
8 the staff of the DPL, the Racing Division staff and
9 employees and various stakeholders including the
10 management of the New England HBPA, the Harness Horsemen
11 of New England, the management team at Suffolk Downs,
12 Plainridge and Raynham/Taunton. Further there are many
13 industry casino leaders, which are listed in the exhibits
14 that willingly gave time to interview for this project.

15 A quick bit background on the consultants.
16 You are well apprised of Spectrum Gaming Group, who was
17 a partner with us -- with me on this piece of work. My
18 background, very briefly, is more operationally focused.
19 Most 98 percent of my career to date is in either racing
20 or gaming. So, I bring that perspective to this project.

21 A quick overview of the scope of work and
22 the approach we took to develop this report, we responded
23 to your RFR, which was issued in April and created a work
24 plan based on one fundamental idea, which is if we were
25 sitting in your shoes as new Commissioners and being asked

1 of greyhound racing from the State of Massachusetts.
2 Certainly, as we detail in the report, there were declines
3 that were going on also in the other areas of wagering.

4 Correspondingly, although not a linear
5 relationship, there was a decline in the workload for the
6 Commission over the past five years. They've also lost
7 much of the leadership that they had -- I should say
8 dedicated leadership.

9 Some of our top line findings from meeting
10 with the former Massachusetts Racing Commission staff
11 employees, you have a very engaged staff. They are
12 passionate about what they do. They are passionate about
13 their industry. But they certainly are looking for
14 digression and more hands-on leadership with specific
15 racing knowledge.

16 In many cases they have been performing the
17 work streams as it has been done for many years without
18 any innovation or updates, certainly, with some very
19 inadequate resources. These folks are doing their jobs
20 with -- If they have a computer, it is something you
21 haven't seen in 15 years. It probably does not have
22 compatible software. We had some good jokes about the
23 lack of Polaroid film in a lab. They need some resources
24 to be able to do their job at the level, which they would
25 like to do.

1 Certainly, with some of the stretch of DPL
2 and the massive amount of agencies they are responsible
3 for, not having that hands-on leadership and
4 accountability, I would say there are opportunities to
5 enhance the professionalism of the group from an HR
6 perspective. I have looked at some specific
7 recommendations.

8 Some of the frustration too is with speed
9 of decisions. I think that is something that was echoed
10 with other stakeholders as well. And I will speak to that
11 in a moment.

12 When it comes to touching base with the
13 track associations and the horsemen's groups, which are
14 really two key stakeholders in this group, typically no
15 matter what state you go into, there are issues that
16 always the same. And it revolves around purses, the
17 number of racing dates, physical plant issues with where
18 they race. The ability to act as a stable area for more
19 months of the year than perhaps the racetrack would like
20 to make it available, issues around the training
21 schedule.

22 Sometimes there are some hotspots between
23 the representation of the contracts between the
24 horsemen's groups and the track associations. Those are
25 all areas that we focused on in our interviews.

1 Some of the highlights from meeting with
2 the track associations and horsemen's group from a track
3 perspective and certainly the horsemen as well, they are
4 very focused on their gaming applications. All of the
5 folks we talked to at the racetracks are working on
6 planning to submit a gaming application.

7 For those two facilities, Suffolk and
8 Plainridge that currently offer live racing in the State
9 of Massachusetts, they do have valid contracts with the
10 horsemen's group. That's a good thing. They have valid
11 purse agreements.

12 Some things that you could look forward to
13 is the purse agreements expire at the end of this year.
14 That is typically an area or can be an area of hot debate.
15 Certainly, Suffolk and the New England HBPA have had that
16 history of having some fairly intense negotiations.
17 With the harness horsemen and Plainridge, that is
18 probably a steadier course.

19 Another area that is typically a cause of
20 conflict or could cause conflict revolves around purse
21 accounts. At least in my conversations with the tracks
22 and the horsemen that does not seem to be an issue. It
23 is not out of balance. They are not seeking either to
24 get more money they haven't paid out. So, that is good.

25 Having met with the bulk of the State

1 employees and contract folks, the representatives from
2 the horsemen, the breeders, the tracks and then
3 interviewing an extensive list of external experts, we
4 reached out to other State Commission executives,
5 directors, industry trade leaders such as folks from the
6 Thoroughbred Racing Association, from the Association of
7 Racing Commissioners International, from the United
8 States Trotting Association. These are national groups.
9 And taking a look at what we were able to see in the field.
10 There is a top line recommendations that are detailed in
11 the report.

12 The number one recommendation, which has
13 several sub points is I strongly encourage the
14 Commonwealth to consider adopting the Association of
15 Racing Commissioner International models rules of
16 racing, so updating your regulatory framework. Some key
17 points, and I will say key points because if you printed
18 the document out from ARCI, it is 400 pages.

19 Some key things that could be enacted upon
20 immediately is to make sure the state judges and stewards
21 at the racetracks are accredited and that the judges which
22 are the standardbred track are licensed by the USTA. I
23 have brought some information to Commissioner Cameron on
24 how that can be accomplished this year.

25 To align the medication policies and

1 penalties to align with the ARCI and the racetrack
2 medication and testing consortium model rules. To move
3 to have your testing performed by an accredited lab. My
4 specific suggestion is to issue an RFP and move that
5 testing process to an outside accredited lab. To upgrade
6 your licensing process to include fingerprinting. And
7 there as a section in the model rules of racing, which
8 highlights the need for license of individuals that can
9 affect the outcome of racing to be subject to random drug
10 and alcohol testing.

11 There are some nuances to that I understand
12 in the Commonwealth of Massachusetts given some prior law
13 that is on the books. I cited that in the report, but
14 certainly should mention that Suffolk Downs is working
15 on a draft of a drug and alcohol policy themselves that
16 would involve this ability to do random testing on folks
17 such as jockeys, trainers, racing officials, assistant
18 starters, etc.

19 Some of the other observations involve a
20 need to upgrade your audit or financial system. What I
21 observed that there are still field auditors doing what
22 I would classify as manual input, taking data that comes
23 out of the tote reports and hand keying them into an Access
24 database that is then used to calculate commissions and
25 various revenue disbursement.

1 That can be done through an automated
2 process using an FTP site, at the end of the day, batching
3 the information. There are a couple of different -- from
4 an implementation standpoint, a couple of different ways
5 to approach that. The current software may be able to
6 be modified and updated to take those feeds. There are
7 other off-the-shelf software out there that does that.
8 I have listed some of those for your consideration.

9 Again, there is a need to upgrade the
10 licensing system and technology. Currently, as I
11 understand it from the racing inspectors, the licensing
12 technology or database that is used today does not allow
13 them to directly import or export information into some
14 of the national databases held by the ARCI. So, this is
15 something you want to move towards.

16 As well as just in general there is an
17 opportunity to utilize technology to make information
18 such as hearings and suspensions and rulings on
19 individuals involved in the racing industry more
20 transparent and immediately available. Again, there are
21 some human resource issues I noted that probably need to
22 be reaffirmed and solidified.

23 And really, as I mentioned in my report,
24 hope that should the Massachusetts Gaming Commission
25 choose to move forward with some of these recommendations

1 that it is done with a sense of urgency and expediency
2 so that you are ready for the 2013 racing season.

3 Many of these decisions go hand-in-hand.
4 So, if you choose to update your regulatory framework
5 including the medication policy, that would need to be
6 reflected in your RFP for lab services so you are
7 contracting for the proper testing.

8 That's the highlight of the report. You
9 have been provided with a hard copy and I am happy to
10 answer any questions that you may have at this time.

11 CHAIRMAN CROSBY: Thank you very much,
12 Annie. I should've said at the outset that it is clear
13 from the legislation that we operate under that the
14 Legislature and the Governor have made a policy decision
15 to try to reinvigorate the racing industry in
16 Massachusetts. They have set up a disbursal of some of
17 the funds from expanded gambling that will go to a variety
18 of different development funds on behalf of the racing
19 industry. And there is the possibility of one of the
20 racing facilities being affiliated with a gaming
21 facility.

22 Either way, whether or not one of those
23 facilities becomes part of a casino or a slots parlor,
24 nevertheless there will be money designed to try to
25 reinvigorate this industry.

1 So, our mandate was to try to make sure that
2 the industry and regulation of the industry are ready to
3 take advantage of this influx of money and to compete in
4 this new environment and to see whether or not it can
5 really get back to a state of health and prosperity.

6 That is the context that the public and
7 everybody should understand. There has been a policy
8 decision made to invest in the racing industry. We now
9 need to set a stage that makes sure that that investment
10 can be handled with integrity and efficiency and position
11 the industry for an opportunity to really prosper.

12 And you have given us a great baseline tool
13 to start that work. I really appreciate it. Are there
14 other comments or questions about it?

15 I had one and I forget and I have read this
16 a couple of times. What have you recommended in terms
17 of the leadership structure? You talked about and we all
18 know that there is no longer an ED. They have lost a lot
19 of senior people. What do we need?

20 MS. ALLMAN: That honestly that was
21 somewhat out of the scope in that I was not hired to do
22 an organizational review. I think it is clear that you
23 need a senior manager. And I am not sure what the
24 appropriate title is in the Commonwealth organizational
25 flow. Clearly, you need someone, I believe, that is

1 dedicated to the regulation of racing.

2 CHAIRMAN CROSBY: Okay. Also pursuant to
3 the report already the public should know that we have
4 spoken with Auditor Suzanne Bump about our wish to have,
5 as you have recommended, a transition audit ASAP so we
6 know what the situation is.

7 There have been no indication of any kind
8 of impropriety, but there has not been an audit for a long
9 time. And it is entirely appropriate that there be one.
10 She has actually sent a representative of her staff here
11 to be with us today to start getting an oversight. We
12 will be in touch with her office tomorrow to get moving
13 on that financial audit.

14 Anybody else, other questions, issues?

15 COMMISSIONER ZUNIGA: I do. Thank you
16 Ms. Allman, for your report. I read it through and it
17 is very thorough. I wanted just to ask relative some of
18 the recommendations that you highlight for us, if there's
19 a timing element, and you alluded to them a little bit.
20 Any that can be or should be implemented during this
21 racing season whereas others we may have a little bit more
22 time to the next racing season.

23 MS. ALLMAN: I think if I were to boldly
24 say next phase, I would say immediately convene a working
25 group to go through the current regulations versus the

1 model rule and to determine any delta or changes and
2 quickly get that working with legal counsel to determine
3 whether they are considered a regulatory versus a
4 statutory change.

5 There maybe another way to do this more
6 expediently. There is a movement to create a regulatory
7 -- a racing regulatory compact. They are looking for six
8 states to sign on to create this regulatory compact.
9 There may be an opportunity should legislation -- if you
10 enact that legislation to be able to kind of move these
11 rules wholesale into play. So, I would immediately start
12 with that.

13 Certainly, I have a few folks identified
14 that are from a scientific background to assist with the
15 creation of an RFP for your lab. Certainly, a job
16 description and a search for a leader for this group. If
17 you are going down this path, I would encourage that you
18 move quickly.

19 COMMISSIONER MCHUGH: A job description
20 for the leader of what group?

21 MS. ALLMAN: Whether an Executive
22 Director or Deputy Director.

23 COMMISSIONER CAMERON: The racing.

24 COMMISSIONER MCHUGH: Somebody in the
25 administrative structure of the Commission who would lead

1 this group, yes.

2 MS. ALLMAN: Yes.

3 COMMISSIONER MCHUGH: I was struck by sort
4 of -- I am sorry, were you finished?

5 COMMISSIONER ZUNIGA: Go ahead.

6 COMMISSIONER MCHUGH: I was struck by the
7 introduction and your description of the industry as a
8 whole. And the suggestion that I perhaps erroneously
9 took away or maybe accurately took away that the finances
10 are such that without the assistance of a gaming license,
11 the likelihood of financial stability for the industry
12 was remote in Massachusetts. Did I read that correctly?

13 MS. ALLMAN: That is certainly what the
14 racetrack operators have put forward. And I think that
15 is a pretty common theme across the country.

16 COMMISSIONER MCHUGH: Yet, there are some
17 places whether there are stand-alone tracks that are
18 successful, are there not?

19 MS. ALLMAN: Yes, I have to think
20 carefully. When I think of tracks that are purported to
21 do well financially stand-alone, I obviously have not
22 analyzed their financial statements, but I think of
23 places like Keeneland that also have ancillary business
24 of auctions of yearling sales and are very specific niche.
25 Del Mar, which I believe is also sort of a quasi public

1 entity and others.

2 Any others that I can think of, I am not
3 really thinking of many that come to mind that are a robust
4 financial model without other forms of gaming.

5 COMMISSIONER MCHUGH: Nationwide, it is a
6 sport that is not self-sufficient in terms of purely the
7 racing activity, the horseracing activity.

8 MS. ALLMAN: I am not sure I can say that.

9 CHAIRMAN CROSBY: You just did.

10 MS. ALLMAN: That is certainly if you read
11 what has been written in the last three to four years,
12 clearly yes. There are financial troubles. I have to
13 say I was recently involved with another project with
14 Meadowlands Racetrack that was privatized and is
15 currently in a day-to-day battle but one that they are
16 managing to produce, I believe, a positive cash flow.

17 COMMISSIONER MCHUGH: So, I ask that
18 question because I was really struck by the volume of the
19 off-track betting handles at the tracks. If I read the
20 charts you prepared accurately again, that's a big if,
21 the off-track betting at three locations where that is
22 being conducted in the last year -- the off-track betting
23 for racing going on at other tracks totals about \$220
24 million in total. About 138 at Suffolk, another 60 at
25 one track and another -- Where does the money go and why

1 isn't it enough? It's a big --

2 MS. ALLMAN: It's a big top line number.
3 Think about it as your gross number. Approximately 80
4 percent of that is returned to bettors. So, the takeout
5 of what is kept by the system is 20 percent. Of that 20
6 percent, that is then split and goes to various amounts
7 including purses, pari-mutuel taxes, the racetrack, the
8 host track, etc.

9 So, at the end of the day if you see \$100
10 million number for a track -- Let's assume there is a
11 Boston track that has \$100 million spent at their facility
12 on races run elsewhere, they are in reality only keeping
13 approximately six to nine percent depending on the state
14 and the tax system.

15 There are folks here from Massachusetts
16 tracks that can tell you exactly what they keep.

17 COMMISSIONER MCHUGH: I am just looking
18 for your take at a very high level.

19 So, is it possible to adjust the amount
20 that goes back to the bettors to retain more so that tracks
21 can be self-sufficient? Or does that kind of get into
22 a downward spiral in which the bettors are not going to
23 come if they don't get that high yield?

24 MS. ALLMAN: Yes. I am of the opinion
25 that certainly for a certain type of wager, win, place,

1 show, we need to maintain that there is elasticity from
2 the bettor when they know what the takeout rate is.
3 There's lots of debate about whether that is in fact true.
4 States have experimented with changing their takeout
5 rate. I don't know that there has ever been a definitive
6 optimization of what the right takeout number is.
7 Typically, there is a statutory amount on the State that
8 can be changed and addressed.

9 CHAIRMAN CROSBY: Interesting.

10 COMMISSIONER ZUNIGA: The audit that you
11 mentioned and the conversations that we may have now with
12 the auditor, the State Auditor, is it a financial or
13 operational or both type of audit?

14 MS. ALLMAN: What I had asked is in the
15 line of questioning is there any recent audit issues,
16 being financial audit issue that the Gaming Commission
17 should be aware of? And the reply was no, there is not.
18 There has not been a financial audit in several years.

19 So, I am coming at it more from the strictly
20 financial audit, financial control, what are your
21 financial controls.

22 COMMISSIONER ZUNIGA: Okay.

23 COMMISSIONER STEBBINS: I read through
24 the report as well and appreciate all what I would call
25 is raising the degree of professionalism at the tracks,

1 I think who have kind of sadly been overlooked. Kind of
2 upping the game, so to speak.

3 Periodically throughout the report you
4 talk about the state of the industry and declining -- You
5 were good to point out the Massachusetts figures. Is it
6 a different kind of age audience they're looking at?

