



October 4, 2013

Governor Deval Patrick
Attorney General Martha Coakley,
Treasurer Steven Grossman
Clerks of the House and Senate
Chairs of the Joint Committee on Economic Development & Emerging Technologies
Chairs of the House and Senate Committees on Ways & Means:

Honorable Madams and Messrs.:

We are pleased to deliver the second annual report of the Massachusetts Gaming Commission. This report covers our operations as of the end of Fiscal Year 2013 (June 30, 2013), and is submitted in accordance with section 70 of Chapter 23K.

As we look back to our first full year of operations, we see many important achievements and much that remains to be done. We have made significant progress towards building a new agency and anticipate awarding three gaming licenses during FY14 (Regions A, B and the Slots license). At the same time we continue to make progress towards building the gaming regulatory and oversight framework in the Commonwealth.

The Commission is committed to moving forward transparently with all of the speed that prudent oversight of this important new venture permits. We look forward to continued progress and remain eager to discuss with you at your convenience the efforts the Commission is making, the results it is achieving and any other aspect of our operations about which you would like additional information.

Sincerely,

Massachusetts Gaming Commission



Massachusetts Gaming Commission

Mission

The mission of the Massachusetts Gaming Commission is to create a fair, transparent, and participatory process for implementing the expanded gaming law passed by the Legislature and signed by the Governor in November, 2011. In creating that process, the Commission will strive to ensure that its decision-making and regulatory systems engender the confidence of the public and participants, and that they provide the greatest possible economic development benefits and revenues to the people of the Commonwealth, reduce to the maximum extent possible the potentially negative or unintended consequences of the new legislation, and allow an appropriate return on investment for gaming providers that assures the operation of casino-resorts of the highest quality.

Core Values

The Commissioners and all employees are committed to a set of core values:

- We value an unyielding commitment to a participatory, transparent and fair process for the licensing of expanded gaming in Massachusetts
- We value an environment with a free-flowing and open exchange of ideas in which all are encouraged to question and participate, with the understanding that all will use their best efforts to implement the resulting decisions
- We value an uncompromising commitment to the integrity of the licensing and regulatory process, and strict adherence to the letter and spirit of our Enhanced Code of Ethics, with a thoughtful balance between the need for rigorous regulation and the burden of compliance
- We value a diverse workforce and supplier base, and an inclusive culture internally and among our partners in the Massachusetts Gaming Industry
- We value a deep commitment to customer service that assures a respectful and professional experience for all with whom we come in contact, no matter their point of entry or point of view



Massachusetts Gaming Commission

Introduction

The Commission has been in existence since March 21 of 2012, and this report entails the first full fiscal year of operations in the process of implementing the expanded gaming legislation (**Chapter 194 of the Acts of 2011 – An Act Establishing Expanded Gaming in the Commonwealth**) enacted by the General Court and signed into law by the Governor November, 2011.

This report has been divided into what are now effectively major functional areas at the Massachusetts Gaming Commission:

1. Commission Operations and Licensing
2. Investigations and Enforcement Bureau
3. Research and Problem Gambling
4. Administration
5. Racing Division
6. Finance
7. Communications and Outreach



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Executive Summary

The Massachusetts Gaming Commission made significant progress towards its mission during FY13. We continue to build both an agency and the regulatory framework to enable this Commission to issue, award and regulate the gaming licenses that the Gaming Act allows.

During FY13 this Commission has:

1. Promulgated two sets of regulations that govern the many important aspects of the gaming licensing process
2. Received Phase 1 applications for 11 gaming applicants in regions A, B and for the slots parlor license
3. Began the intensive background check and investigation of all individuals associated with the gaming applicants, and made determinations of suitability for four applicants
4. Started a comprehensive and ambitious research project to study the social and economic impacts of the introduction of expanded gaming
5. Assumed all responsibilities for the racing operations in the Commonwealth, and promulgated two sets of comprehensive amendments to State Racing regulations (205 CMR 3.00 and 4.00)
6. Implemented and complied with a series of statutory requirements including
 - a. A review, analysis and recommendations regarding the charitable gaming laws (section 103 of the Session Laws – chapter 194 of the Acts of 2011)
 - b. A review of the pari-mutuel and simulcasting statutes (128A and 128C) and a report to the Legislature (section 104 of the Session Laws)
7. Decided to open Region C to commercial bids after carefully considering ample public comment, statutory requirements and other considerations for that license
8. Made significant progress in constructing the agency that will oversee the licensing and regulatory framework for the operations of the gaming licensees, including several key hires with significant experience in the related fields. These hires include the Executive Director, Director of Research and Problem Gambling, Director of Racing, Director of Supplier Diversity & Workforce Development, other key positions and staff.
9. Held 56 public meetings, 3 public educational forums, and 6 public hearings. Commissioners and other staff attended approximately 70 speaking engagements (the vast majority of speaking engagement attended by Chairman Crosby).



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Major Milestones Anticipated for Fiscal Year 14

The phase 2 (final phase) application deadline for the Category 2 License is October 4, 2013. We are currently forecasting to issue the Category 2 License (Slots Parlor) around December 2013 – January 2014.

The phase 2 application deadline for the Category 1 Licenses is December 31 2013. We anticipate to award two of the Category 1 Licenses (Casino License) for Region A (Central-Metro-North) and Region B (Western Mass) around April 2014.

The phase 1 application deadline for the Category 1 License for Region C is September 30, 2013. We will continue to monitor developments associated with this region to ensure that the Commonwealth and the region derive the anticipated benefits from expanded gaming.

The award of the above licenses will necessitate implementation and staffing of additional functions within the Gaming Commission. Such functions include:

- A “Licensing” unit and its associated licensing system, in order to begin licensing and registering casino and slots parlor employees and vendors
- Development, adoption and implementation of electronic gambling equipment testing protocols & procedures to ensure the machines and games on the gaming floor are operating as intended
- Promulgation of regulations Phase 3, which will govern operational functions at the gaming establishments, including the rules of games, approval protocols, gaming equipment standards, gaming software, internal controls, reporting, cash management, licensing, tax payment, self-exclusion and research support
- Initial results of the Baseline Study, described in section 3 of this report
- A forum on Responsible Gaming in October 2013, to develop a “Massachusetts Responsible Gaming Framework” with the ultimate goal of drafting regulations that protect those who may be at risk of experiencing problem gambling. In addition, the Commission is also preparing for forums on the Future of Horse Racing and Internet Gambling
- Formulation and refinement of protocols and procedures in conjunction with the State Police, the Attorney General’s office and the ABCC, for the oversight of operations of gaming licensees



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1. Commission Operations and Licensing

During FY13 the Commission completed and/or initiated the following three major aspects in the core business of solicitation and award of the gaming licenses:

- A. Drafted and promulgated two sets of regulations that govern the investigation, evaluation and award of gaming licenses**
- B. Solicited and received Phase 1 applications for Region A, Region B and the slots license**
- C. Assumed responsibility for other statutorily required functions**

Promulgation of Regulations:

During FY13, the Commission drafted and promulgated what is now known as the two-phase approach to the solicitation, evaluation and award of the gaming licenses.

- i. **Regulations Phase 1** (205 CMR 101 through 117) were promulgated on October 12, 2012, and govern the investigatory process and determination of suitability of the gaming license applicants (determination that is required prior to licensing). Furthermore, these regulations also govern the general workings of the commission as well as administrative rules including (a) the hearings the Commission will hold, (b) the records the Commission will keep, (c) the political and other contributions the Commission will monitor and (d) the initial reimbursement of expenses incurred by cities and towns that the Commission will oversee.
- ii. **Regulations Phase 2** (205 CMR 118 through 131) were promulgated on February 21, 2013 and govern how the Commission will evaluate the site-specific proposals (Phase 2) and award the gaming licenses.

Throughout the process of promulgation of regulations this Commission received significant and substantive public comment and public input, including that of gaming applicants.

