



MASSACHUSETTS GAMING COMMISSION

To: Chair Judd-Stein and Commissioners Hill, O'Brien, and Skinner
From: Karen Wells, Douglas O'Donnell, John Scully, Agnes Beaulieu, and Derek Lennon
Date: June 9, 2022
Re: Fiscal Year 2023 (FY23) Budget Recommendations

Summary

The Massachusetts Gaming Commission's (MGC) initial Fiscal Year 2023 (FY23) budget and assessment projections are composed of the following:

- **Gaming**
 - \$29.34M for gaming regulatory costs, including funding for 89.94 full-time equivalents (FTEs) and 4 contract positions;
 - \$2.42M for the Commonwealth's indirect costs;
 - \$3.87M for the Office of the Attorney General's (AGO) gaming operations, inclusive of Massachusetts State Police (MSP) assigned to the AGO;
 - \$75K for the Alcohol and Beverage Control Commission (ABCC); resulting in,
 - \$35.7M total funding of the Gaming Control Fund
 - The budget is funded from \$5.18M in fees and an assessment of \$30.52M on licensees.
- **Racing**
 - \$2.9M for racing regulatory costs, including funding for 9.06 FTEs;
 - \$209.18K for the Commonwealth's indirect costs;
 - \$3.1M combined total of regulated racing costs.
- **Community Mitigation Fund**
 - \$310K for grant review and sub-recipient monitoring costs, including funding for 2 FTEs
- **Public Health Trust Fund**
 - \$5.27M for the research and responsible gaming agenda, inclusive of 3 FTEs. The Commission's research and responsible gaming office will be funded by the Public Health Trust Fund (PHTF)

Total Budget

The total budget presented today, excluding racing capital and promotional trust funds that benefit licensees and grants from the Community Mitigation Fund, is \$44.39M and funds 104 FTES and 4 contract employees.



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Fund	Grouping Name	Fiscal Year 23		
		Budget	FTEs	Contractors
10500001 Gaming Control Fund	MGC Regulatory Costs	29,343,551.47	89.94	4.00
	Indirect	2,419,852.48		
	Office of Attorney General and AGO MSP	3,866,497.12		
	Alcohol and Beverage Control Commission	75,000.00		
Gaming Control Fund Total		35,704,901.07		
MGC Mass Racing Development and Oversight Trust	MGC Regulatory Costs	2,898,624.44	9.06	-
	Indirect	209,178.18		
MGC Mass Racing Development and Oversight Trust Total		3,107,802.62		
10500004 Community Mitigation	MGC Regulatory Costs	310,057.34	2.00	
Community Mitigation Total		310,057.34		
40001101 Public Health Trust Fund	Research and Responsible Gaming/PHTF	5,267,001.23	3.00	-
Public Health Trust Fund Total		5,267,001.23		
		44,389,762.26	104.00	4.00

Gaming Control Fund Regulatory vs. Statutory Costs

It is important to distinguish among the different components of the proposed budget for FY23 and understand the difference between regulatory and statutory costs. The composition of the Gaming Control Fund budget can be broken up into two areas. The first area comprises the regulatory costs of the Massachusetts Gaming Commission to regulate category 1 and 2 facilities. These regulatory costs are directly within control of the Gaming Commission. The second area comprises statutory costs that are assessments contained in the Expanded Gaming Act but are not within the budgetary discretion of the Gaming Commission. The statutory costs are the responsibility of our licensees to pay. Most of this memorandum focuses on the regulatory costs of the MGC. Below is a summary of the ~\$6.36M statutorily required costs:

- \$3.87M for the costs of the Attorney General's Office (C. 12 § 11M),
- \$75K for the Alcoholic Beverage Control Commission (C. 10 § 72A), and
- \$2.42M for Commonwealth of Massachusetts Assessed Indirect Costs (ANF Bulletin 5).

The Commission's regulatory FY23 budget projections total \$29.34M, and fund 10 divisions. The funding level of each division, along with the change from the previous year, is laid out in further detail later in this memorandum.

FY23 Regulatory Budget Development Process and Recommendations

In FY23, the MGC will continue allocating funds to each division/bureau and tracking contractual commitments, expenditures, and salaries against each division/bureau budget. The Commission will be using the expense budget feature in the Massachusetts Management and Accounting Reporting System (MMARS) to establish these budgets and automate the process of tracking each budget to actual expenditures and commitments.