7 A take away I had is even when you introduce
8 other things at the track that sometimes the track
9 capacity or the track footprint kind of gets moved aside
10 to make way for these other things. If Massachusetts is
11 under kind of the mandate to expand racing, and again that
12 is our hope, how do we as a Commission look at try to
13 balance those two?

14 It's great to introduce other things that
15 stand up a track or maybe put them on more secure financial
16 ground potentially, but how do we make sure the investment
17 in the racing piece of this isn't lost?

18 MS. ALLMAN: I think looking at the two
19 operating live tracks today in the State are two very
20 different setups. Suffolk is an older facility that was
21 built. I don't know what the capacity is. I am going
22 to guess they could easily house 35- to 50,000 people
23 there. You don't need that anymore. You kind of lose
24 that customer experience when you do get a nice crowd out
25 there, it's kind of dissipated.

1 Certainly, from a physical plant
2 standpoint -- Am I answering your question?

3 COMMISSIONER STEBBINS: Yes.

4 MS. ALLMAN: You don't need all of that.
5 Certainly, at the same time you need to be able to support
6 the product. So, the actual physical racetrack surface,
7 the receiving barns, the state testing barn, that
8 infrastructure needs to be maintained. You cannot
9 shrink the size of that.

10 COMMISSIONER STEBBINS: It's almost a
11 rightsizing of current facilities?

12 MS. ALLMAN: Rightsizing is perfect. In
13 contrast that is Plainridge, which was built, I believe,
14 15 years ago and then is built more for the type of
15 audience of the size that you expect at a live entity.
16 There is not a tremendous amount of extra room there.

17 COMMISSIONER STEBBINS: I looked for it
18 and maybe I didn't look in the right place for it, with
19 some of the recommendations is there kind of a dollar
20 figure you can attach to making some of these
21 improvements?

22 MS. ALLMAN: I didn't do that because
23 frankly many of the observations in the plan that we put
24 together based on the needs we saw was above and beyond
25 what we originally were brought in to do.

1 Certainly, I can give you kind of a back
2 of the envelope thought on how much some of these such
3 as software, etc., how much I have seen it cost elsewhere.

4 And somewhat it is up to Massachusetts what
5 the public policy decision is. I certainly observed
6 certain activities that could be automated. Are those
7 positions redundant or are they redeployed to work on
8 something else? There may be savings in some area and
9 expenditure in others.

10 COMMISSIONER CAMERON: If I could add to
11 that. I am not asking a lot of questions because I think
12 Annie is accustomed to my daily, weekly phone calls really
13 helping to educate me as to this whole process. So, I
14 am pretty familiar but there is always a lot to learn.

15 With regard to the cost, we have had some
16 discussions about that. One of the things I see in
17 looking at this holistically is we will need to have, for
18 example, technology for licensing for gaming. So, we are
19 looking at this. We will exploring the technology for
20 racing and in using the same. Holistically whatever
21 decisions we make will then be the right decisions as far
22 as licensing for gaming.

23 So, I am certainly not looking that this
24 is a stand-alone process when it comes to regulatory
25 reform. And that may even have some crossover with

1 employees as we talked about. If there's some technology
2 that will eliminate positions will there be other
3 positions that we will need.

4 I am certainly looking at it that way and
5 I think that that will help us with the overall numbers
6 if we are conscious not to have two separate stand-alone
7 systems but to incorporate into one regulatory system.

8 CHAIRMAN CROSBY: One thing I wanted to
9 mention that Commissioner Cameron had mentioned to me and
10 I think the Commission should know is I was told that the
11 operators of the facilities are very much in support of
12 upgrading and modernizing. We are not swimming against
13 the tide here. We are getting the support, apparently
14 quite enthusiastic support of the operators to improve
15 and reinvigorate our side of the table, the regulatory
16 side of the table, which is great.

17 There's been a lot of press about what is
18 happening. All of this New York Times stuff has
19 generated a lot of press about how enhanced purses
20 increase the stakes to cheat and all of this and that.
21 If we do what you have suggested we do, will we have --
22 I assume the answer to this is yes, but just to be sure.
23 -- will we have the regulatory system in place to make
24 sure that we are really state-of-the-art in terms of
25 protecting the integrity of the process, the health of

1 the horses, the health of the human beings involved? Is
2 this a state-of-the-art operation that you have proposed
3 for us?

4 MS. ALLMAN: I believe so, yes. By moving
5 your medication policies and your penalties to a level,
6 which is supported by the industry leaders and backing
7 that up by doing your testing through accredited labs,
8 that lays the groundwork.

9 I should say what I found in speaking with
10 the racetrack operators, the horsemen and the State vet
11 in place is that there is a strong culture in
12 Massachusetts already to protect the animal. I found
13 that interesting. I think many times that is spoken to
14 but not always truly embraced. And I did see evidence
15 of that.

16 To give you the specifics, it is things
17 like culturally if you are a track operator, your number
18 one thing you want is full fields. You want an
19 eight-horse field. You want a 10-horse field. If you
20 are a State vet, you want the absolute most sound equine
21 participants on the racetrack. Sometimes there is
22 naturally a tension there. What I at least felt like
23 through my interview with folks is that there was
24 alignment on let's do what is right for the animals first
25 and foremost.

1 COMMISSIONER ZUNIGA: To that end, you
2 identified a quote in your report relative to what
3 happened to the dog racing in Massachusetts should serve
4 as a wake-up call, if you will, to the horseracing
5 industry. I was interested in your opinion relative to
6 that after having seen some of Massachusetts but
7 certainly what you have seen elsewhere whether that is
8 a possibility?

9 MS. ALLMAN: I would speak just personally
10 that as an individual who hopes that racing is here for
11 my kids to participate in. I do worry about that. I do
12 think that politically and that there are folks that are
13 very well organized and are very passionate and feel that
14 racing should not occur.

15 I liken it to what happened to fox hunting
16 in England. I happen to be in the other side of the fence
17 and feel that with the right regulations and the right
18 approach by all stakeholders that I hope racing does
19 continue. Yes, I do absolutely think that there are
20 folks for whom greyhound racing in Massachusetts, not the
21 only state to step away from it. And I wouldn't be
22 surprised to see groups focused on horseracing.

23 COMMISSIONER MCHUGH: In that regard, are
24 there different, and this shows how little I know about
25 all of this -- Are there different kinds of surfaces that

1 are healthier for the horses to be running on?

2 MS. ALLMAN: Yes.

3 COMMISSIONER MCHUGH: And is that part of
4 the model regulations that have been adopted?

5 MS. ALLMAN: I would have to get back to
6 you on that, Commissioner McHugh. I am not sure. I
7 don't think that there is a specific aside from a safe
8 and well-maintained surface. That is another huge area
9 of debate within the industry.

10 Yes, there are many different types of
11 surfaces. Thoroughbreds and standardbreds race on much
12 different surfaces. Standardbred is a hardpacked
13 different track rock type of consistency. Thoroughbreds
14 tend to run on something with a much deeper cushion and
15 different feel to it. Then there are also synthetic
16 tracks that are primarily used in thoroughbred. And
17 there are multiple variations of each type of track.

18 I think California used -- If you look and
19 see they have had different experiences with synthetic
20 tracks.

21 COMMISSIONER STEBBINS: Another quick
22 follow-up question. Are there any states that have
23 dropped horseracing either because of the decline in the
24 industry or any of the other factors?

25 MS. ALLMAN: I would have to do some

1 research on that. I know states that have not had racing
2 for years and have had it come back or brought it back.
3 but I don't have off the top of my head I am not sure that
4 I could provide you with the exact examples.

5 CHAIRMAN CROSBY: There was an article
6 recently about Mexico (SIC) adopting very rigorous
7 testing standards. Are those the standard that you are
8 referring to? This article said that I think New Mexico
9 and a few other jurisdictions of the lowest allowable
10 levels of widely used pain suppressants. Are the
11 standards that you are talking about those standards or
12 is this yet a higher standard?

13 MS. ALLMAN: I am not familiar with what
14 New Mexico has done, but I would suspect that it is the
15 standards that I am referring to.

16 CHAIRMAN CROSBY: Okay. My last thing is
17 that it I think we ought to think about quickly doing it
18 and this is actually something I think Ms. Allman says,
19 but I think we ought to think about getting an ED search
20 going or director, whatever the senior person is going
21 to be soon. Right now, we have got Commissioner
22 Cameron --

23 COMMISSIONER CAMERON: Mr. Chair, you
24 know I have a plan. So, we will talk about that.

25 CHAIRMAN CROSBY: Great, because we have

1 lost one of our Commissioners to the racing industry and
2 we need her back.

3 This is great. Anybody else?

4 COMMISSIONER MCHUGH: It is really very,
5 very helpful.

6 COMMISSIONER STEBBINS: Thank you.

7 COMMISSIONER CAMERON: Thank you.

8 CHAIRMAN CROSBY: We will at 2:00 have a
9 press avail where people can talk to Annie or Commissioner
10 Cameron if there is an interest in that.

11 In the meantime, I had a couple of other
12 things on racing. Do we need to react to your recommended
13 decisions?

14 COMMISSIONER MCHUGH: No, that's not for
15 awhile, 30 days.

16 COMMISSIONER CAMERON: Another hearing is
17 this Thursday.

18 CHAIRMAN CROSBY: The Racing
19 Stabilization Fund there were some issues, is that still
20 going on? That is something I keep forgetting to bring
21 that up. Has that been resolved? Is that something we
22 need to deal with, the issue of the payments.

23 COMMISSIONER CAMERON: We are continuing
24 our research at the Commission with the help of our legal
25 consultants. So, that is an ongoing process. There is

1 nothing to report at this week's meeting.

2 CHAIRMAN CROSBY: It is still up in the
3 air?

4 COMMISSIONER CAMERON: Yes.

5 CHAIRMAN CROSBY: Is the only purpose of
6 the Racing Stabilization Fund to make those payments to
7 make those dog payments? Is there something else in the
8 Racing Stabilization Fund?

9 COMMISSIONER ZUNIGA: I believe that is
10 it. They have a sunset. They expire at 2013 -- 2014.

11 COMMISSIONER CAMERON: 2014.

12 COMMISSIONER MCHUGH: Before we leave
13 this, Commissioner, is there an action item on the report
14 or is that an attraction yet to come?

15 CHAIRMAN CROSBY: Actually, that's a good
16 point. I think that you have a plan of action that you
17 would like to recommend including starting ASAP setting
18 up the working group that Annie suggested. Maybe we
19 should have a motion to accept the report and to take at
20 least that step. If you think there are others that you
21 are ready to speak to now, we can put those on the table.

22 COMMISSIONER CAMERON: I had not
23 considered that was something we had to vote on.
24 Certainly, it is my recommendation that we accept the
25 report and the findings. And the plan of action is to

1 immediately put together a working group that will be
2 charged with looking at all of the recommendations and
3 being responsible for implementing by next racing season.
4 That is our goal.

5 All of the stakeholders will be part of
6 this working group. So, it will be transparent. It will
7 be participatory. There is a need, as Ms. Allman said,
8 for expediency.

9 I didn't think of that as something we
10 needed to vote on, but if you think that's appropriate
11 we can certainly do that.

12 CHAIRMAN CROSBY: I am thinking maybe next
13 week maybe Commissioner Cameron can put together the
14 specific structure of the task force that she thinks will
15 be appropriate. We are going to empower that task force
16 to do some pretty serious not final decision-making
17 probably, but some pretty serious thinking. Maybe we
18 should vote to set up such a committee, such a task force.

19 COMMISSIONER MCHUGH: I think it would be
20 helpful to vote, but the vote is less important than the
21 coordination. Because this task may and indeed likely
22 will involve a significant amount of energy and
23 regulation writing.

24 There is a path there in the standard
25 regulations that we may be able to largely import. Maybe

1 a lot of that work has been done. There's going to be
2 a fair amount of work there.

3 There's also going to be a fair amount of
4 policy consideration that we need to work through. This
5 is a thoughtful and comprehensive report. There are some
6 issues in there in terms of some of the regulations --
7 I mean some of the recommendations and the like.

8 My concern is how we coordinate that with
9 the very heavy load that we already have in order to get
10 through RFA phase one and then move into the phase two
11 process, and have these two processes going side-by-side.

12 It is that piece more than the vote that
13 seems to me we need to think about a little bit. We have
14 the capacity to deal with all of this, I think, but we
15 need to organize how we are going to do it and think about
16 the organization process. That is why seeing a plan
17 spelled out would very helpful and then we can talk about
18 it.

19 CHAIRMAN CROSBY: I think that makes
20 sense. To think about the makeup of the task force but
21 more importantly maybe I think what Commissioner McHugh
22 says, how would you recommend that we go about this? We
23 talked about people and maybe we want to scarf somebody
24 from DPL to help us out for awhile. You've got some
25 ideas.

1 COMMISSIONER CAMERON: I have been
2 working on this and planning for this. So, I can be
3 prepared in the very near future to lay those plans out.

4 CHAIRMAN CROSBY: Why don't we do that.
5 Maybe at that time if we decide it is appropriate for
6 formality purposes to vote to go forward on that. If we
7 can deputize you to come back next week if you can or as
8 soon as possible with that structure and plan that would
9 be great.

10 COMMISSIONER MCHUGH: Next week, just as
11 a footnote, may be a little difficult because both
12 Commissioner Cameron and I are going to be in Race
13 Commissioner Training School.

14 CHAIRMAN CROSBY: And I am going to be in
15 Italy. So, we don't even have a quorum. Folks, there
16 won't be a meeting next week. It might change to a
17 different day or something. We'll have to think about
18 that. We'll deal with that tomorrow.

19 Are we all set with racing? Thank you very
20 much. That was great stuff. Good job. This was really
21 your doing too, Commissioner.

22 COMMISSIONER MCHUGH: This was really
23 great.

24 COMMISSIONER CAMERON: Thank you.

25 CHAIRMAN CROSBY: Item number five,

1 project work plan. The first item on the agenda is the
2 update from our consultant who I believe is here, Kathy
3 O'Toole and Kristen.

4 MS. O'TOOLE: Thank you, Chairman. I
5 will just provide a brief update and of course will be
6 available to answer any questions you have.

7 Based on the feedback provided by the
8 Commission at the meeting last week, the consultants have
9 been revising draft regulations for the RFA phase one.
10 They will continue to interact with Anderson and Kreiger,
11 with Commissioner McHugh and other Commissioners as
12 required over the next few weeks to bring those regs to
13 final form.

14 Also, this week the consultants submitted
15 three memos. The first was a preliminary review of the
16 Tribal State Compact. The second was a follow-up to the
17 discussion last week about the possibility of the
18 Commission engaging in meetings with the investment
19 community. The third was submitted last evening to
20 Commissioner Zuniga and Cameron as follow-up to their
21 discussions with the consultants last week. It focuses
22 on Commission budget and investigative requirements.
23 That's the update for this week.

24 CHAIRMAN CROSBY: Good. We have a series
25 of items on here, on the agenda that I think are all topics

1 we want to talk about. Is there anything just general
2 about the process? Commissioner McHugh, do you have
3 anything about the process in general that you wanted to
4 react to?

5 COMMISSIONER MCHUGH: Some are subsumed
6 in the subparts. Let me just spend a minute with you,
7 Ms. O'Toole, thinking through what the plan ought to be
8 to most efficiently move the regulation assessment
9 process forward.

10 I have asked the Attorney General for her
11 views on certain aspects of the regulations. They are
12 going to get back to us on that. Primarily section 5 of
13 the regulations, which deal with our investigatory
14 powers, our subpoena powers, our fines and other kind of
15 things that they said they would help us and give us their
16 views on.

17 Section 6.06, which is the declaratory
18 relief sections, which we talked about last week if you
19 recall. And then sections 23 and 24, which deal with the
20 hearing process and the appellate process from Commission
21 staff decisions to the Commission and other kinds of
22 things like that. To see whether we couldn't simplify
23 those by piggybacking on already existing regulations or
24 actually importing regulations from elsewhere that are
25 familiar to the administrative law community in the State

1 and would not have us reinventing the wheel. That piece
2 is done.