Gaming Applications (Phase 1 - Regions A, B, Slots Parlor):

On the January 15, 2013 phase 1 application deadline, the Commission received 11 responses competing for three casino licenses: Seven applicants vying for a Category 1 license (casino license) in either region A or region B, two applicants vying for a Category 2 license (slots parlor license), and two applicants without a specified license (which later determined they were seeking the category 2 license).



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Since then, the Commission has made determinations of suitability for four category 2 applicants (completed the Phase 1 review) and continues to work towards the determination of suitability for the rest of the applicants.

In addition to releasing the Phase 1 application, and in preparation to the release of Phase 2 application, the staff of the Commission undertook multiple discussions with other departments and agencies regarding processes for consolidating and streamlining at the state and local level the permitting processes necessary for construction of gaming facilities. The initial concern by several relevant secretariats and departments (DOT, EOEEA, MEPA, etc.), relative to having to deal with or respond to multiple questions and scenarios from gaming applicants, host communities and surrounding communities, yielded the need for and creation of a director-level position of an **Ombudsman**, at the Commission.

Other Statutory Requirements and Directives:

During FY13, we completed and complied with a number of statutorily required functions or statutory directives as follows:

- Coordinated and planned with other affected state agencies the statutorily required **Enhanced Code of Ethics**. This code was issued and adopted on February 21, 2013, and binds the Commissioners, the employees of the Commission and the Commission's consultants, the Gaming Enforcement Unit of the State Police and the ABCC agents that will eventually be assigned to oversee the liquor licenses of the gaming licensees.
- Conducted a review, analysis and recommendations of the laws related to **Charitable Gaming** as required in section 103 of the session laws and cooperated with the agencies involved to submit a legislative proposal.
- Conducted a review, analysis and recommendations of the laws related to the **pari-mutuel and simulcasting law** (chapters 128A and 128C), as required in section 104 of the session laws. Further comment on this analysis is included in section 5 of this report.
- Conducted a review and analysis of matters contained in **Section 91**, which stipulates certain dates relative to opening **Region C** for commercial bids. The Commission conducted hearings on this matter, solicited, received and reviewed copious written comments on this topic, and ultimately decided to open up the region for commercial bids. The Phase 1 responses are currently due on September 30, 2013.
- Convened the first meeting of the statutory Gaming Policy Advisory Committee (detailed discussion on this committee is on section 3 of this report).



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With the exception of adjudicatory proceedings on the suitability of applicants, **the Commissioners only deliberate and make decisions in a public meeting**. Throughout FY13, the Commission conducted the following open public meetings or hearings:

- 51 regular meetings of the Commission
- 3 Public Educational Forums (on design & sustainability, economic development & mitigation, and supplier diversity)
- 6 Public Hearings
- 5 additional public meetings specifically designed to discuss policy issues prior to the formulation of associated regulations
- 2 Adjudicatory Hearings for the determination of suitability of two of the four applicants which determination of suitability has been completed

2. Investigations and Enforcement Bureau (IEB)

The Gaming Enforcement Unit of the State Police was established within the Commission on November 2012. From its inception **Commissioner Gayle Cameron** functioned as the acting Deputy Director of the Investigations and Enforcement Bureau (IEB).

On January 2013, we hired the Deputy Director of the IEB. Director **Karen Wells** came to the IEB having previously served as the undersecretary for the Executive Office of Public Safety of the Commonwealth.

The IEB is responsible for conducting the detailed background check of each and every individual in a position of control of the entities that form the gaming applicants (“qualifiers”). Depending on the equity participation and ownership structure of a gaming company, the qualifiers may include a number of individuals and even a number of different entities. In some cases, one gaming applicant alone may include dozens of individual qualifiers and several entity qualifiers.

Each of the individual qualifiers submits a multi-jurisdictional personal disclosure form, and a Massachusetts-based supplemental disclosure form. Furthermore, each qualifier is interviewed in person (oftentimes these interviews are conducted under sworn testimony). The IEB also conducts detailed investigations on the financial and personal background and makes recommendations to the Commission regarding findings of suitability.