The MGC's annual budget building process begins in February and concludes once the Commission approves a budget in June. The MGC Office of Finance met with each division/bureau head within the MGC and developed spending and revenue projections that are best estimate representations of what will be needed in FY23 to operate the Commission, as well as what can be expected for revenue based on the Commission's current fee structures. These requests were then reviewed by the CFAO, the Executive Director, and the Treasurer of the Commission. A third review was conducted by



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representatives of the current gaming licensees (Penn, Encore, and MGM) in a virtual meeting on May 19, 2022. The meeting included a comprehensive review of the Commission's budget, as well as a review of each division's staffing levels by employee and anticipated hires.

The following section of this memorandum is a summary by appropriation of spending anticipated for: the Gaming Control Fund, the Community Mitigation Fund, the Racing Oversight and Development Fund, and the Public Health Trust Fund. Immediately following each summary is a chart that demonstrates significant variances between FY22 and FY23 for each division/bureau. Attachment B to this document provides a view of each division's budget by object class, object code, and then specific budget item. This same information can be found in Attachment C, but the view is ordered first by object class, then object code, then division, and finally by specific budget item.

Gaming Control Fund 1050-0001

The MGC's currently approved FY22 budget for the Gaming Control Fund is \$33.08M. The MGC is recommending an FY23 budget of \$35.7M, which is an 7.9% increase over the currently approved FY22 budget. The MGC's regulatory costs funded by the Gaming Control Fund increased by 7.9% from \$27.2M in FY22 to \$29.34M in FY23, the statutorily required costs increased by 8.04% from \$5.89M in FY22 to \$6.36M in FY23. The table below summarizes significant changes by regulatory vs statutorily required costs between fiscal years:

Fund	Grouping Name	Object Class	object_class_name	Fiscal Year 2022	Fiscal Year 2023	Variance	%	Variance Notes
10500001 Gaming Control Fund								
	MGC Regulatory Costs	AA	REGULAR EMPLOYEE COMPENSATION	\$6,951,959.00	\$7,982,768.03	\$1,030,809.03	14.83%	High turnover in FY22 which is not expected to continue in FY23. 3% COLA built in.
		BB	REGULAR EMPLOYEE RELATED EXPEN	\$43,700.00	\$81,197.00	\$37,497.00	85.81%	Partial restoration of travel
		CC	SPECIAL EMPLOYEES	\$205,000.00	\$248,022.52	\$43,022.52	20.99%	
		DD	PENSION & INSURANCE RELATED EX	\$2,570,782.97	\$3,198,108.43	\$627,325.46	24.40%	Fringe rate increase of 2% and lower turnover expected
		EE	ADMINISTRATIVE EXPENSES	\$523,003.92	\$634,974.92	\$111,971.00	21.41%	Partial restoration of travel
		FF	FACILITY OPERATIONAL EXPENSES	\$20,000.00	\$20,000.00	\$0.00	0.00%	
		GG	ENERGY COSTS AND SPACE RENTAL	\$1,333,102.02	\$1,347,958.08	\$14,856.06	1.11%	
		HH	CONSULTANT SVCS (TO DEPTS)	\$1,170,881.10	\$818,500.00	-\$352,381.10	-30.10%	Independent monitor not built into FY23 figures
		JJ	OPERATIONAL SERVICES	\$10,047,804.73	\$10,510,400.56	\$462,595.83	4.60%	GEU turnover/vacancies not expected to continue in FY23
		KK	EQUIPMENT PURCHASE	\$59,500.00	\$62,000.00	\$2,500.00	4.20%	
		LL	EQUIPMENT LEASE- MAINTAIN/REPAR	\$40,494.25	\$41,707.90	\$1,213.65	3.00%	
		NN	INFRASTRUCTURE:	\$25,000.00	\$25,000.00	\$0.00	0.00%	
		PP	STATE AID/POL SUB	\$175,000.00	\$150,000.00	-\$25,000.00	-14.29%	
		UU	IT Non-Payroll Expenses	\$4,025,680.24	\$4,222,914.03	\$197,233.79	4.90%	Increase to maintenance agreement for LMS
	MGC Regulatory Costs Total			\$27,191,908.23	\$29,343,551.47	\$2,151,643.24	7.91%	
	Indirect	EE	ADMINISTRATIVE EXPENSES	\$2,245,178.11	\$2,419,852.48	\$174,674.37	7.78%	
	Indirect Total			\$2,245,178.11	\$2,419,852.48	\$174,674.37	7.78%	
	Office of Attorney General and AGO MSP	JJ	OPERATIONAL SERVICES	\$937,971.46	\$939,113.12	\$1,141.66	0.12%	
		OO	(blank)	\$2,630,034.15	\$2,927,384.00	\$297,349.85	11.31%	
	Office of Attorney General and AGO MSP Total			\$3,568,005.61	\$3,866,497.12	\$298,491.51	8.37%	
	Alcohol and Beverage Control Commission	OO	(blank)	\$75,000.00	\$75,000.00	\$0.00	0.00%	
	Alcohol and Beverage Control Commission Total			\$75,000.00	\$75,000.00	\$0.00	0.00%	
10500001	Total			\$33,080,091.95	\$35,704,901.07	\$2,624,809.12	7.93%	