3 Then there are number of policy questions
4 that still are outstanding. We decided and resolved some
5 of those last week at the meeting but there are some that
6 remain outstanding. I thought that what I would try to
7 do there is work with Anderson and Kreiger and identify
8 all of the policy questions that need resolution, prepare
9 a short memorandum, send it to you, Kathy, and circulate
10 it to the Commission with recommendations on what we
11 should do and the reasons for that. And try to do that
12 by the end of this week so that we would be able to focus
13 on the things that needed a policy decision.

14 Thirdly, I have asked Anderson and Kreiger
15 now to go through the regulations and take the language
16 that is there and make it conform to the Massachusetts
17 form, both in terms of citation form but equally important
18 the substantive language so that it is precise and
19 comprehensive. And I have asked them to do that by the
20 end of this week. I think we can get that done by the
21 end of the week.

22 And then early next week and that ties into
23 when will we have a meeting, we need to decide the policy
24 questions and then get regulations formulated around the
25 policy questions -- around the answer to the policy

1 decisions.

2 Then if I read the schedule correctly, the
3 idea would be then to have all of this product finished
4 and back to you by the end of next week. Am I reading
5 the timelines correctly?

6 MS. O'TOOLE: Yes.

7 COMMISSIONER MCHUGH: How does that
8 sound?

9 MS. O'TOOLE: That certainly sounds fine,
10 Commissioner. I would say I have one question though,
11 when you said that you have identified policy questions,
12 then send it to us. Would that be send it to us, to the
13 consultants, for recommendations that would then in turn
14 come back to the Commission? Or would it be send it to
15 us and then we would interact with the Commission to get
16 Commission feedback?

17 COMMISSIONER MCHUGH: I actually
18 anticipated a unified process where there are still some
19 outstanding policy issues that were on the consultants'
20 memorandum that we got last week. There are some there
21 that have answers. Then there are some that Anderson and
22 Kreiger have raised.

23 What my thought was to consolidate all of
24 those, open and closed policy questions, with the
25 resolution in areas where we have closed them just so we

1 have a sheet that shows us where we are and where we have
2 been.

3 Formulate recommendations that I would
4 make to everybody just to have a target to shoot at.

5 CHAIRMAN CROSBY: The open ones.

6 COMMISSIONER MCHUGH: The open ones, yes.
7 Both to the Commission and to the consultants and try by
8 the end of the week to have that sheet out circulating
9 among everybody.

10 Then get the consultants feedback,
11 circulate that to the Commission. Then armed with my
12 recommendations, the consultants' recommendations and
13 make the policy decisions next week. It seems to me that
14 given the timeframe that we have, it is often easier if
15 there is a target there to shoot at. So, that is what
16 I propose.

17 CHAIRMAN CROSBY: So, you would have
18 everything ready, you would have that completed
19 assessment of open issues with recommended solutions in
20 circulation by the end of this week?

21 COMMISSIONER MCHUGH: Yes, that would be
22 the target.

23 CHAIRMAN CROSBY: That is an ambitious
24 schedule.

25 COMMISSIONER MCHUGH: It is ambitious.

1 CHAIRMAN CROSBY: The whole schedule is
2 ambitious.

3 COMMISSIONER MCHUGH: Yes, the whole
4 schedule is ambitious. And it seems to me we ought to
5 try to meet the schedule. And if we can -- If we fall
6 short, we fall short, but not for want of trying.

7 MS. O'TOOLE: Well, so far, so good. Both
8 the Commission and the consultants have been able to meet
9 the deadlines. I would be optimistic.

10 The consultants asked me to say that they
11 definitely are available to talk any time by phone this
12 week and to come up and spend time in meetings again next
13 week to finish that process.

14 COMMISSIONER MCHUGH: That might be
15 something we think about for midweek next week after we
16 have done this process and after we somehow have gotten
17 a tentative resolution of these policy questions.

18 If we can't have a meeting for want of
19 Commissioners, we could feed comments perhaps directly
20 to Anderson and Kreiger or to the consultants. And then
21 we can have a small group meet next Wednesday to absorb
22 those and integrate them into the regulations, figure out
23 a process that we can allow this process to go forward
24 even if we didn't have a meeting

25 MS. O'TOOLE: I think we can get a lot

1 done. Then we will present at the next public meeting
2 of the Commission for a final approval.

3 COMMISSIONER MCHUGH: Right. If we did
4 that even without a meeting next week, we would still be
5 able to get it to the group and meet the schedule.

6 MS. O'TOOLE: That's right.

7 COMMISSIONER MCHUGH: So, we would be able
8 to do even without a meeting next week.

9 CHAIRMAN CROSBY: There are ways we can
10 work the meeting next week. We don't have to have a
11 full-blown Tuesday meeting. We can have a meeting
12 Thursday where we get the Commissioners who are there.

13 COMMISSIONER MCHUGH: Yes, that is
14 another possibility.

15 CHAIRMAN CROSBY: We can talk through that
16 process. We had some comments. Maybe you know this
17 already, how are we getting back to particularly MGM and
18 DLA Piper who sent these comments on the bifurcation
19 process?

20 COMMISSIONER MCHUGH: We had six comments
21 total. I have responded to several of the shorter ones.
22 Part of this process of going through these regulations
23 will provide a platform for getting back to the others.

24 Basically, the Suffolk ones we are going
25 to talk about one issue later today. The others I think

1 we basically in one way or another addressed ourselves
2 to.

3 The MGM ones, the please don't bifurcate,
4 I think our position is clear we are going to bifurcate.
5 The second issue that MGM has raised I think we have
6 essentially covered and will so state.

7 COMMISSIONER ZUNIGA: I have a comment
8 relative -- taken together, those comments. One of the
9 takeaways I took was relative to this real hunger for the
10 criteria that we will be evaluating on relative phase two.
11 I think one of the suggestions that in those comments
12 relative to issuing policy statements about that process
13 is a very good one. One that we should consider, we
14 should think about. We should think about sooner rather
15 than later because I think even the bifurcation
16 reluctance comes from that, comes from the hunger about
17 what is going to be the position of this Commission
18 relative to the statute and what we want this process to
19 look like and how they are going to be evaluated on it.

20 I suggest we should think about making a
21 process of issuing periodic, however they come, policy
22 statements that could inform those who are really looking
23 at this Commission so that they can put their ideas into
24 paper.

25 CHAIRMAN CROSBY: I think it's a very good

1 point. I couldn't really understand what the MGM concern
2 was. I don't understand how they thought it might slow
3 things down.

4 But I do think you are right that behind
5 it, whatever their analysis was, what was behind it was
6 concern that somehow we might be slowing down RFA-2 by
7 doing this RFA-1. I think that is a misunderstanding.

8 I think if people are paying attention,
9 they are hearing a lot about policy concerns. They have
10 heard us talking about community mitigation, about
11 problem gambling, about the particulars of all of those
12 things, about diversity, about research. We are
13 constantly talking about what values we really have here
14 that are going to get reflected in this process. So, they
15 are not without important data.

16 I don't know how much prior to releasing
17 the RFA-1 regs on or about the middle of October, I don't
18 know how much we are going to be able to do in the way
19 of a formal policy. We are pretty much up to our
20 (INAUDIBLE), I think, in getting this stuff done, meeting
21 that first reg. deadline.

22 The whole point of this I think is right
23 after that the RFA-1 regs are out, the regs are done and
24 the document is out, we are relieved, our necks are clear
25 to some extent and we can focus on the policy issues for

1 RFA-2.

2 I am not sure how much we can do between
3 now and mid-October beyond them listening carefully to
4 what we are talking about all of the time.

5 COMMISSIONER MCHUGH: I agree that we have
6 a lot on our plate now. If we look chronologically at
7 where we are going to be once we get the regs drafted and
8 sent off to the first step in enacting them, we are going
9 to have a period of relatively dead time. That's not
10 exactly accurate.

11 But there is going to be a period of
12 diminished activity insofar as those regulations are
13 concerned. That is going to occur if we stay on schedule
14 in about three weeks. Then we will have a period when
15 those regs are out on the table, an incubation period if
16 you will.

17 And then it seems to me we can turn our
18 attention quickly to the assessment of the racing
19 regulations and get that all set up and squared away. And
20 at the same time, begin to concentrate on these policies
21 which I think, if I understood you Commissioner, are more
22 fine-grained than lets concentrate on problem gambling
23 and the like. They are developing criteria. We are
24 going to give so many points if you are near an
25 intersection and that kind of stuff.

1 That it seems to me is something we can
2 begin to develop and it would be helpful to people. I
3 think there will be a period to do that and then we come
4 back to these regulations when we get into the hearing
5 period in September just before we finish up the process
6 and get them issued in mid-October.

7 Then we are deeply into hopefully the RFA
8 phase two preparation process. The schedule that the
9 consultants have prepared reflects that kind of activity.
10 I think we can do it. It has got to be staged and we have
11 got to think about what stage we are in.

12 CHAIRMAN CROSBY: We need PMA's critical
13 path chart sooner than later.

14 COMMISSIONER ZUNIGA: They are working on
15 it.

16 CHAIRMAN CROSBY: I think that is helpful.
17 That is a good schedule analysis.

18 Item three on here is the issue we talked
19 about amongst ourselves and we talked about with the
20 consultants a little bit, which is to make sure we know
21 the contract actually calls for -- assumes the work will
22 be done at the end of the 16-week period, which is the
23 end of August.

24 COMMISSIONER ZUNIGA: September.

25 CHAIRMAN CROSBY: End of September?

1 COMMISSIONER ZUNIGA: We started late
2 May, but we slipped a week when we were executing the
3 contract. So, I need to take a look, but it is late
4 August, first of September.

5 CHAIRMAN CROSBY: But we are talking about
6 the regs not actually going out, the RFA-1 not being
7 issued until mid-October. So, I am not quite sure what
8 we are anticipating happening. What work is going to be
9 going on? Are the consultants still planning on working?

10 The other question that I am at least not
11 quite clear on and maybe other people are, at the end of
12 this work product, this contract with the consultants,
13 where will we be and what will need to be doing next? We
14 are going to jump right off into RFA-2. We are going to
15 need people pretty soon to do the vetting of the RFA-1
16 forms. As far as I know, at least, we haven't really
17 talked about that. I don't know if you have got sense
18 or expectations. We may need to extend our relationship
19 with you all. We may need to get other providers. I just
20 throw that out as kind of a general topic.

21 MS. O'TOOLE: Perhaps I can first of all
22 clarify the issue around the work plan, Chairman. The
23 work plan does indicate that the process goes through
24 until October. Actually, the work of the consultants
25 will be completed, the 16-week project will be completed

1 in September.

2 The consultants' work on the regulations
3 will be complete at that time. We just wanted to reflect
4 the fact that it will take a bit longer for the regs
5 actually to be finalized. That is why the work plan
6 actually extends into October. The consultants, the two
7 consulting groups have both asked me to share with you
8 that they are not about to walk away. If by chance things
9 slip by a week or two, they certainly are going to see
10 through this 16-week engagement. They will see through
11 all of the things that were committed to in the work plan.

12 Once Judge McHugh alluded to that period
13 in August where there will be a bit of a reprieve. At
14 that point, the consultants will revert back to the
15 development of the strategic plan, which was really the
16 primary purpose of that 16-week engagement. Everybody
17 shifted gears a bit and started focusing on the RFA regs
18 and process because that was a priority of the Commission.
19 The consultants are committed to completing the strategic
20 plan and to doing now within the 16-week period as well.

21 Following that, I think, the Commission --
22 the three priorities in my mind will be the scope of
23 licensing, determining what entities and what
24 individuals actually have to apply and be vetted during
25 the process, the investigations under the RFA phase one

1 process.

2 The scope of licensing process, the
3 consultants estimate that that will take two months.
4 Then the investigations would follow that. The
5 investigations will be in many instances will be very
6 complex because of the nature of some of these companies
7 and the holdings of some of the individuals involved.

8 Then simultaneous to investigations, the
9 Commission will probably want to develop the regulations
10 for RFA phase two -- Excuse me, the regulations for the
11 actual RFP, which means -- That is a really critical
12 project because other jurisdictions have faced
13 challenges when they haven't developed the proper request
14 for proposal.

15 CHAIRMAN CROSBY: Basically, what we need
16 is outside help in figuring out how we draft RFA-2 and
17 help teeing up and resolving the host of policy issues
18 that will be in that, one.

19 Two, we need a team somewhere to help us
20 do the investigations of the returned RFA-1's. And at
21 the moment -- Commissioner, would you like to say
22 something?

23 COMMISSIONER MCHUGH: And to spend a
24 couple of months figuring out or however long it takes
25 figuring out who we have to investigate for a full RFA-1.

1 MS. O'TOOLE: The scope of licensing.

2 COMMISSIONER MCHUGH: The scope of
3 licensing as Kathy was saying. So, it is not going to
4 be self-evident.

5 MS. O'TOOLE: Then the investigations and
6 simultaneously the investigations and the RFA-2
7 regulations.

8 CHAIRMAN CROSBY: At the moment, we have
9 no help to do that. So, we need to move PDQ to figure
10 out whether we can either -- do we want to expand on the
11 contract we have with the existing consultants? Do we
12 want to put out an RFP for additional help? Some
13 combination of both? Has anybody been staying up nights
14 thinking? Is there a presumed plan?

15 COMMISSIONER CAMERON: I am actually
16 working on it with our consultants. I actually think
17 with the team of the two consultants, we are well prepared
18 to continue to use them for all three of these items. I
19 am convinced that they have the ability, the experience,
20 some very good ideas from -- my issue has been certainly
21 with investigations.

22 CHAIRMAN CROSBY: I'm sorry. It's two
23 o'clock. Where is Elaine?

24 COMMISSIONER ZUNIGA: The press avail is
25 next door?

1 CHAIRMAN CROSBY: I think so. At the
2 moment, I only see one member of the press who wasn't here
3 during our first meeting. Should we stop and come in?

4 COMMISSIONER CAMERON: Are we close to
5 finishing this piece?

6 CHAIRMAN CROSBY: I don't think so.

7 COMMISSIONER CAMERON: You think there is
8 a lot more to go with this particular topic on the
9 consultant status report?

10 CHAIRMAN CROSBY: Yes, I have a bunch
11 more. So, why don't you just hold that thought. I am
12 sorry for interrupting you. Let me just get Elaine in
13 here and figure out what we are going to do next.

14 Are we ready? It is 2:00. Should we go
15 ahead as planned?

16 MS. DRISCOLL: Yes, absolutely.

17 CHAIRMAN CROSBY: So, we will make a
18 motion to suspend this meeting while we do a few other
19 things. As soon as the press avail is over, we will come
20 back and pick this up.

21 At 3:00, we will do the other meeting as
22 well. Do we have a motion on that? Do you have a
23 thought, Commissioner?

24 COMMISSIONER MCHUGH: About a half an
25 hour?

1 MS. DRISCOLL: Yes.

2 COMMISSIONER MCHUGH: So, that motion is
3 a motion to suspend until about 2:30.

4 CHAIRMAN CROSBY: All in favor, aye.

5 COMMISSIONER ZUNIGA: Aye.

6 COMMISSIONER CAMERON: Aye.

7 COMMISSIONER STEBBINS: Aye.

8 COMMISSIONER MCHUGH: Aye.

9 CHAIRMAN CROSBY: The motion passes.

10

11 (Meeting suspended at 2:00 p.m.)

12

13 CHAIRMAN CROSBY: We are reconvening the
14 16th meeting.

15 We were in the middle of talking to our
16 consultant and ourselves about the continuation of the
17 RFA and so forth process. I think you were starting to
18 speak Commissioner Cameron. Do you remember?

19 COMMISSIONER CAMERON: I think I do. We
20 were just talking about the additional steps. I think
21 Commissioner O'Toole outlined the additional steps that
22 the consultants could assist us with or we need assistance
23 with moving forward.

24 I just started to make the point that with
25 regard to investigations, this is something I have been

1 thinking about. What help we need to move forward with
2 investigations. And I know in speaking to our
3 consultants they have some very good ideas on how to
4 assist us moving forward with investigations.