After the January 15 2013 deadline and for the remaining part of FY13, the IEB completed four detailed investigative reports and recommendations of suitability, and continues to make progress in the investigation of additional applicants.

Some aggregate figures of IEB activities for FY13 include:

- Over 200 individuals and over 100 entity qualifiers are or have been the subject of intense investigations
- Review of tens of thousands of documents as part of the above investigations
- Over 100 in-person interviews (often necessitating travel domestically and internationally)
- Additional in-person and on-site review of operations and documents
- The direct involvement of approximately 100 individual investigators

3. Research and Problem Gambling

A very important topic throughout the Gaming Act is the framework and funding that allows this Commission, with the help and input of other key stakeholders to establish an annual research agenda and provide scientific-based recommendations to the Legislature for policy making.

Section 71 of the Gaming Act requires that the Commission, with the help of the Gaming Policy Advisory Committee develop an annual research agenda in order to understand the social and economic effects of expanding gaming in the Commonwealth.

One of the key components of that research agenda is contained in § 1 of the same Section 71, which directs the Commission to study the existing occurrence of problem gambling and report the findings of the “**Baseline Study**” to the House and Senate Committees on Ways & Means, the Joint Committee on Economic Development & Emerging Technologies, the Joint Committee on Mental Health & Substance Abuse and the Joint Committee on Public Health. **A full report of research activities to date will be submitted as required under Section 108 of Chapter 23k no later than November 21, 2013.**

In order to begin taking the necessary steps on this broad topic, we consulted with a number of experts in the field and our own gaming consultants. We researched the approach taken by other jurisdictions in the field of responsible gambling. We further conducted a formal



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Request for Information (RFI) from interested parties to ascertain different ways in which the Commission could begin scoping and implementing the broad mandate of studying impacts contained in the Gaming Act.

To oversee this important project as well as to comply with one of the most important goals of the Gaming Act to provide protections, safeguards and support to individuals who may experience problem gambling, we hired **Mark Vander Linden as the Commission's Director of Research and Problem Gambling** on June 2013. Director Vander Linden has extensive experience in managing state systems to address gambling disorders. Most recently he came from the Iowa Department of Public Health where he directed state Office of Problem Gambling Treatment and Prevention and oversaw state-wide problem gambling treatment, prevention, workforce and research efforts. Additionally, Director Vander Linden has provided consultation and training on the development and improvement of problem gambling service systems throughout the United States. He serves on the Board of Directors of the National Center for Responsible Gaming and the Association of Problem Gambling Service Administrators.

Request for Response (RFR) for Research Services

After the RFI and period of research and consultation, the Commission decided to issue a competitive Request for Response (RFR) for research services. The Research RFR was issued on November 2012 and centered on conducting:

- i. A baseline study of problem gambling and existing prevention and treatment programs
- ii. A study of the economic and sociological impacts of the introduction of casino gambling in Massachusetts

In April of 2013, the Commission awarded a contract to an interdisciplinary team of researchers based in UMASS, Amherst to fulfill the baseline research activities.

Gaming Policy Advisory Committee

Chapter 23K (the Gaming Act) stipulates in Section 67 the Gaming Policy Advisory Committee. This committee is comprised of the Governor or his designee, the Chair of the Commission, 2 members of the Senate, 2 members of the House, Commissioner of Public Health (or designee), and 8 persons appointed by the Governor (of whom shall be representatives of gaming licensees, organized labor, a federally recognized Indian tribe in the Commonwealth, and representatives of the host and surrounding communities).



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While all members of this committee could not be appointed prior to the award of licenses (i.e., representatives of the host communities, and representatives of licensees), it was very important to convene the committee, especially in light of the general goals of the research agenda and in particular the baseline study.

Governor Patrick appointed **Mr. Rob Hubbard as the chair of the Advisory Committee**. Mr. Hubbard recently retired from the positions of Director of Community Development and Planning for the City of Gardner and Executive Director of the Gardner Redevelopment Authority (GRA).