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The MGC Regulatory portion of the Gaming Control Trust supports 10 divisions/bureaus. Each division's/bureau's costs of providing regulatory oversight to expanded gaming are built into the spending figures in the table below, which represents, at a macro level, the anticipated spending. This item funds ~90 FTEs and 4 contract positions. The overall regulatory spending increased by 7.9% from \$27.2M in FY22 to \$29.34 in FY23. Most of the increases came as anticipated decrease in turnover savings both in FTEs as well as the GEU. We have also included a 3% COLA for FY23.

Below is a chart that compares each division by the currently approved FY22 budget and the proposed FY23 budget, for the Regulatory portion of the Gaming Control Fund, along with a brief explanation for any significant funding variances. Further details for budgets by each division are provided in attachments B and C:

Fund	Grouping Name	Unit	Unit Name	Fiscal Year		Variance	Variance %	Variance Notes
				Fiscal Year 2022	2023			
10500001	Gaming Control Fund							
	MGC Regulatory Costs	1000	Finance and Administration	\$2,348,584.88	\$2,459,233.49	\$110,648.61	4.71%	Annualization of backfill contractual escalators
		1100	Human Resources	\$725,554.95	\$1,119,587.61	\$394,032.66	54.31%	Consolidation of HR and Supplier and Workforce Development Offices
		1200	Legal	\$1,154,051.07	\$1,280,435.37	\$126,384.30	10.95%	One additional FTE
		1300	Executive Director	\$580,665.06	\$660,461.04	\$79,795.98	13.74%	Shift of one position from finance to E.D.
		1400	Information Technology	\$5,167,470.01	\$5,485,898.26	\$318,428.25	6.16%	Annualization of hires and increase of LMS maintenance agreement
		1500	Commissioners	\$1,372,290.01	\$1,272,011.74	-\$100,278.27	-7.31%	Annualization of hires and independent monitor budgeted as incurred.
		1600	Workforce and Supplier Diversity	\$502,499.35	\$0.00	-\$502,499.35	-100.00%	Consolidated into HR budget
		1800	Communications	\$349,340.07	\$371,697.36	\$22,357.29	6.40%	Annualization of backfill
		1900	Ombudsman	\$133,768.06	\$147,806.91	\$14,038.85	10.49%	Annualization of hire
		5000	Investigations and Enforcement Bureau	\$15,246,066.45	\$16,170,826.52	\$924,760.07	6.07%	Less turnover expected
		7000	Licensing Division	\$649,103.00	\$872,208.17	\$223,105.17	34.37%	Including an FTE for a licensing manager.
		All	All Divisions	-\$1,037,484.68	-\$496,615.00	\$540,869.68	-52.13%	Less Turnover expected
	MGC Regulatory Costs Total			\$27,191,908.23	\$29,343,551.47	\$2,151,643.24	7.91%	

Racing Development and Oversight Trust Fund 1050-0003

This item funds the operations of the Racing division. Most of the funding from this appropriation is payroll, seasonal payroll, and fringe related costs. Costs of the division are payroll (seasonal, and full time), fringe costs, drug and laboratory testing, ISA to DPH, and purchased client services for economic hardship payments, eighth pole payments, and the jockey guild. In addition, the costs of the Massachusetts State Police associated with regulating racing is charged to this item, salaries of staff that work on racing matters at the MGC (Finance, HR, Legal, Commissioners and IT), and the Commonwealth assessed indirect costs.