5 I have really been looking, discussing the
6 different models and trying to understand the challenges
7 and be prepared to make good decisions with regard to
8 investigations and the Bureau.

9 CHAIRMAN CROSBY: I guess what we need to
10 decide is whether we want to just continue talking with
11 the present consultants. I don't have a sense really of
12 what is required to do the investigations. I don't have
13 an independent way of knowing whether they can do it or
14 not. I know they do at least some portion of that. I
15 have heard them talk about it, but I can't really speak
16 to that issue.

17 Certainly, from my standpoint the
18 relationship has been a great one. They have been
19 terrific. They have been tremendous in response, and
20 best I can tell the work has been really good. I liked
21 having Commissioner O'Toole on the team. So, I have been
22 completely satisfied and impressed with the team we put
23 together by combining those two responses.

24 There is an appropriateness issue as well
25 on the skill sets. I certainly think the skill sets to

1 do two of those three pieces that Kathy laid out are within
2 Michael & Carroll and Spectrum. Whether they can do the
3 full instigation thing, I just don't know.

4 COMMISSIONER CAMERON: We actually
5 received a memo late last night that I have not had a
6 chance to look at in its totality, which really lays out
7 some of the things that I have been discussing, which
8 really have to do with a combination of we will need the
9 help of some key people. We will need to use some
10 experienced investigators that have conducted these
11 particular investigations. The consultants have
12 identified that group, have used them in other
13 jurisdictions for this very investigative need, with the
14 plan of training folks that we may use here. There are
15 some decisions, how much State Police we want to use. How
16 many of our own investigators. We have a lot of decisions
17 along those lines to make.

18 But the skill sets, the training will be
19 there, which I think is a critical piece for us to be able
20 to conduct these investigations in a comprehensive
21 manner.

22 COMMISSIONER ZUNIGA: I want to make a
23 point relative to procurement, which the way we engage
24 our consultants now was through the RFP that the
25 Governor's office conducted on our behalf because we were

1 not even formed. It was very broad relative standing up
2 the Commission. And there was language there that we
3 could refer to.

4 But the way we define the contract since
5 then when we selected them, it was about the strategic
6 plan, which Ms. O'Toole talked about and which is what
7 they are working towards.

8 As we have gained intelligence as to what
9 we need to do, which is also under the auspices of standing
10 up the Commission, we clearly have this bulk of need for
11 the investigation piece, which was not -- nobody ever
12 presumed. -- not part of their current contract.

13 Because the dollar figure could be
14 substantial, I believe we should explore and consider the
15 need to procure these as requests for responses as an open
16 RFR.

17 We should consider as to who the
18 respondents may be out there. They have not already
19 identified themselves by responding to the original RFR
20 or that maybe even that that original RFR did not feel
21 they were qualified to do but could be qualified to do
22 on a subsequent to RFR about investigations if we put it
23 out there.

24 That is something we should start thinking
25 about soon, because when we are envisioning -- I know they

1 are qualified to do that. I frankly think that Michael
2 & Carroll and Spectrum, depending how we craft the
3 services that we want, they may or may not want to respond.
4 For the sake of competition I wish that they do. I think
5 we should consider that process as we contemplate the need
6 for those investigations to happen quickly or soon
7 rather. That means acting on that soon.

8 CHAIRMAN CROSBY: Commissioner McHugh,
9 had you been thinking about this? Do you have thoughts
10 about this?

11 COMMISSIONER MCHUGH: I have just been
12 thinking that we need to do it, and we need to begin the
13 plan now. It seemed to me that there might be, as I have
14 listened to the consultants talk, there might be more than
15 one piece to this. I don't know what that memo they sent
16 to you says.

17 But the investigation with the potential
18 applicants as to how deep into the corporate structure
19 the investigation needs to go, that's one piece. The
20 sizing up the workload and the depth.

21 And then doing the actual investigation,
22 they are two different functions. I thought that
23 subcontracting or sending it out to private organizations
24 that do this kind of work was something that they had
25 talked about at one point. And I don't know whether that

1 is still on the table.

2 It seems to me that the first thing we need
3 to do is to figure out what the components of the need
4 are, of the task are. Then figure out whether some of
5 it is small enough so that we can simply extend or change
6 or alter the contract or whether the whole thing needs
7 to be rebid. And if so, whether we need to have two
8 different RFRs or how to structure it.

9 The first thing, it seems to me is to
10 define what we are looking for and what is going to go
11 forward. Our present consultants, it seems to me, if
12 they are willing to do it, would be terrific to have them
13 do that and scope it out so we can discuss it

14 MS. O'TOOLE: I think that is precisely
15 what they did in the memo that was provided to the
16 Commissioners last evening. Again, we completely defer
17 to the Commission on procurement decisions.

18 They have done lots of that type of work
19 in the past. They have done both the continuing
20 consulting, the preparation of the scope of licensing and
21 they have done regulations similar to RFA-2 regulations.
22 And also Bernie Murphy is the former FBI who oversees all
23 of the investigations.

24 Again, I am sure they will compete in the
25 appropriate way for any opportunities that may exist in

1 the future.

2 COMMISSIONER MCHUGH: I think the
3 knowledge now that has been built up over the past several
4 months and the sort of desirability of having a continuum
5 makes it worthwhile to see the extent to which --
6 consistent with the policy, we can continue take
7 advantage of them would be a worthwhile undertaking.

8 CHAIRMAN CROSBY: As a practical matter,
9 I don't know about the investigation part, because that
10 is outside my knowledge, but the rest of the work that
11 they do, I think we've got the two best people in the world
12 to do it. It's not like there is a whole bunch of people
13 out there. We took the two who were the only two bidders
14 that were even remotely capable of doing the work.

15 COMMISSIONER CAMERON: There are a lot of
16 firms than I am aware that conduct investigations, but
17 this is a unique investigation. And I know they have
18 folks -- I actually looked to a list of individuals and
19 they are the individual's that have spent years and years
20 investigating for New Jersey, Pennsylvania regulatory
21 bodies. So, they have the specific investigative
22 knowledge, which really is more complex than a background
23 investigation.

24 CHAIRMAN CROSBY: Sure.

25 COMMISSIONER ZUNIGA: The field can be

1 very narrow, that doesn't take away from what I believe
2 is our need to explore via an RFR for services that we
3 have not procured yet.

4 Relative to the scope of licensing, I see
5 that as a much, much closer nexus to the strategic plan
6 because we asked and bought a strategic plan. Depending
7 on how we go about relative to the scope of licensing,
8 I happen to see the way it is being defined now as a nexus
9 to --

10 CHAIRMAN CROSBY: Is that true with RFA-2
11 as well?

12 COMMISSIONER ZUNIGA: Certainly, yes.

13 CHAIRMAN CROSBY: So, those two pieces of
14 it.

15 COMMISSIONER ZUNIGA: Right. Where we
16 start migrating into implementation is when we are
17 starting to talk about conducting the investigations
18 rather than conceiving about them. Or when we talk are
19 talking about writing regs rather than just planning for
20 it.

21 CHAIRMAN CROSBY: We are writing regs
22 right now.

23 COMMISSIONER ZUNIGA: Which we did change
24 that part of the original work plan, which we provided
25 for in the scope of work agreement that we drafted

1 initially. We have a mechanism to do that.

2 I am not saying we should just end when our
3 contract finishes. We should think about just what which
4 pieces maybe we need to bid, because there maybe people
5 out there who did not respond to the original RFR because
6 all they did was investigations, for example.

7 From a procurement standpoint, the people
8 we don't know about who may be out that we need to test.
9 We may come back to that conclusion there is only a limited
10 pool of people we already know about. But I think it
11 needs to be tested.

12 CHAIRMAN CROSBY: I think what
13 Commissioner McHugh said is right. We need to know what
14 it is we need before we can be any more clear about this.
15 Have you read the document that the consultants --

16 COMMISSIONER ZUNIGA: Just briefly, it
17 was just last night late. I skimmed through it

18 CHAIRMAN CROSBY: It is well laid out what
19 it is we need?

20 COMMISSIONER ZUNIGA: It lays out
21 important questions. Importantly, the investigation
22 amounts could be substantial. That's where I'm thinking
23 it should be an RFR. We are not talking about a change
24 order, if you will. We are talking about entirely new
25 scope and that is where I am coming from.

1 CHAIRMAN CROSBY: My predilection is that
2 assessing the depth of the investigations and carrying
3 on this kind of work for RFA-2 that has been done with
4 RFA-1 is quite consistent in the original RFP, which they
5 bid on in one, and probably, we probably covered it pretty
6 well in our own work plan.

7 From my standpoint, having a presumption,
8 which is rebuttable if we find out there is something
9 wrong with it of moving forward with our existing
10 consultants on that work and with also more of a
11 presumption that we would take a look at going outside
12 for the investigation stuff. That is just me talking.
13 That is not formal policy. I think we need to try making
14 some decisions here pretty quickly, because anything that
15 does require an RFR is going to take some time.

16 COMMISSIONER ZUNIGA: It does. And we
17 the need to put it in writing. It forces us to think about
18 what it is that we want so people can understand and
19 respond to.

20 I'll just give another example, we should
21 also test the assumption that one, not two of our
22 consultants could do this for us to be more cost
23 effective. Both respondents were willing to do the
24 strategic plan on their own. I think they are capable
25 of doing them on their own.

1 is the carry forward from the conversation we started last
2 week when we sort of open-endedly talked to the
3 consultants about our concerns that there wasn't enough
4 competition in Eastern Mass. but there was so much
5 competition in Western Mass.

6 And up came this Wall Street idea, which
7 I think we all thought about and talked about a little
8 and are very inclined to want to consider pursuing.

9 In the meantime, Commissioner Zuniga and
10 I have talked to an investment banking firm, a true
11 investment banking firm that only does transactions.

12 COMMISSIONER ZUNIGA: Advisory, only does
13 transaction advisory.

14 CHAIRMAN CROSBY: The don't do financing.

15 COMMISSIONER ZUNIGA: They do not do
16 underwriting.

17 CHAIRMAN CROSBY: I am not sure how much
18 others of us have talked about this. But Commissioner
19 Zuniga and I have been talking about this off and on now
20 for probably a month or two. The kinds of function that
21 such an organization might play for us are to help us pitch
22 -- If we are going to do a Wall Street tour, to make sure
23 we know how to do that right. If we are going to do it,
24 we want to do it really buttoned up. We want to have
25 anticipated the questions in advance. We want to know

1 what can we say that can affect their frame of mind. And
2 when will be ready to say that.

3 So, an investment bank would clearly be
4 able to help us do that kind of stuff. They may be able
5 to contribute to the whole competitive environment
6 conversation because they are people that live in that
7 world. Maybe think outside the box, help us think
8 outside the box about ways to finance and leverage the
9 investment opportunities.

10 As an example, one of these brainstorming
11 things that I hope nobody will make too much of, somebody
12 mentioned the possibility that you could work with a
13 facility and do tax-free bonds, which would bring the
14 financing costs down. It's a very secure bond. But you
15 could bring the borrowing costs down for a developer and
16 maybe generate money elsewhere by bringing their
17 borrowing costs down if we could figure out a way to do
18 bonding through tax-free bonds, just as an example.
19 That's not the kind of thought process that would actually
20 come to any of us.

21 They would be tremendously good at helping
22 us vet and negotiate deals with bidders. The really
23 understand the marketplace,. They understand the
24 arithmetic better than we would.

25 There has been a model. This one firm we

1 have talked to has done work in New York in a similar
2 situation and has done work with Spectrum in Ohio. So,
3 there is a track record of investment banks fitting with
4 our existing consultants and figuring out how to divvy
5 up the responsibilities. So, have we looked into at all
6 what something like this order of magnitude would cost?
7 Did you have a chance?

8 COMMISSIONER ZUNIGA: I asked that
9 question and they have not provided -- they are working
10 on it. I would characterize it in a phase of request for
11 information.

12 It all depends a little bit like what we
13 are going through with our consultants right now.
14 Whether somebody can help us come and do scoping criteria,
15 evaluating scenarios on an early stage or help us do
16 negotiations, actual evaluation once we get proposals or
17 both.

18 They were going to put together
19 essentially those two options. They have done it for
20 other states on both cases or in both instances. They
21 have not come back.

22 Similar to what I was just saying, it would
23 be something that I think we should write in terms of scope
24 of what we want and issue a solicitation, because this
25 could also be a large dollar amount.

1 CHAIRMAN CROSBY: Sure. This would be a
2 contender for procurement. I think what I was looking
3 for was -- Just to talk about this a little bit and see
4 if other people have reactions. -- the concept of bringing
5 investment bank in this kind of a role. And if there is
6 a general consensus that that is a good idea, then
7 Commissioner Zuniga and I will continue to pursue it.

8 COMMISSIONER MCHUGH: This is an
9 investment advisor. This is not an underwriter or
10 investor?

11 CHAIRMAN CROSBY: Correct.

12 COMMISSIONER MCHUGH: I think it is really
13 a worthwhile thing to be thinking about either for
14 prepping for a trip to Wall Street, if we decide that that
15 is a sensible thing to do. Or to help us, and I think
16 we really will need some help, analyzing the RFA-2
17 returns. So, it would be great to get somebody onboard
18 now to work with for a while so we can be prepared for
19 that or both.

20 CHAIRMAN CROSBY: There is no
21 disagreement. So, we will go ahead and keep working
22 that.

23 We did get this memorandum from Michael &
24 Carroll about and I talked. -- From Spectrum I think I
25 talked to Fred, but I can't remember if I did or not. They

1 were ready to move now. I think it is a little bit too
2 soon. I don't think we are really ready to move. And I
3 think we may want to talk about getting an investment
4 banker to help us figure out how to do that tour. If I
5 have not passed that word that is not the end of the
6 conversation, but that is our state of mind at the moment.

7 MS. O'TOOLE: Actually, Chairman, I spoke
8 to Fred Gushin this morning and he mentioned that the Ohio
9 model where they worked closely with an investment banker
10 was a very good one. Certainly, the consultants would
11 very much favor that decision.

12 CHAIRMAN CROSBY: Great. That is good to
13 hear. The investment banker said the same thing, so both
14 sides are saying it, yes, that is good.

15 So, we will pursue this and try to move
16 pretty quickly on that.

17 I think, Commissioner --

18 MS. O'TOOLE: I have not been a
19 Commissioner for many years.

20 CHAIRMAN CROSBY: It feels good, doesn't
21 it?

22 MS. O'TOOLE: Too many Commissioners.

23 CHAIRMAN CROSBY: Thank you again, very
24 much. And I hope you'll pass where the rest of the work
25 goes, it remains to be seen. But I hope you will pass

1 back to the consultants that everybody talks about how
2 good we feel about the work you guys have been doing so
3 far.

4 MS. O'TOOLE: Thank you very much.

5 CHAIRMAN CROSBY: Technical and other
6 assistance to communities. The ombudsman position is
7 posted and finalized, posted. Is it on the State site
8 yet?

9 COMMISSIONER ZUNIGA: Yes.

10 CHAIRMAN CROSBY: So, it is everywhere.
11 We are anxiously looking for candidates. So, if
12 anybody's got ideas out there, please let us know. We
13 are anxious to get moving on that role as soon as we
14 possibly can. Is there anything else about that? I
15 don't think so.

16 Protocol for interactions with state
17 agencies. That is the issue that we have been talking
18 about now. This is the protocol where the state agencies
19 don't want to deal with bidders until they are formally
20 vetted as legitimate applicants.

21 We have now come up with this process that
22 we talked about last week and we almost decided but we
23 need to finalize that. If I am remembering it right, we
24 decided last week that we did agree that a bidder could
25 become a formal applicant by the completion of a document,

1 which we will prepare that says I want to become an
2 applicant and the delivery of a \$400,000 check to deposit.

3 We had talked last week about the earliest
4 that might happen would be when they RFA is launched in
5 mid-October and the latest that could happen is when the
6 RFA is returned completed.