Current designees to the committee include: **Senator Jennifer Flanagan**, designated by the Senate, **Senator Richard Ross**, appointed by the Senate Minority Leader, **Representative Ann-Margaret Ferrante**, designated by the House, and **Representative Angelo L. D’Emilia**, appointed by the House Minority Leader, **Hilary Jacobs**, designated by the Commissioner of Public Health and **Brian Lang**, a representative of organized labor appointed by the Governor.

The Gaming Act also prescribes **Chairman Steve Crosby** as an ex-officio member to the Gaming Policy Advisory Committee.

Additional Activities on Research and Problem Gambling:

- Completed initial research plan including identifying key variables and methods for the socioeconomic and cross sectional population survey, Institutional Review Board (IRB) approval and launch of the population survey.
- Convened an informal Gaming Research Advisory Committee in August. This committee will provide a peer review of the research activities and recommend activities for the ongoing research agenda.
- Received and responded to numerous inquiries from the media and public about the research agenda and the Commission’s overall efforts to mitigate problem gambling once casinos and slot parlor are operational.
- A recommendation for the research agenda for the coming year will be developed after consulting the Gaming Policy Advisory Committee which will meet in October 2013. This recommendation will be included in the full report of research activities.



4. Administration

In the last year the Commission moved from a planning/organizing phase to building the organization as well as the licensing and oversight framework. During FY13 we filled the bulk of the executive management, including the important hiring of an Executive Director. **Executive Director Rick Day** was hired on March 2013 and comes to the Commission with significant gaming and regulatory experience. Director Day relocated from Washington State, where he was the director of the Washington Gaming Commission.

The early part of FY13 centered on the need to build the agency. Throughout FY13 and the early parts of FY14 we continue to be in a hiring mode in order to support the evolving needs of the licensing process and the regulatory and oversight structure.

The Commission is grateful to the Comptroller's office, in particular, Comptroller Marty Benison and Deputy Comptroller Kathy Sheppard for their assistance in standing up the Commission and in the transition of the Racing Commission to the Commission's control.

Human Resources - Personnel

During FY13 the Commission grew from 12 FTE's to 36 FTE's. The approximately 24 FTE's that became Commission employees included an Executive Director, several important management positions and other support staff.

While the search for an executive director was on-going, the Commission hired a Director of Administration to oversee accounting, procurement, human resources and information technology. Furthermore, the Commission also hired support staff in key functional areas (finance, information technology, legal, racing, etc.).

The following two statutory-required positions were filled in FY13:

- Executive Director
- Deputy Director of Investigations and Enforcement Bureau (IEB)

Other key positions filled in FY13 include:

- Director of Racing (see section 5 of this report)
- Director of Research and Problem Gambling (see section 3 of this report)
- General Counsel



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- Deputy General Counsel
- Staff Attorney (2)
- Ombudsman
- Financial Business Analyst
- IT Business Analyst
- Chief Pari-mutuel Officer
- Executive Assistants (3)

In compliance with enabling legislation, the Commission performs extensive background checks on finalists for all positions. These checks were largely done by the State Police in FY2013, and will be handled internally in the future.

There is one more position that is required by the Gaming Act: Chief Financial and Accounting Officer. The candidate for this position is anticipated to start in October 2013.

The Commission also anticipates concluding the search for a Chief Information Officer in the fall of 2013.

Human Resources - Other

During the early part of FY13, Commissioners drafted, discussed and adopted many policies and procedures that have resulted in an employee manual.

The Commission uses the state's HRCMS system for Payroll. We moved to Self Service Time and Attendance (SSTA), along with many other agencies, in February 2013.

The Commission is also statutorily required to adopt an enhanced code of ethics. This effort was completed on February 2013, and all employees and Commissioners are required to attend annual training.

Accounts Payable and Accounts Receivable:

The Commission began accepting funds, in a newly set-up bank account for application fees in early August, 2012. The statutorily prescribed \$400,000 non-refundable application funds were down payments on the suitability investigations that began after the January 15, 2013 filing deadline. However, a number of applicants signaled their interest in filing as soon as possible.