Below is a chart that compares the currently approved FY22 budget and the proposed FY23 budget for the Racing Oversight and Development Fund, along with a brief explanation for any large discrepancies. Further details for budgets by each division are provided in attachments B and C:



Fund	Grouping Name	Unit	Unit Name	Fiscal Year		Variance	Variance %	Variance Notes
				Fiscal Year 2022	2023			
10500003	MGC Mass Racing Development and Oversight Trust							
	MGC Regulatory Costs	1000	Administration	\$312,270.44	\$296,796.17	-\$15,474.27	-4.96%	
		1100	Human Resources	\$70,342.22	\$150,072.13	\$79,729.91	113.35%	Annualization of new hire
		1200	Legal	\$29,260.84	\$50,600.30	\$21,339.46	72.93%	Annualization of new hire
		1300	Executive Director	\$9,515.11	\$39,969.63	\$30,454.52	320.06%	Allocation of support staff to this item.
		1400	Information Technology	\$203,650.57	\$279,588.03	\$75,937.46	37.29%	Annualization of backfills and new hires
		1500	Commissioners	\$86,434.90	\$91,988.74	\$5,553.84	6.43%	Annualization of backfills .
		1800	Communications	\$16,258.61	\$25,310.37	\$9,051.76	55.67%	Annualization of backfill
		3000	Racing Division	\$1,850,576.30	\$1,959,451.41	\$108,875.11	5.88%	COLA
		7000	Licensing Division	\$4,166.08	\$4,847.66	\$681.58	16.36%	
	MGC Regulatory Costs Total			\$2,582,475.07	\$2,898,624.44	\$316,149.37	12.24%	
	Indirect	2000	MGC Indirect	\$209,178.18	\$209,178.18	\$0.00	0.00%	
	Indirect Total			\$209,178.18	\$209,178.18	\$0.00	0.00%	
10500003	Total			\$2,791,653.25	\$3,107,802.62	\$316,149.37	11.32%	

Community Mitigation Fund 1050-0004

In a public meeting on December 27, 2020, the Commission approved Regulations for the Community Mitigation Fund (205 CMR 153). 205 CMR 153.05 allows the Commission to expend funds for the administration and oversight of the program. The regulation requires the Commission to annually approve a budget not to exceed 10% of the funds available in the account for the fiscal year. The proposed budget, as shown in the chart below, would fund 2 FTEs, in-state travel for subrecipient monitoring purposes, and the maintenance of a grant management database.

Fund	Grouping Name	Object Class	object_class_name	Fiscal Year		Variance	Variance %	Variance Notes
				2022	2023			
10500004	Community Mitigation							
	MGC Regulatory Costs	AA	REGULAR EMPLOYEE COMPENSATION	\$156,872.17	\$170,463.12	\$13,590.95	8.66%	3% COLA and annualized FY22 hire
		BB	REGULAR EMPLOYEE RELATED EXPEN	\$2,500.00	\$5,000.00	\$2,500.00	100.00%	Partial restoration of travel
		DD	PENSION & INSURANCE RELATED EX	\$61,964.51	\$71,407.00	\$9,442.49	15.24%	Fringe rate increase
		EE	ADMINISTRATIVE EXPENSES	\$20,687.22	\$20,687.22	\$0.00	0.00%	
		GG	ENERGY COSTS AND SPACE RENTAL	\$2,500.00	\$2,500.00	\$0.00	0.00%	
		UU	IT Non-Payroll Expenses	\$130,000.00	\$40,000.00	-\$90,000.00	-69.23%	FY22 CMF one-time database build.
	MGC Regulatory Costs Total			\$374,523.90	\$310,057.34	-\$64,466.56	-17.21%	
10500004	Total			\$374,523.90	\$310,057.34	-\$64,466.56	-17.21%	

Public Health Trust Fund 4000-1101

The Research and Responsible Gaming (RRG) office is a statutorily required component of the MGC and was funded from the Public Health Trust Fund beginning in FY20. Through a collaborative process with DPH and EOHHS, the MGC's RRG will continue to be funded from the PHTF in FY23. Funding for the office has been decreased by 18.9% from an approved FY22 budget of \$6.49M to an FY23 proposal of \$5.26M, with most of the increases restoring cuts to the Game Sense program and funding a follow-up research project to the baseline study. Below is a chart comparing FY22 to the FY23 proposal.