7 Subsequently, a couple of things have come
8 out. There has been concern expressed by one prospective
9 bidder that contrary to what we have been saying there
10 have already been discussions with DOT and one of the
11 other bidders. And that if we were to in any way preclude
12 bidders from now talking to DOT that would put them at
13 a competitive disadvantage.

14 We have looked into that and have talked
15 to DOT. They said that although there has been some
16 paperwork filed by a bidder that that seems to imply there
17 has been discussions with DOT that that is incorrect.
18 There have not been.

19 As best we can understand it -- the tribal
20 situation is different. The tribe has been authorized
21 to go ahead and talk, but that is a very different
22 situation. But in regions A and B, we understand that
23 there has not been any substantive conversation with DOT
24 or as far as I know, other state agencies.

25 Assuming that's true, so that nobody would

1 be put at a disadvantage by not being able to start today,
2 I think we have suggested and Commissioner Stebbins has
3 suggested that at the Western Mass. forum, which we will
4 talk about that we will release the one-page I want to
5 become an applicant form. And from that time forward,
6 which would probably be August 8, anybody that wants to
7 fill out this one-page form and give us their \$400,000
8 even before the RFA-1 has been published, if they want
9 to get going in their discussions with state agencies that
10 that would be fine.

11 Basically, two and half weeks from today
12 or whatever it is, three weeks from today people --
13 bidders could turn themselves into applicants and start
14 the process of dealing with state agencies on their
15 application if they wanted to. You're looking a little
16 perplexed here.

17 COMMISSIONER CAMERON: I guess I have a
18 concern about that in that without knowing what the
19 requirements will be, will everyone know whether or not
20 they want to be a bidder? One-page application, I am just
21 wondering if that is --

22 CHAIRMAN CROSBY: Lots of people are
23 already spending serious money to prepare for the --

24 COMMISSIONER CAMERON: I understand that.

25 CHAIRMAN CROSBY: So, that is not our

1 business. If they don't know enough yet, that is up to
2 them. They can decide not to start until they get RFA-1
3 out.

4 If somebody wants to get started, which is
5 where this is coming from. There are people who want to
6 get started. There are people who are already well down
7 the road. It doesn't seem that there is any reason to
8 preclude them from working with state agencies if they
9 are serious enough to put up their \$400,000.

10 COMMISSIONER MCHUGH: The form if we went
11 this route -- there is a lot of unknowns. The form would
12 basically recite all of the unknowns and say I acknowledge
13 that these are unknowns.

14 What are the unknowns? The unknowns are
15 we have not promulgated the RFA-2 regulations yet. We
16 have not promulgated and made effective the RFA-1
17 regulations yet. We have not decided on a number of other
18 protocols that may affect them. We have not listed our
19 design criteria for example, or other things we are going
20 to do to help people.

21 But the reason for contemplating this is
22 the reluctance of the permit granting authorities to talk
23 to people who are simply tire kickers and who may not be
24 serious ultimately about submitting a bid. Because the
25 conversations that the permit granting authorities fear

1 are going to be extensive and thoughtful and detailed and
2 the kinds of conversations that necessarily attend this
3 kind of a project.

4 So, the permit granting authorities have
5 said that if you have a demonstration of seriousness, i.e.
6 an application fee, then we will be prepared to deal with
7 them as we would with any other person who is in the
8 process of making a development. The developers want to
9 go ahead and have those conversations.

10 So, this a device to separate the wheat
11 from the chaff and allow them to go forward with those
12 conversations.

13 COMMISSIONER CAMERON: I am wondering if
14 there will be any difference in the two groups.

15 COMMISSIONER MCHUGH: That may be. One
16 could say in this environment \$400,000 is trolley fare.
17 That is for the permit granting authorities and the
18 developers and they are satisfied with that. That is the
19 rationale for it.

20 CHAIRMAN CROSBY: I did talk with the
21 Secretary of Transportation yesterday and got his
22 approval on this, if we are comfortable with this.

23 COMMISSIONER STEBBINS: I look at it as a
24 kind of expediting the steps. We are trying not to slow
25 potential developers down, knowing that they see us going

1 through this pretty lengthy regulation process. We
2 already tried to take one step to try to speed up the
3 process by bifurcating the application process. This is
4 just giving another opportunity for a serious bidder to
5 begin the process of contemplating a project.

6 I cannot speak of experience about trolley
7 fares, but I am sure that \$400,000 is probably money that
8 they have expended in excess already. If they want to
9 lay that down as part of the initial application fee now
10 and move forward and start looking at the potential for
11 their project, why not? I think it makes sense.

12 CHAIRMAN CROSBY: Okay. Do we need a
13 motion?

14 COMMISSIONER MCHUGH: Let me add just one
15 other thing to consider about this and recognizing that
16 we don't have the regulations to fully support this.
17 This would also begin the creation of a fund, which
18 consistent with the statute we could then use to help
19 cities and towns with their needs.

20 So, recognizing the sort of nebulous
21 environment into which the deposit would go it would begin
22 to solve a number of problems that attend this process.

23 CHAIRMAN CROSBY: Okay. Do we need a vote
24 at this point?

25 COMMISSIONER MCHUGH: My suggestion, Mr.

1 Chairman, would be to draft the form and have something
2 concrete in front of us so we can talk about it, and have
3 some exploration, Commissioner Zuniga, as to where we put
4 the money. Do we put it in a trust fund? Do we put it
5 in a bank?

6 COMMISSIONER ZUNIGA: I was going to speak
7 to that. We have a meeting with the Comptroller to help
8 us set up the account, the funds and the proper controls
9 around accepting monies of that magnitude. That's
10 coming up.

11 CHAIRMAN CROSBY: It's trolley fare.

12 COMMISSIONER ZUNIGA: Not to me.

13 CHAIRMAN CROSBY: Let's establish a clear
14 plan. That we are going to aim to get the document done
15 and be ready to accept application fees by August 8. We
16 will announce the form when we have the forum.
17 Everything we need to do in the process we will try to
18 get done by that time. We can talk about it again next
19 week if we are ready. Having setting that deadline I
20 think makes sense.

21 I will tweak the draft that we have to
22 accommodate this new plan and re-circulate that.

23 On the community advisory, that is also in
24 our packets. That is completed and is in distribution.

25 MS. REILLY: You have to suspend at 3:00?

1 CHAIRMAN CROSBY: Yes, thank you.

2 COMMISSIONER MCHUGH: We can just finish
3 this. Janice is absolutely right. Let's just finish
4 this.

5 CHAIRMAN CROSBY: This is again for
6 interested parties is on our website presumably, the
7 municipal advisory.

8 MS. DRISCOLL: If not, it will be this
9 afternoon.

10 CHAIRMAN CROSBY: It is a two or
11 three-page document that starts to give advice to
12 municipalities, puts out a schedule as best as we have
13 been able to plan for up to and through the awarding of
14 licenses.

15 This document will be one of the documents
16 that our ombudsman will be responsible for implementing
17 as soon as we have that ombudsman. It is also meant
18 Brandon and Janice and everybody and Elaine, that anybody
19 who calls up and asks questions, it is meant to be sent
20 out to them, municipalities that call with any questions.
21 This does not answer all of the questions by a long shot,
22 but it is a step in right direction and I want to make
23 sure everybody gets it.

24 Now if I can --

25 COMMISSIONER ZUNIGA: Can I mention just

1 one thing? Or maybe we will come back after we suspend.
2 I have just one point, on the community advisory.

3 CHAIRMAN CROSBY: That is the topic we are
4 on, so go ahead.

5 COMMISSIONER ZUNIGA: In recent
6 conversations with others like Mass. Development and we
7 talked a little bit about this whether this Commission
8 should explore the possibility -- And it is not at odds
9 with what is in here. Whether this Commission should
10 explore the possibility of prequalifying a set of
11 advisers that communities can then draw from as they
12 undertake and conduct negotiations with potential
13 developers.

14 This is just an idea that has been thrown
15 out there. This would be down the road, if you will.
16 It's an idea that I feel we should think about and keep
17 in the back of our heads.

18 COMMISSIONER STEBBINS: We are
19 entertaining a proposal from The Collins Institute I
20 think is what you are talking to in terms of going through
21 the list of previously State approved vendors and kind
22 of highlighting who might be able to help you essentially
23 consult on X like traffic mitigation or infrastructure,
24 etc.

25 CHAIRMAN CROSBY: I am not sure we want to

1 put our stamp of approval on them. It will take a lot
2 of work to feel like we were willing to put our own mark
3 on somebody. But to say here is a range of options, take
4 your pick and take your chances, we certainly can do that.
5 We'll keep thinking about that.

6 If we can have a motion to suspend while
7 we conduct public meeting number 17.

8 COMMISSIONER MCHUGH: I move we suspend
9 for purposes of conducting public meeting 17.

10 COMMISSIONER CAMERON: Second.

11 CHAIRMAN CROSBY: All in favor, aye.

12 COMMISSIONER ZUNIGA: Aye.

13 COMMISSIONER CAMERON: Aye.

14 COMMISSIONER STEBBINS: Aye.

15 COMMISSIONER MCHUGH: Aye.

16

17 (Meeting suspended at 3:06 p.m.)

18

19 CHAIRMAN CROSBY: We are now in suspension
20 on 17 and back to 16.

21 We are on number six, charitable gaming.
22 Keep an eye out if anybody fresh comes in, Brandon, give
23 us a heads-up in case I don't notice.

24 We got the "draft" from Commissioner
25 McHugh. It's a lot more than a draft. It's great. Do

1 you have anything you want to talk about at this point?

2 COMMISSIONER MCHUGH: Just briefly what
3 the procedure I envision would be, Mr. Chairman, that I
4 would turn that outline I circulated, which we are not
5 going to consider today, into a draft, circulate that
6 draft probably by the end of the week or the beginning
7 of next week.

8 Then we would be able to vote -- We would
9 be able to consider the draft at a meeting next week. We
10 wouldn't have to vote on anything. We can consider it,
11 discuss it next week. Then I would take whatever
12 comments we had, add them to the draft, revise the draft.
13 We would vote on it on the 31st. Hopefully, the comments
14 will iron out any difficulties. We would vote on it to
15 adopt it on the 31st. Then we would file it with the
16 Legislature the same day. That would be the plan I
17 envision.

18 By that time, as we discussed last week,
19 I anticipate that we will be able to and other agencies,
20 the Attorney General and the Treasurer will all be able
21 to coalesce around a single location for regulation of
22 charitable gaming. That location will be in the draft
23 I will circulate next week. It is something we can
24 discuss and hopefully agree to and then off it goes.

25 COMMISSIONER ZUNIGA: I have a question

1 based on this draft, which I read and it is well framing
2 the issue. Has there been any discussion relative to not
3 just location but replicating one model versus another
4 in terms of oversight? Whether this current oversight
5 of Beano -- The oversight of Beano versus bazaars is
6 different, placed in different places but fundamentally
7 different.

8 COMMISSIONER MCHUGH: Yes. And there has
9 been some discussion of that. But the thought would be
10 that our report would say we need to locate the regulation
11 in one place. And that by the end of the year we will
12 have legislation, and I think the draft suggests that,
13 have legislation and regulations that will affect that
14 regulatory oversight.

15 Then we will have an opportunity with the
16 other partners to discuss what the regulatory framework
17 ought to look like. It will inevitably take some shape
18 from the location that it will wind up, but we will have
19 an opportunity to discuss that specifically with our
20 partners before proposing legislation and regulation.

21 CHAIRMAN CROSBY: Before we move on,
22 Commissioner McHugh, I have a four o'clock appointment,
23 which would be very good if I could make. I would be happy
24 to miss what is left. If you would be willing to take
25 over for these last few items if you think that's all

1 right?

2 COMMISSIONER MCHUGH: Surely.

3 CHAIRMAN CROSBY: The finance and budget
4 Enrique may have something to talk about. Community
5 outreach there is just the issue of resolving the
6 Springfield request. How do we deal with bidders - A and
7 advocacy groups - B. We have got two pending.

8 On the speaking engagements, I just will
9 mention to you that Senator Rosenberg has announced to
10 the both caucuses in the Senate, the Republican and
11 Democratic caucuses in the Senate that the Commission is
12 willing to go to Senate districts to speak to municipal
13 leadership groups or any leadership groups to try to help
14 them if they want us to.

15 Senator Pacheco has asked that I go and do
16 that in his district. They responded very well to having
17 this opportunity. I left a message for Speaker DeLeo
18 saying we would like to give the same offer to the members
19 of the House. I have not heard back from him, but I will
20 follow up on that.

21 The last item would be the Rhode Island
22 issue, which Commissioner McHugh you are familiar with,
23 right?

24 COMMISSIONER MCHUGH: Right.

25 CHAIRMAN CROSBY: If that's okay, I will

1 sneak out and leave this in the good hands of Commissioner
2 McHugh.

3 COMMISSIONER MCHUGH: Before you leave,
4 Mr. Chairman, we do need a decision on the Rhode Island
5 issue today.

6 CHAIRMAN CROSBY: They are being very
7 gracious about it but I think that would be good. My two
8 cents worth was it was not that big a deal but I was pretty
9 much going to defer to your judgment on that one. But
10 whatever you come up with is okay with me.

11 Thank you all, very much.

12
13 (Chairman Crosby exits meeting room at
14 3:14 p.m.)

15
16 COMMISSIONER MCHUGH: With that intro.,
17 Commissioner Zuniga?

18 COMMISSIONER: Yes, thank you. The
19 finance and budget, I submitted a preliminary budget for
20 fiscal year 2013 as part of the packets.

21 What I tried to do here is to highlight in
22 terms of cash needs for this fiscal year starting on July
23 1 and ending June 30, 2013. There is a comments and
24 assumptions piece in each one of a line items. I am
25 sending them as a first draft for comments.

1 What I tried to do at the end of this
2 three-page document was to call out items, line items
3 seven, eight, nine and 10 that are too broad for us to
4 nail down now or which sources of funds may come from --
5 this Commission may be able to recoup those expenditures
6 by virtue of where the sources for these funds come.

7 One example, I think the easiest example
8 is the investigations line item. I have identified this
9 here as number 10. We will be able to use most of the
10 \$400,000 application fee to conduct those investigations
11 as per the statute. So, there is a direct offset. There
12 is a time element but there is clearly a direct offset.

13 The question becomes whether
14 investigations may cost more than that and that marginal
15 cost this Commission will be able to assess at some point
16 of the same applicants and it becomes a bit of a cash flow
17 question for the Commission.

18 In order not to muddy that -- Muddy is the
19 wrong word. In order not to mix those figures because
20 of its very nature, I excluded them from the operational
21 budget, which is outlined here in items one through six.

22 The same question is about racing
23 operations. We know the racing division is
24 self-sustaining, but to the extent that the lack of the
25 legislative line item presents a cash flow question for

1 this Commission, I have identified this as a TBD as well
2 as other research projects that we have talked about that
3 are substantial, but we will be able to tap from the Public
4 Health Trust Fund ideally in order to fund them.

5 I can take any questions or walk you
6 through the document. Or come back next week with a memo
7 that articulates the assumptions in this document if we
8 are ready for approval. That is sort of the current
9 thinking.

10 COMMISSIONER MCHUGH: Any questions?

11 COMMISSIONER CAMERON: Just a comment
12 that I wanted to thank Commissioner Zuniga for this.
13 First of all, it is easy to read. And secondly, it is
14 really comprehensive. It took a lot of time. So,
15 thank you for putting this together.

16 I will take more time obviously to look at
17 it thoroughly and possibly have questions at that time.

18 COMMISSIONER STEBBINS: I also thank
19 Commissioner Zuniga for pulling this together. He and
20 I had a chance to -- he kind of walked me through the budget
21 the other day over lunch. I think it is pretty thorough.
22 But I think to approve this, this is kind of our FY2013
23 budget having some more detail in terms of the revenue
24 projections or sources of funds would be helpful going
25 forward.

1 COMMISSIONER MCHUGH: I had a question as
2 to item eight. What does that mean technical assistance
3 to cities and towns, three-and-a-half grants? I
4 understand why three-and-a-half, but what was the genesis
5 of that?

6 COMMISSIONER ZUNIGA: It was really just
7 a cash flow question that we talked about from the
8 standpoint of whether this Commission could fund money
9 needed for those negotiations and assess those applicants
10 later on relative to funding those activities.

11 COMMISSIONER MCHUGH: There is a
12 relationship between eight and 10?

13 COMMISSIONER ZUNIGA: Yes. Eight would
14 be for the negotiation pieces and 10 would be for the
15 investigations. Both ultimately come from the
16 operators. And from our perspective, it is a cash flow
17 question because communities will be hard-pressed to find
18 that money whereas this Commission could have a role in
19 terms of helping with that cash flow.

20 COMMISSIONER MCHUGH: I understand that.
21 But I asked that question because once the \$400,000 comes
22 in, then the statute says that some of that can go to
23 cities and towns?

24 COMMISSIONER ZUNIGA: Yes. That is
25 right.

1 COMMISSIONER MCHUGH: At least there is
2 some relationship conceptually between the tasks
3 contemplated by eight and the revenues contemplated by
4 10?

5 COMMISSIONER ZUNIGA: You are correct. I
6 will make that change. It would read for example on 10
7 that the figure would be \$350,000 whereas \$50,000 as per
8 the statute is earmarked for the local municipalities for
9 negotiations. Yes.

10 COMMISSIONER MCHUGH: I understand the
11 concept.

12 COMMISSIONER ZUNIGA: The concept is the
13 same that there is a cash need upfront. It gets assessed
14 later on or soon thereafter but the point is later. We
15 could serve as the mechanism.

16 COMMISSIONER MCHUGH: Okay. I too join
17 Commissioner Cameron and Commissioner Stebbins in
18 thanking you for the comprehensiveness of this and its
19 accessibility. It is really easy to read and understand.

20 Let's simply defer further consideration
21 of this until a future meeting whether that would be the
22 next week or the week after.

23 COMMISSIONER ZUNIGA: Yes.

24 COMMISSIONER MCHUGH: Public education
25 and outreach. Before he left, Steve was referring to,

1 under subdivision A of that, the ongoing discussion we've
2 been having about how to deal with requests that have been
3 made by people who are interested in one way or another,
4 whether they actually represent a potential developer or
5 are affiliated with an issue, how are we going to deal
6 with their desire to talk with us.

7 We have received a number of requests of
8 those kinds. We have basically said that we will be happy
9 to see people in a public setting, but we have not gone
10 beyond that. That is what this topic was designed to
11 allow us to talk about a little bit further. Does anybody
12 have any thoughts on that subject?

13 It seems to me that ultimately we need to
14 think this through in a structured fashion and have some
15 kind of a memorandum that we circulate and think about
16 for a minute before we get deeply into the subject.

17 For example, we could make it part of the
18 speakers bureau kind of approach that we would entertain
19 people who wanted to come and talk to us if they met
20 certain criteria, figure out what those criteria were,
21 in an effort to have the fullest access to the Commission
22 by interested people who had something useful and helpful
23 for us to hear, without opening the floodgates for just
24 a general discussion of the idea of gambling. That would
25 be one approach.

1 Another approach would be to set aside a
2 part of one meeting a month and just have an hour for an
3 open forum for those who wanted to talk to us.

4 Another might be to say that we would be
5 happy to talk to anybody who wanted to talk to us if two
6 Commissioners had that conversation at our offices and
7 if we posted a summary of the conversation on our website
8 so that we maintain the transparency but increase the
9 flexibility and the input that we got from people.

10 Transparency being a paramount
11 consideration in all of these kinds of conversations,
12 coupled with the desirability of getting useful and
13 helpful information from a wide variety of constituents.

14 So, those are the kinds of issues we have
15 talked about obliquely in the past. And those are the
16 kind of issues that this topic was designed to get us to
17 talk about further, because those requests for
18 conversations with us are going to increase as we move
19 forward understandably. We need to be in a position to
20 respond to them. And at the same time everybody has to
21 know what we are telling one person so that everybody will
22 have the same information.

23 Thoughts on how to proceed with that?

24 COMMISSIONER ZUNIGA: I like the last two
25 options, clearly, for that matter all options. But the

1 idea of having a periodic forum open for people to come
2 forward and express in free-form. It could of course be
3 framed well in terms of time, etc., but I think that is
4 great.

5 It goes right along with the mission of
6 this Commission, which is to be transparent and
7 participatory. It should be open to whomever. I don't
8 know that we can do it realistically given our agendas
9 at every meeting, but I think we should be ready to have
10 it periodically.

11 COMMISSIONER STEBBINS: We have used,
12 when I was on the City Council in Springfield, we had that
13 kind of certain amount of time set aside for public speak
14 out prior to one of our meetings. We asked that people
15 who are interested call the office ahead of time, put
16 their name on a list, because you want to keep to an agenda
17 after that public speak out.

18 We kind of asked people to keep their
19 comments or thoughts to a certain time limit. We would
20 hope that people coming forward might have something
21 germane to what was on the agenda, something that was kind
22 of where we were in the process that comments would
23 reflect that.

24 We also have, echoing Commissioner McHugh,
25 we have other segments of requests that are coming in.

1 We are having requests that are coming in, I am thinking
2 in the case that the Chairman mentioned, in the case of
3 municipalities to have a direct conversation with us.
4 That is one whole set of interests.

5 As you and I have found out Commissioner
6 Zuniga, there a is a lot of people who are just looking
7 for general familiarity with the process, which I think
8 gets to the purpose of the speakers bureaus to go out and
9 talk about the process we are going through, a little
10 background on the law, etc.

11 So, I think there is ways to give people
12 opportunities. I think when it comes to having somebody
13 who wants to talk to us about issue where we consider their
14 input at an expert level, I think that is criteria left
15 in our hands on a case-by-case basis as to who we would
16 want to invite to share those thoughts and comments.

17 Let's look at it now as having four buckets
18 and kind of which request falls in each bucket. The
19 speakers bureau piece seems to be the easiest. It's
20 kind of set presentation that we can give to Rotarians,
21 Qantas groups who just have a general interest in learning
22 more about what we are going through and maybe don't tap
23 into our streaming sessions.

24 But people that have a more definitive
25 reason to want to talk to us related to a project, building

1 some of this public forum time in once a month and then
2 looking for opportunities for us to invite experts in to
3 give us some thoughts and feedback.

4 I know we need to think about criteria for
5 each of those, but if we get our hands around the four
6 constituencies, at least as I see them, I think there is
7 a way to deal with them and make time available for them
8 to be heard.

9 Additionally, we have talked about doing
10 hearings, not necessarily in the line of forums we have
11 done, but hearings out in the field to get feedback on
12 regulations. That is going to feed into another whole
13 group, an audience that we are going to talk to and will
14 want to be in front of us.

15 COMMISSIONER MCHUGH: Yes, I think, that
16 last piece is going to provide a good opportunity and
17 might even be worth thinking about having a listening
18 session as we get further along in various regions
19 throughout the Commonwealth.

20 Would you be willing to -- You seem to have
21 a pretty good bucket list there. Would you be willing
22 to --

23 COMMISSIONER STEBBINS: It is not my final
24 bucket list.

25 COMMISSIONER MCHUGH: I understand, but

1 it is a functional bucket list. Would you be willing to
2 outline a memorandum for us and put some of those thoughts
3 down on paper and then bring it back?

4 COMMISSIONER STEBBINS: Sure. I will
5 work with Elaine, because I think she's going on a track
6 with the speakers bureau, which is a piece of that.

7 COMMISSIONER ZUNIGA: Right. This all
8 fits as part of a piece. That would be great.

9 The other piece that came up under this was
10 a request I got a from one of the Representatives from
11 one of the cities and towns who asked whether we plan to
12 have some kind of a library of information where
13 particularly people involved in negotiations with
14 developers or potential negotiations with developers
15 could get information about the gaming industry. And it
16 occurred to me like many of us, there is a dearth of
17 information about this industry out there by people who
18 are going to be affected by it and who want to have some
19 intelligent discussions with each other about criteria
20 to be looking for and the like.

21 So, it seemed to me worthwhile for us to
22 think about trying to create some kind of an electronic
23 library even if it were only links that we could put up
24 as an aid to cities and towns with publications that might
25 be useful. How we get those publications, how we

1 identify them is another question. It seems like a good
2 idea to try and do that.

3 COMMISSIONER STEBBINS: I think we have
4 obviously read a lot. We talked about using forums as
5 an opportunity for people to hear what we are doing. I
6 think those documents sort of fit into that same category.

7 We maintain a library, I agree with you,
8 putting some of those titles either a link to the
9 document. And some of those reports are pretty wieldy
10 in terms of size. But they will at least know what we
11 are reading and kind of what information we are drawing
12 out of those reports.

13 COMMISSIONER MCHUGH: Okay. Let's
14 figure out a way that we can do that. Anything else under
15 that topic?

16 Then it's time for a report from the
17 Director of Communications and Outreach. Good
18 afternoon.

19 MS. DRISCOLL: Just a fast update. I
20 right now have three proposals in from various companies
21 for branding, logo creation, website issues, things like
22 that. I am probably going to solicit two more. Then
23 basically determine what next steps are.

24 Put together a similar type of checklist
25 about what we want to accomplish and who has what. It

1 is just going to be a matter of trying to find the best
2 fit for us I think at this point.

3 Reviewing costs and things like that
4 obviously, and then maybe once I have that down we can
5 determine whether I can get together with two
6 Commissioners maybe have someone come in and present. I
7 am not quite sure what the process will be for that yet
8 but we will figure that out.

9 And then again, still working on the
10 speakers bureau. That's going well. Based on the new
11 information on the Western Mass. forum today, I'll be sure
12 and start getting the word out on that so that we can
13 maximize attendance. There is a lot of interest, so it
14 should be great.

15 COMMISSIONER MCHUGH: Sounds good. It
16 will be fun to get the design up and going.

17 MS. DRISCOLL: Yes, it will.

18 COMMISSIONER MCHUGH: Any questions or
19 comments? Okay.

20 Speaking engagements, we heard Steve give
21 his report on the speaking engagements. Anything to add
22 to that by anybody else?

23 COMMISSIONER STEBBINS: I have one
24 speaking engagement request that I ran through with
25 Director Driscoll to speak to the Western Mass. Eldercare

1 Professionals monthly meeting. I will send around the
2 details in case anybody wants to join me 8:00 a.m. out
3 in Western Mass.

4 COMMISSIONER MCHUGH: I think you can
5 handle that yourself, Commissioner.

6 Lets turn then to the research agenda. I
7 am going to turn this over to you.

8 COMMISSIONER ZUNIGA: We skipped over D.

9 COMMISSIONER MCHUGH: Pardon me?

10 COMMISSIONER STEBBINS: Oh, discussion of
11 Western Mass. forum. Yes, we did skip over that. Thank
12 you, Commissioner.

13 COMMISSIONER STEBBINS: Just a quick
14 update. Again, we have confirmed August 8 out in
15 Springfield. State Senator Gale Candaras in a meeting
16 with Chairman Crosby was eager to help us host this.

17 We are being hosted by Western New England
18 University. Again, the topics and we are still fleshing
19 out speakers, but the panels are going to be on community
20 mitigation. Hopefully taking what we learned in
21 Framingham and drilling down a little bit especially as
22 it relates to Western Massachusetts community mitigation
23 issues.

24 Tourism, we all know that the legislation
25 speaks extensively about connecting casinos and gaming

1 with tourism.

2 The third topic being the workforce. We
3 have general interest when gaming comes to Massachusetts
4 that there is not a huge importation of people from
5 outside of the Commonwealth but we create job
6 opportunities for folks inside the Commonwealth.

7 And I think we will have some updates from
8 our community colleges that are kind of expanding their
9 training collaborative mission as well as some other
10 topics. Three different topics, which I hope will turn
11 out three distinct groups of folks.

12 It will be the afternoon out in Springfield
13 on August 8. Hopefully, work with Director Driscoll to
14 see if we can tie in some media opportunities as well since
15 all five of us will be out in the western part of the state
16 for the day.

17 COMMISSIONER CAMERON: Commissioner, it
18 is definitely on the eighth?

19 COMMISSIONER STEBBINS: Yes.

20 MS. DRISCOLL: Western New England
21 University?

22 COMMISSIONER STEBBINS: Formerly,
23 Western New England College. They had a name change a
24 year or two ago.

25 COMMISSIONER MCHUGH: So, we all look

1 forward to that. All three of those are important
2 topics. The opportunity to drill down a little bit more
3 in the community mitigation will be an opportunity that
4 I think many of the cities and towns will be looking for.

5 And other comments on that? Lets proceed
6 now to the research agenda where I jumped to a second ago
7 and again, I will turn back to you, Commissioner Stebbins.

8 COMMISSIONER STEBBINS: Sure. We just
9 got a note that Professor McGowan from Boston College is
10 not able to join us. I know he was coming back from
11 Ecuador or some place. I am not sure if his travel plans
12 got changed.

13 We do have Professor Robert Goodman with
14 us. I think he slipped in the back. Professor, you can
15 come up to the witness table.

16 COMMISSIONER MCHUGH: The guest table,
17 speaker table.

18 COMMISSIONER STEBBINS: Just to give you
19 a quick background you do have a brief biography on the
20 professor in your packet.

21 As we talked about when we did the forum
22 out in Worcester, there was still a number of voices and
23 experts we had hoped to hear from that for one reason or
24 another were unavailable. What is nice to know is that
25 there's a great deal of expertise on the topic of gaming

1 and its impacts based right here in Massachusetts.

2 Professor Goodman when we reached out to
3 him was anxious to come in to talk, obviously, national
4 expertise in this area of gaming. I am most intrigued
5 and have some questions for him at the conclusion of his
6 remarks with respect architecture, because there is a
7 provision in our bill that speaks to that. I am very
8 happy that he could join us.

9 I shared with him some information not only
10 about the forum that we had in Worcester but also as it
11 relates to our research agenda, Section 71, which talks
12 about a broad baseline research we need to do as well as
13 a number of topics that we want to do some baseline
14 research on to be able to analyze in years to come what
15 the impact of gaming has been in Massachusetts and a wide
16 variety of areas including problem gambling, business
17 development, tourism, etc.

18 With that, I will turn it over to you
19 Professor and welcome. Thank you again for driving in
20 from the best part of the State.

21 PROFESSOR GOODMAN: Thank you
22 Commissioner Stebbins for the invitation. I want to say
23 just a little bit about my background in terms of gambling
24 issues. My work has been in the past in addition to doing
25 urban planning has been primarily in the area of economic

1 development issues. And I have worked as a consultant.
2 I have written a book on this and reports. What I was
3 primarily interested in was how cities and states can do
4 economic development, how they create jobs.

5 Some years ago, I was given a grant by the
6 Ford Foundation. What I was able to do with that grant
7 and I had actually done a little bit of this work before,
8 but I was able to focus on the issue of gambling as a
9 strategy for economic development.

10 And I had a two-year project at the
11 University of Massachusetts, Amherst which looked at
12 that. We came out with a report and I used a lot of the
13 information from that report and other interviews and
14 investigations I had done to write a book called the
15 Luck Business that looked at this broadly on the national
16 level.

17 After, I was asked by the late Senator Paul
18 Simon from Illinois and also the current Senator Richard
19 Lugar of Indiana about setting up a national commission
20 to study the impact of gambling. They went ahead and did
21 that. They actually had a \$5 million budget over a
22 two-year period to study that. And you are probably
23 familiar with the results of that report. They came out
24 in mid to late 1990s.

25 I want to say off the bat that I have been

1 asked by a number of communities in Massachusetts,
2 Holyoke, Palmer, a number of other communities to come
3 to speak to them about the issues of economic development.
4 The reason they've asked me, obviously, is because in the
5 analysis I did I found with the exception of places like
6 Las Vegas and to a certain extent Atlantic City, economic
7 development was an issue in terms of job creation,
8 revenues to the State, for the most part, I won't say it
9 completely, but for the most part an illusion.