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Fund	Grouping Name	Object Class	object_class_name	Fiscal Year 2022	Fiscal Year 2023	Variance	Variance %	Variance Notes
40001101	Public HealthTrust Fund							
	Research and Responsible Gaming/PHTF	AA	REGULAR EMPLOYEE COMPENSATION	\$300,984.03	\$313,023.39	\$12,039.36	4.00%	
		BB	REGULAR EMPLOYEE RELATED EXPEN	\$5,000.00	\$7,250.00	\$2,250.00	45.00%	Partial restoration of travel
		DD	PENSION & INSURANCE RELATED EX	\$118,888.70	\$131,125.50	\$12,236.80	10.29%	Fringe rate increase
		EE	ADMINISTRATIVE EXPENSES	\$352,500.00	\$352,602.34	\$102.34	0.03%	
		FF	FACILITY OPERATIONAL EXPENSES	\$1,000.00	\$0.00	-\$1,000.00	-100.00%	
		HH	CONSULTANT SVCS (TO DEPTS)	\$3,090,000.00	\$3,091,000.00	\$1,000.00	0.03%	
		JJ	OPERATIONAL SERVICES	\$10,000.00	\$10,000.00	\$0.00	0.00%	
		PP	STATE AID/POL SUB	\$2,613,000.00	\$1,360,000.00	-\$1,253,000.00	-47.95%	FY22 baseline follow-up study completed.
		UU	IT Non-Payroll Expenses	\$2,000.00	\$2,000.00	\$0.00	0.00%	
	Research and Responsible Gaming/PHTF Total			\$6,493,372.73	\$5,267,001.23	-\$1,226,371.50	-18.89%	
40001101	Total			\$6,493,372.73	\$5,267,001.23	-\$1,226,371.50	-18.89%	

Exposures in the FY23 Budget Proposal

FY23 was another challenging budget to develop. We are hopeful we will not see the same turnover as we did in FY22, and we are cautiously optimistic we may see some additional travel in the coming year. The FY23 budget does have some potential exposures. The following are a brief list of exposures:

- Funded the minimum required by our insurance policy for litigation costs in the legal budget.
- Funded MSP overtime at the FY21 funding levels.
- Travel and training budgets are still below pre-pandemic levels.

Assessment on Licensees

Chapter 23K §56 (a)-(c) define how the MGC will fund its annual costs related to Gaming/non-racing activities. This chapter was further defined through 205 CMR 121.00. Section 56 (a) requires that the Commission assess a \$600 per machine fee to each licensee for every slot machine approved to be used in the facility on July 1. Staff would then combine the slot fees with any other fees we were projecting to generate in the fiscal year (primarily licensing fees) to determine the total fee revenue for the Gaming Control Fund. Section 56 (c) directs the Commission to determine the difference between the projected budget and the projected fees and assess that difference on licensees in proportion to each licensee's share of the total gaming positions.

The numbers in the chart below are estimates and will be used to generate a bill so the Commission can begin the fiscal year. When final numbers are determined, staff will revise the figures to reflect the actual gaming positions as of July 1, 2022.

Licensee	Slots Machines	Table Games	Table Gaming Positions	Total Gaming Positions	Percentage of Gaming Positions	FY23 Gaming Control Fund Assessment	FY23 PHTF Assessment
MGM	1,550	50	300	1,850	24.83%	7,579,761	1,241,611
Encore	2,750	250	1,750	4,500	60.40%	18,437,256	3,020,134
Penn	1,025	-	-	1,100	14.77%	4,506,885	738,255
TOTAL	5,325	300	2,050	7,450	100.00%	30,523,901	5,000,000



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Section 56 (e) requires the Commission to annually assess a minimum of \$5M on licensees to be deposited into the Public Health Trust Fund in the same proportion as the annual assessment for the Gaming Control Fund.

Conclusion

We are proposing an FY23 Gaming Control Fund budget of \$35.7M requiring a \$30.52M assessment on licensees, a Research and Responsible Gaming budget funded from the Public Health Trust Fund of \$5.27M and an additional annual assessment of \$5M from licensees to be deposited in the PHTF, a Community Mitigation Fund administration and oversight budget of \$310K, and an FY23 Racing Oversight and Development Fund budget of \$3.1M. We recommend posting the budget document for public comment and then return to discuss and approve or change at the next public meeting.

Attachments:

Attachment A: FY23 Listing of Accounts Spending and Revenue

Attachment B: Next Year Budget All Departments for Commission

Attachment C: Next Year Budget by Object Class for Commission



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