10 One of the reasons we came to that
11 conclusion is that many development consultants,
12 including some of the biggest consultants in the country,
13 Ernst & Young and at the time Arthur Anderson. You
14 probably know the history of Arthur Anderson. They were
15 actually a member of the American Gaming Association
16 supposedly doing objective reports. We couldn't find a
17 report that was really objected.

18 Most of the reports basically talked about
19 the revenues, the number of jobs that were going to be
20 created without looking seriously at the costs. It may
21 say something like there will be problem gambling and some
22 money ought to be set aside to deal with the problem
23 gamblers. But in terms of looking at the actual economic
24 impacts of problem gamblers there is very little. In
25 most cases nothing.

1 The reason we were interested in that is
2 that it is true that when you have problem gamblers, it
3 is a serious social problem. It's certainly a problem
4 for the families and individuals.

5 We were mostly concerned with what you
6 might call the secondary effects or sometimes called
7 unintended consequences.

8 When a problem gambler gets in trouble,
9 they have serious financial problems, but one of the
10 consequences is that they may have debts that they don't
11 pay. They may go bankrupt. They may commit fraud on
12 their credit cards, on their insurance. Some of them get
13 involved in illegal activities in order to keep their
14 habit going. Then you have the criminal justice costs
15 of prosecuting these people.

16 When we looked at it, we came up with a
17 figure of slightly over \$13,000 per problem gambler per
18 year. You have probably seen various reports on the
19 number of problem gamblers there are in a state. And we
20 have seen reports from one, one and a half percent all
21 of the way up to seven percent of the adult population.
22 The highest we found was in Louisiana.

23 It's interesting. We said why was it in
24 Louisiana? Louisiana, it is an interesting political
25 process there and I won't go into all f the details. It

1 is quite colorful. The governor ended up in federal
2 prison. The basic idea was they legalize just about
3 every form of gambling you can imagine.

4 First, it was 10 casinos for the State.
5 Then restaurant associations came in and said what about
6 us. They have got slot machine there. They have slot
7 machines in bars, at racetracks, even at truck stops, if
8 you can believe it. So, with this proliferation they had
9 the proliferation of problem gambling.

10 We looked at Iowa which was an interesting
11 state. It was the first state after the Las Vegas and
12 Atlantic City to really get into this business. In fact,
13 a lot of states followed this trend, riverboats. And
14 then went in a very short period of time when they
15 initiated gambling to four years later. It is
16 interesting because there are a few places where we had
17 a benchmark. You could actually measure how much it
18 increased. In that case, it went from a little over one
19 percent of the population to over four percent of the
20 population in just this very short period of time.

21 The national commission, and this was not
22 research I did, this is commissioned by the national
23 study, said "the availability of a casino within 50 miles
24 is associated with about double the prevalence of problem
25 and pathological gamblers."

1 Remember this is a commission with
2 representatives from the casino industry as well as the
3 tribal casino industry.

4 Anyway, what I would do maybe is talk about
5 my view about what has happened here in Massachusetts.
6 You may agree or disagree but I think at least I can tell
7 you what my feelings are based on the research I've done.

8 Two things I would like to talk about. One
9 is what I call the rush to judgment. By that I mean is
10 there was no serious economic impact analysis in this
11 State. I have seen figures in the newspaper reports,
12 some of them by the gambling industry, but no objective
13 analysis of what the real economic impacts are, some of
14 the things I just talked about or others like what would
15 the impact be on local businesses?

16 A lot of the money that will go into these
17 gambling casinos will come out of people's discretionary
18 spending. People are worried about gamblers who spend
19 their rent money, the food money, the medicine money and
20 all of that. That is serious.

21 But from an economic point of view, again,
22 the real bit impacts is how much money will be sucked out
23 of the local economy? Here you have ask the question what
24 is the local economy and what is the casino economy?

25 If you take a place like Las Vegas, a large

1 number of people are coming from outside of the State.
2 They spend on average around four to four-and-a-half days
3 at the casinos. They are not only spending their money
4 at the slot machines and roulette wheels, they also spend
5 money in local restaurants and gas stations and a whole
6 host of other things.

7 They leave most of them after that time.
8 So, in terms of any problem -- there is serious problem
9 gambling in Las Vegas. I don't want to leave the matter
10 to the mix, but the majority of people that get in trouble
11 leave the state. What we found is that almost all of the
12 new gambling that came after Iowa was what you would call
13 convenience gambling, which meant that was mostly local
14 people.

15 When you have local people doing it, then
16 you have to look at how much money is coming out of local
17 businesses. That has not been done here. So, you have
18 no idea. I have no idea. You have no idea.

19 I have seen studies in other states where
20 it amounts to hundreds of millions of dollars. It is
21 certainly something that other local businesses will be
22 interested.

23 I happen to live in North Hampton,
24 Massachusetts and I can't tell you how many restaurant
25 owners have said to me how is it going to impact my

1 business? They are going to be selling discounted
2 liquor, discounted food. They are going to want the
3 people to stay at the casinos. People likely do not come
4 here and go to the casino wherever it happens to be in
5 Western Massachusetts. That is one of the big economic
6 impacts that has not been looked at.

7 The second thing in the rush to judgment
8 is a complete misunderstanding of IGRA, the Indian Gaming
9 Regulatory Act. I had discussions with the legislatures
10 here in Massachusetts. One legislator and I won't
11 mention his name now, who is very prominent in terms of
12 being behind this legislation who said that the reason
13 he thought it was important for Massachusetts to expand
14 gambling was that the State didn't do it if the
15 legislators in the State didn't do it, the tribe would
16 do it, the federally recognized tribe. Then the State
17 would be behind. I said to him -- it turns out, I should
18 say my wife happens to be -- teach legal studies. And
19 she happens to know a lot about Indian law.

20 It turns out that Indian Gaming Regulatory
21 Act requires that before any tribe can open a casino. And
22 you may already know that and hopefully you do. But many
23 legislators did not know it. And they presented the idea
24 that the tribe could simply open a casino and the State
25 would be behind.

1 The tribe, it not only has to get the land
2 taken in trust, they had to get permission from the State
3 to do this. They are technically sovereign defeated
4 nations. They have sovereignty but the land they own
5 they don't actually own. It's in trust by the
6 government.

7 So, this idea that tribes or a single tribe
8 at the time, we are talking about a couple of tribes were
9 going to open a casino and then the State would lose all
10 of that revenue.

11 Of course, as you know now, even when a
12 tribe does advance to have a contract with the State --
13 You saw recently I think it came up with a figure of 21.5
14 percent I believe. Now there is some misunderstanding
15 of that. How much time is it going to take? This is
16 really very unfortunate.

17 I had a debate with Barney Frank who was
18 in favor of this where it would be a good thing. He said
19 in this debate, you can see it in writing. It was in I
20 think Commonwealth Magazine, the State Legislators
21 magazine. He said the tribes were getting this as a form
22 of reparations from the federal government that because
23 of the harm that was done to the Indian tribes during their
24 history, the federal government gave the tribes the right
25 to have casinos. It is totally untrue. There is nothing

1 like that.

2 The tribes have the right to do anything
3 in the State as a sovereign nation that the State allows
4 to any other entity. If a state allows bingo for example
5 to a church group, the tribe can do that. If they allow
6 full-scale gambling, the tribe can do that also. There
7 is nothing about reparations in the Indian Gaming
8 Regulatory Act or anything in legal history.

9 The second thing I want to talk about is
10 what is likely to happen if this thing moves ahead. It
11 is not because I'm a fortuneteller. I haven't so many
12 extraordinary abilities, I just have been observing for
13 a long time what is happening in other parts of the
14 country. Some of these you may know and some you may
15 not. There are places in the country now where
16 legislators are considering the possibility of
17 subsidizing casinos, they are doing so badly.

18 One of the places I have looked at for
19 example is Indiana. Let me give you a little history of
20 Indiana. It may not sound all that -- People don't
21 usually talk about the history of Indiana. It doesn't
22 have an exotic history, but let me tell you a little bit
23 about it.

24 Indiana is one was one of the premier
25 industrial states in the United States, huge amount of

1 manufacturing jobs. In the 1970s as happened in many
2 Midwestern states, Indiana lost thousands upon thousands
3 of jobs. One city in Indiana I looked at, Anderson,
4 Indiana. It's 50 miles northwest of Indianapolis. It
5 used to have over 45,000 manufacturing jobs. By the
6 early 2000s winds up with about 4000 manufacturing jobs,
7 probably about the same now if they haven't lost anymore.

8 This happened with a lot of cities
9 surrounding Indiana. So, the Legislature like a number
10 of other States decided to legalize the casinos. In that
11 State they legalized if I remember correctly, I believe
12 it was 12 or 13. Some had racetracks and some stand-alone
13 casinos.

14 A casino legalized in Anderson opened up.
15 After one year, it went bankrupt. It went into
16 bankruptcy protection and then it reopened again after
17 a couple of more years. The owner said that he didn't
18 think it would improve, no problem.

19 Since that time, as you may know, casinos
20 have been legalized in Ohio. Ohio I think and I'm not
21 100 percent but about 10 casinos, again, some at
22 racetracks and some stand-alone. By the way, Ohio, the
23 promoters of casinos spent approximately \$60 million, a
24 little over \$60 million promoting this. It is more than
25 was spent on the gubernatorial election, more than is

1 spent in any single event to campaign for anything in
2 Indiana. It's a huge amount of money.

3 Anyway, now that Ohio has legalized
4 casinos, the projections are, and these are projections
5 by the State that casino revenues will fall in Indiana.
6 They have already fallen. They project more as a result.
7 The casinos if you remember correctly just opened in Ohio.

8 Now that the casinos have opened in Ohio,
9 legislators in Kentucky are scratching their heads and
10 saying, wait a minute, people from Kentucky are going to
11 the casinos in Ohio. We already have them going to
12 Indiana. I am sure this sound familiar to you, this idea
13 of people going across the border.

14 So, Kentucky legislators are now
15 considering it. Then the people in Michigan are saying
16 -- They have three casinos now in Detroit. One of them
17 went bankrupt and then went back online, maybe we should
18 legalize more casinos in Michigan.

19 The projections now are for declining
20 revenues in Indiana. As far as Anderson, their
21 unemployment rate since the casino has multiplied. They
22 have one of the highest now, one the highest unemployment
23 in the state despite the casinos promised revenues,
24 promised jobs. The future does not look bright.

25 COMMISSIONER ZUNIGA: Professor, can I

1 interrupt. Do we need to suspend and reconvene on that
2 hearing?

3 COMMISSIONER MCHUGH: In a minute we will
4 do that.

5 COMMISSIONER ZUNIGA: I don't mean to cut
6 you off. We can always come back.

7 COMMISSIONER STEBBINS: We have another
8 hearing ongoing.

9 PROFESSOR GOODMAN: I will try to be
10 short.

11 COMMISSIONER ZUNIGA: No, no, please
12 continue. It is only that we reached 4:00 that I
13 mentioned it.

14 COMMISSIONER MCHUGH: I wanted you just to
15 finish that thought and then we take a break and then we
16 come back to you. The break will be short, Professor.

17 PROFESSOR GOODMAN: Now the operators of
18 casinos are holding conferences, talking about
19 saturation problems, basically saying the legislators
20 are legalizing too many casinos. The profits are not
21 there and the revenues are not there.

22 Let me give you a couple of examples of
23 that. There was just a conference a couple of months ago
24 in Atlantic City where operators not just from Atlantic
25 City, from all over the nation, David Cordish, he is

1 chairman of Cordish Companies, a big casino operator.
2 And I am quoting him here: "I don't know how we can
3 control the politicians. They certainly don't
4 understand the word oversaturation. They think you can
5 have casinos like Starbucks."

6 Then there was Gary Loveman who is
7 president of Caesars Entertainment basically saying the
8 same thing.

9 In Atlantic City, the casinos were
10 supposed to create the jobs, the revenue, etc. The last
11 time I looked at it, they had about \$40 billion, had
12 brought in \$40 billion in revenue. The city didn't look
13 much different than it did 20 years before that.
14 Actually, some other cities actually were worse.

15 The unemployment rate just recently was
16 over 14 percent in Atlantic City. It's about 50 percent
17 higher than the state average. In Atlantic City, you may
18 know this, they were building a casino, the Revel Casino.
19 You've heard about this? It was slightly under a \$2.5
20 billion casino. It gets into trouble. Morgan Stanley
21 the bank that bankrolled it decides it will walk away from
22 a \$1.2 billion loss it was so frightened of the market
23 in Atlantic City, which has been going down.

24 It is only after the governor steps in,
25 Chris Christie who is supposedly an advocate of keeping

1 government's hands off of business, steps in with a \$261
2 million tax benefit to the casino. And then finding
3 other investors to come in to finish the casino. There
4 are a lot of people in the investment community who think
5 this was a mistake.

6 COMMISSIONER MCHUGH: Now I am going to
7 interrupt you, if I might. If you could stay right there
8 for just a second.

9 I am going to suspend meeting number 16.
10 And we will resume meeting number 16 and proceed to
11 conclusion in just a few minutes.

12

13 (Meeting suspended at 4:02 p.m.)

14

15 COMMISSIONER MCHUGH: And we return to
16 you, Professor.

17 PROFESSOR GOODMAN: I will try to
18 summarize sort of at this point because I am sure you might
19 want to ask me some questions. I think what has happened
20 or in the process of happening, I should say, is that this
21 casino cycle it seems to be coming full circle, not quite
22 yet but it is getting there. For casinos that get
23 legalized to boost government revenues and create jobs
24 to a situation where states are considering providing and
25 in some cases actually providing tax relief to keep them

1 in business. And it is not unlikely that in the future
2 states will actually be subsidizing casinos, keep the
3 jobs just like they did in many states in the racing
4 industry today.

5 I know in Indiana, for example, the state
6 has been paying roughly \$60 million in taxpayer funds each
7 year to support the racing industry because it doesn't
8 make enough money and they are trying to keep the jobs.
9 I know when we looked at it and I can't say what it is
10 today, you might be able to tell me, that Massachusetts
11 was subsidizing the racing industry. I don't know if it
12 is still --

13 COMMISSIONER CAMERON: No, that is not
14 accurate, Sir.

15 PROFESSOR GOODMAN: It was. It would pay
16 for the maintenance on the racetracks. This was years
17 ago. And I am not saying it is doing it now because I
18 don't really know. Other states are doing it.

19 As we see, legislators in Indiana are
20 considering subsidizing the casinos. What will happen
21 is that you will have thousands of people working in the
22 casinos, and should they run into trouble, you will have
23 people at the State House saying keep our jobs. That is
24 how it is likely to happen.

25 In terms of the revenues, what you are

1 likely to see is very large revenues at these casinos at
2 first. In fact, they are likely to be even higher than
3 some of the projections. It would not surprise me. And
4 you will also see the Lottery revenues decrease.

5 But then things will even out. The casino
6 revenues will decline, especially as other states -- As
7 you probably know, New Hampshire in reaction to what's
8 happening in Massachusetts considering casinos for New
9 Hampshire. Rhode Island will consider more casinos.
10 The casinos in Connecticut, they may not expand casinos
11 but they will be offering what they call looser slots and
12 a whole bunch of other incentives to keep people in
13 Connecticut and try to keep people from other states to
14 go to Connecticut.

15 New York is in the process of expanding its
16 casinos. Maine will most likely. I don't know about
17 Vermont. I have to tell you when Howard Dean was
18 governor, he asked me to talk to the Legislature there.
19 And I remember him saying to me let all of those states
20 around us have casinos, Massachusetts, New Hampshire,
21 etc. He said we will be the only state where people would
22 like to come for a vacation without casinos. I don't know
23 what will happen now. He is not governor. With the
24 pressure they change. They were considering some time
25 ago a casino in Pownal, Vermont across the border.

1 The other thing is interesting in term of
2 what we found in our research and I see this playing out
3 now unfortunately, is we were looking at the economic
4 impacts. And I think one of the biggest impacts is
5 something we didn't expect and maybe we should have, it
6 is sort of obvious, and that was the political change that
7 happened in the states where they legalize it.

8 Casino industries in those states became
9 among if not the most powerful political player in the
10 state, huge amounts of money to spend in campaign
11 contributions and whole host of other things.

12 The State will shift. It has already done
13 it in terms of the Lottery, but now the casinos. The
14 State will shift from being a regulator of gambling even
15 though it will have regulatory functions, but they will
16 primarily become a promoter of gambling rather than a
17 regulator. That's what happened in other states.

18 Any time there is some concern about the
19 revenues going down, anything that may impede the
20 revenues, there is always a tendency to act on behalf of
21 the casino. You only have to look across the border here
22 in terms of the Mashantucket Pequot casino. There are
23 numerous times when we were studying this where there were
24 violations of liquor laws at the casino. The casino did
25 not shut down for one minute.

1 If a private liquor store or bar had done
2 the same thing, some of them would be out of business.
3 They usually warn them the first time then there is a
4 penalty and they may close them for awhile. But that
5 never happened to the casino. So, that shift will occur,
6 the political shift in favor of casinos will occur because
7 the state will become hooked on the revenues, whatever
8 those revenues are. They will want to keep them even
9 though if you look at it as a percentage of the total
10 budget, it is quite small. Whatever it is, they want to
11 keep it.

12 The last thing, what can be done? Very
13 straightforward, you are the Commission. You are the
14 Gaming Commission, I would call for a halt of this whole
15 thing until you had a serious economic impact analysis,
16 very simple. There are two things you need to find out.
17 It doesn't have to be complicated, only two things, I
18 mentioned them before.

19 One, the impact on other businesses in the
20 State. How much money is getting sucked out,
21 discretionary spending getting sucked out of the economy.
22 Two, the cost of problem gambling. When we have
23 calculated it in other states, it has come to hundreds
24 of millions of dollars.

25 When you see this played out in the media,

1 to resume and proceed to conclusion. Just before we took
2 the break, I had asked whether you had any questions for
3 Professor Goodman. Did you have a question or was that
4 just a break request?

5 COMMISSIONER ZUNIGA: It was a break
6 request. I can have a question too.

7 I was just thinking, I am not going to
8 remember the name, but the person from problem gambling
9 forum I believe from Harvard, the psychiatrist.

10 PROFESSOR GOODMAN: Howard Schaffer.

11 COMMISSIONER STEBBINS: It was somebody
12 that worked for him.

13 COMMISSIONER ZUNIGA: That worked for
14 him, yes. She was telling us this notion of adaptability
15 that as they have seen casinos coming to other
16 jurisdictions that there is an increase in the rate of
17 gaming. That seems obvious. But there is also an
18 increase in problem gambling which is correlated, but
19 after a period of time that trend reverses.

20 Some of the findings there were along the
21 lines of after the introduction of casinos or more gaming
22 venues the population adapts to this notion that you speak
23 about, which is that of convenience.

24 Could you tell us a little bit more about
25 that notion?

1 PROFESSOR GOODMAN: Let me say this. I
2 don't know that particular study that you are referring
3 to. And I don't know if it was Howard Schaffer's group
4 that was doing it or not.

5 When I was doing my research, I believe he
6 was head of Addiction Studies at the Harvard Medical
7 School. I actually reviewed some of his research and
8 have spoken to him on a number of occasions because I was
9 interested. He had written up a lot about the issue of
10 underage gambling, teenage gambling and some of the
11 serious problems created.

12 Then it turned out he was hired by the
13 American Gaming Association to do studies. One study --
14 And I am doing this from memory. So, I don't have the
15 exact figures. I think the first study they got about
16 \$140,000. The second study they got over \$400,000.

17 We started looking at those studies and the
18 Gaming Association has been using those studies,
19 promoting them as serious studies. What it said was that
20 problem gambling wasn't so bad in these studies. That
21 it was only a very small percentage of the adult
22 population in the states. And therefore not as worrisome
23 as one might think. That is the line that I think the
24 Gaming Association took.

25 They broke down gambling, which hadn't

1 been done before as far as I knew into several levels of
2 pathological gambling. So, it got into this very
3 technical analysis. But the bottom line was that it was
4 not that much of a problem.

5 On the other hand, if you look at the
6 appendix of those studies, you will find that actually
7 it is a problem. Because if you look at the changes from
8 year-to-year problem gambling went up and correlates --
9 I would be happy to show you this. -- correlates directly
10 with the introduction of more gambling casinos, but they
11 didn't say that in this study. You have to look in their
12 research data to find that.

13 So, I can't comment on this particular one,
14 but I am skeptical. That is all I can say.

15 COMMISSIONER STEBBINS: Just one quick
16 question. I forwarded you a provision in the bill, which
17 talked about this Commission having the authority if it
18 so desired to promulgate regs around design construction
19 of the gaming facility. I think the language, to
20 paraphrase it, says the building kind of has to blend in
21 with the environment, the architectural surroundings.
22 Real quickly, would you have any thoughts about creation
23 of those regs or if there are models or any guidelines
24 to follow?

25 PROFESSOR GOODMAN: I would say that idea

1 that they want the building surroundings I would say about
2 any building. So, I have no questions about that.

3 I don't think I have any particular
4 expertise about casino designs. I thank you for thinking
5 I would, but I don't really in terms of the actual design
6 of buildings. I have designed mostly schools and
7 housing, sometimes office buildings. I have to be honest
8 with you, I don't know that much about the design of casino
9 buildings.

10 COMMISSIONER STEBBINS: Keeping in mind
11 the local zoning considerations, would that be enough to
12 safeguard a community from having a building that doesn't
13 look like it fits anywhere?

14 PROFESSOR GOODMAN: I can say that I have
15 seen buildings -- I will just give you some experience.
16 There was a building -- It makes me think of this in terms
17 of fitting in. I used to live in Cambridge when I was
18 teaching at MIT. And I lived near Harvard University and
19 they built a gymnasium. I think it is actually
20 Radcliffe. They built this gymnasium. And the
21 neighborhood was up in arms because small rural houses,
22 New England style houses, a very homey community. This
23 building stood out.

24 So, they decided as a way of ameliorating
25 the community's concerns, they actually put the building

1 underground or at least most of it is underground. If
2 I remember I think it even has a grass roof on it, but
3 I am not 100 percent sure I have that memory of it.

4 These are very big buildings as you can
5 imagine. And any community I would imagine be concerned
6 about not only the size of it, the amount of traffic that
7 is going to be generated, the pollution that is going to
8 be generated as a result of the traffic.

9 One of my interesting experiences in terms
10 of buildings or the siting of casino buildings is in
11 Mississippi. I was in Tunica, Mississippi. I was
12 studying casinos in Tunica, Mississippi. There was one
13 casino and about a quarter-mile away was a children's
14 entertainment center, a place where they had jungle gyms
15 and video games, a place for kids to play.

16 I went and interviewed the people running
17 the children's center. I said this is one of the nicest
18 children's centers I have ever seen. It was a few stories
19 high and kids could climb on these things. It seemed like
20 it would be a terrific place. I said, are there any
21 problems you have encountered?

22 They said, the only problem they had is
23 that people would go to play at the casino and some of
24 them would leave their kids for the whole day, sometimes
25 during the evening as well. When they came back, the

1 parents were often in not a very good mood. That would
2 somehow reflect on the way they interacted with their
3 kids.

4 They said they were glad that this play
5 center was not next to the casino. They were happy about
6 that. But their big concern was the mood that the parents
7 were in after they had been gambling for a good part of
8 the day and then came to pick up their kids.

9 COMMISSIONER MCHUGH: Professor, thank
10 you very much for those comments and for coming east to
11 deliver them. Thank you very much for your thoughts and
12 comments.

13 We are very near the finish line, but there
14 is one item that came up in the context of that catchall
15 at the end. That is a late request from our consultants
16 at Spectrum Gaming Corporation who have alerted us to the
17 fact that there is an RFP that the Rhode Island Lottery
18 has disseminated for consulting casino consulting
19 services in two phases.

20 The first to talk about in a general sense,
21 reviewing documents prepared by consultants to Twin River
22 and Newport Grand, which are two operating now slot
23 parlors, Twin Rivers is, at least, and which desire to
24 proceed in a full-blown table games and other issues, to
25 review documents that have been prepared by their

1 consultants and give the Lottery some advice on those.

2 Then if a referendum passes allowing
3 expanded casino gaming in Rhode Island, to recommend
4 appropriate staffing positions, titles, salaries, help
5 develop rules. Do, in effect the same thing for Rhode
6 Island that they are doing for us.

7 So, the question from Spectrum is whether
8 we would have any concerns about their responding to the
9 RFP for that. Or their carrying out the duties and
10 functions if they were the successful bidders. So, I put
11 that out for discussion here.

12 COMMISSIONER ZUNIGA: I do have some
13 reservations relative to the potential conflict that they
14 allude to or that they are identifying.

15 My understanding of the most of the draws
16 of these casinos is that the circumference of an hour
17 drive is really a critical area of influence, which is
18 the case with Rhode Island. Also, our engagement with
19 Spectrum is at a critical point in which we are
20 formulating the strategic plan. We are trying to come
21 up with more competition in this State and their ideas
22 and their advice on that strategic plan I think is
23 critical for Massachusetts.

24 Were we at a subsequent phase with them,
25 let's say if they were helping us implement a strategic

1 plan as opposed to formulating one, I would see the
2 question of a conflict a lot less than what is now.

3 My reaction was I do see a potential
4 conflict. I don't know the specifics as to what Rhode
5 Island will do on their phase two specifically and we can
6 talk more about that or I would be more interested about
7 that. But given what I know about us, which is this
8 notion of being in full strategic plan mode, I do see a
9 conflict.

10 COMMISSIONER CAMERON: My first thought
11 was I did not see a conflict. I certainly would trust
12 and I think they have earned our trust with the fact that
13 our information would be separate and apart and not
14 anything they would share with Rhode Island. I think
15 they served us well and will continue to serve other
16 jurisdictions well. In reading their memo, I didn't see
17 that conflict.

18 COMMISSIONER MCHUGH: Commissioner
19 Stebbins?

20 COMMISSIONER STEBBINS: I have to agree
21 with Commissioner Cameron. From what I looked through
22 and saw, they obviously worked with a number of other
23 states, but obviously we are mindful of this one because
24 they right in our own backyard.

25 It really calls upon them to do a lot of

1 regulatory work. I didn't really from the small amount
2 of information we got to look at anything that would
3 necessarily put them in a conflict. But I was curious
4 as to whether their team, obviously we know Fred Gushin
5 has been working with us and I assume would likely be
6 involved in this project, I got the sense and I can't find
7 it now that this would actually be a different team from
8 Spectrum that would be working on this and there might
9 not be any overlap.

10 COMMISSIONER MCHUGH: I think there is
11 another memorandum that I think was circulated and does
12 indicate not a complete identity of teams, but a
13 significant overlap in the teams that will be working on
14 the two projects. Anything further?

15 COMMISSIONER STEBBINS: No.

16 COMMISSIONER MCHUGH: I do agree with
17 Commissioner Zuniga. I see, particularly given the
18 stage that we are at, I do see the potential for a
19 conflict. I have no doubt in the integrity of this firm
20 and the undivided loyalty they have given us thus far.
21 But I do see an overlap particularly given where we are.

22 And given the fact that the regulatory
23 process inevitably is designed to make the environment
24 one that is a reasonable one in which do business. There
25 is something that goes into the regulations that is

1 designed to serve a number of interests. So, it is very
2 hard, no matter how hard you try to be focused
3 independently, some conflict there particularly when you
4 have adjoining states that are in fact going to be
5 competitors.

6 The second thing, and I think our history
7 has taught us, is the appearances. To have our
8 consultants working at the time they are working for us
9 as consultants, consulting with a competitor for the very
10 same purpose I think is not something that I would feel
11 comfortable with. I think we could and would be
12 scrutinized in a way that we just don't need if we can
13 avoid it.

14 I would strongly agree with Commissioner
15 Zuniga. I don't know where Steve is on that or whether
16 on the appearance side either of you have any concerns
17 about that.

18 COMMISSIONER CAMERON: Before he left, he
19 said that he did not see an issue with this. He didn't
20 think it was a conflict, but that he would defer to you.
21 Those were his comments before he left.

22 COMMISSIONER ZUNIGA: That he would defer
23 to us.

24 COMMISSIONER CAMERON: He was actually
25 specific to Commissioner McHugh, actually. His comments

1 were specific to you.

2 COMMISSIONER MCHUGH: Let's report back
3 to him and we will see where we go. I don't know whether
4 the appearance piece --

5 COMMISSIONER STEBBINS: I think your
6 comments are well spoken that there is at the surface,
7 unless somebody delved down into the details, you could
8 raise the appearance of a conflict, whether it was real
9 or not. I just looked ahead to the posting, not to bring
10 the Chairman back into it, but they need to submit the
11 proposals, according to this posting, by Friday, July 7.
12 So, we missed that.

13 COMMISSIONER MCHUGH: They may have
14 submitted and can withdraw.

15 COMMISSIONER ZUNIGA: I want to bring up
16 another point that is peripheral but may be relevant,
17 which is that this engagement would be working for the
18 Lottery. And that is the way they are set up down in Rhode
19 Island.

20 Spectrum also has an engagement with the
21 Treasurer's Office, the Lottery relative to online gaming
22 products. I can only suspect they may have reached out
23 to the Lottery, but I don't know whether they have asked
24 about this conflict of them as well. I would be
25 interested to know what they thought about that or if

1 they've been approached by Spectrum.

2 COMMISSIONER MCHUGH: My sense is that
3 they asked us because they were concerned about whether
4 there was any concern. So, let's follow up on that.
5 Let's relate to the Chairman and to them the discussion
6 that has taken place here today.

7 If we need to take this up and further if
8 they don't make a decision in light of what we discussed
9 here today and convey to them the substance of it and
10 convey to them both the concerns and lack of concerns that
11 have been expressed and see where we go.

12 I think we could not conceivably have any
13 more business, could we? So, I entertain at this point
14 a motion to adjourn.

15 COMMISSIONER STEBBINS: So moved.

16 COMMISSIONER MCHUGH: Second?

17 COMMISSIONER CAMERON: Second.

18 COMMISSIONER MCHUGH: All in favor, aye.

19 COMMISSIONER ZUNIGA: Aye.

20 COMMISSIONER CAMERON: Aye.

21 COMMISSIONER STEBBINS: Aye.

22 COMMISSIONER MCHUGH: And we are
23 adjourned.

24

25 (Meeting adjourned at 4:38 p.m.)

1 SPEAKERS:

2 James Larosa, JuriStaff

3 Jennifer Romain, JuriStaff

4 Kathy O'Toole, gaming consultant

5 Elaine Driscoll, Director Communications and
6 Outreach

7 Professor Robert Goodman

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10 ATTACHMENTS:

11 Attachment 1, Agenda

12 Attachment 2, Massachusetts Gaming Commission Meeting
13 Minutes of July 10, 2012

14 Attachment 3, Review of Massachusetts State racing
15 Commission and Industry report presented by Annie Allman

16 Attachment 4, 7/17/2012 Consultant Memorandum regarding
17 Wall Street Visits

18 Attachment 5, Ombudsman Position description

19 Attachment 6, Massachusetts Gaming Commission Advisory
20 to Massachusetts communities that may qualify as "host"

21 or "surrounding" communities under Massachusetts General
22 Laws Chapter 23 in a proposal for a gaming license

23 Attachment 7, Massachusetts Gaming Commission

24 Preliminary Budget 2013

25 Attachment 8, Biography of Professor Robert Goodman

1 Attachment 9, Rhode Island Lottery Request for
2 Information Casino Consulting Services
3 Attachment 10, 7/16/2012 Consultant Memorandum regarding
4 Rhode Island RFI

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C E R T I F I C A T E

I, Laurie J. Jordan, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Laurie J. Jordan, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Laurie J. Jordan, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by Verbatim means, and transcript produced from computer.

//Laurie J. Jordan// Date: July 18, 2012

Court Reporter for Office Solutions Plus, LLC

My commission expires: May 11, 2018

//Elizabeth Tice// Date: July 18, 2012

Elizabeth Tice, President, Office Solutions Plus, LLC

My commission expires: August 26, 2016