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The Commission assesses applicants for additional costs of investigations. We set up separate accounts in the state accounting system (MMARS) to record deposits for investigative payments. When the investigative forecasts were complete, all applicants were invoiced for the additional costs (as most investigation forecasts exceeded the \$400,000 application fee). The Commission reviews and pays bills for the investigations from these accounts. In addition, the applicants are charged an overhead rate to cover Commission central office costs. No taxpayer money was spent on investigations costs or any Commission's costs altogether.

Procurements:

The Commission is exempt from public procurement regulations, but early on voted to adopt the Commonwealth's Administration and Finance procurement regulations (801.CMR.21.00). As such, the Commission offers procurements to the public through the state supported CommPASS system, and follows the procedures and best practices inherent in the procurement regulations.

We conducted the following procurements during FY2013:

- Web vendor and brand identity consultant
- Stenography services for transcripts of public meetings
- Investigation consultants to assist with suitability investigations
- Research Agenda to support the Legislature's requirement for a baseline study and other studies on the impact of expanded gaming in the Commonwealth, particularly in the areas of problem gambling (additional discussion on the research agenda is included in section 3 of this report)
- Equine Testing to support the Racing division's Uniform Model Testing Rules
- Audit software for racing to eliminate redundancy, automate transmission, and increase the transparency of daily information from the tracks
- Document management system

Other procurements for the evaluations of gaming applications:

- Financial advisor
- Program coordinator

The early part of FY14 will include the balance of advisors for the evaluation of gaming applications (Economic Development Consultant, and Building and Site Design Consultants).



5. Racing Division

The Racing Division at the Commission made significant progress during FY13. On October 2012 we hired a new director of racing. **Dr. Jennifer Durenberger** is a former regulatory veterinarian with significant experience in the horse-racing industry, primarily in New York and California.

The chief accomplishments of this division can be grouped in the following major categories:

- A. Assumed all direct fiscal and operational activities at licensed racetracks in the Commonwealth (January 1, 2013)**
- B. Conducted a statutorily-required review of the Racing Chapters (m.g.l. c 128A and 128C) the racing and simulcasting statutes**
- C. Drafted and promulgated comprehensive amendments to the Commonwealth's Racing Regulations 205 CMR 3.00 and 4.00**

A discussion of each major accomplishment follows below, and is further detailed in the State Racing Report for the calendar year 2012 (which is forthcoming).

Operational Activities and Licensed Racetracks

Prior to the Gaming Act, the State's Racing Operations were administered by the Office of Consumer Affairs (OCA) and specifically the Division of Professional Licensure (DPL). From the time the Commission statutorily took over the racing operations (May 21, 2012) through the end of calendar 2012, we relied on OCA to manage the Racing Operations. We did this through an ISA (inter-agency service agreement).

Shortly after the Commission engaged a Director of Racing there was significant workload to manage and accomplish the transition of the State Racing Commission from OCA to the Commission. Dr. Durenberger took significant steps to enhance the professional resume of the Racing Division by aggressively recruiting experienced, nationally-accredited full-time and seasonal professional staff

During November 2012, we posted all racing jobs for the calendar year 2013 racing season. We posted these jobs, under the restructured organization, to CEO (Commonwealth Employment Office) and conducted interviews, giving priority to current racing employees. The Commission met frequently with OCA personnel representatives to ensure a smooth transition to Commission management on January 1, 2013. The Comptroller's office was



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especially helpful in facilitating our understanding of past racing practices, and the structures of the financing and operations.

Review of the Racing and Simulcasting Chapters (c. 128A and 128C)

The session laws (c. 194 of the Acts of 2011) required that the Commission provide a review of chapters 128A and 128C (the pari-mutuel and simulcast chapters) for efficacy and need to change. That review was completed and a report and recommendations were submitted to the legislature on April 10, 2013. Most of the recommendations were related to modernizing these chapters in acknowledgement of a changed pari-mutuel business model while attempting to reconcile existing law with the expanded gaming act.

Comprehensive Amendments to State Racing Regulations

Of similar importance and significance, we drafted and adopted comprehensive amendments to the Commonwealth's Racing Regulations (205 CMR 3.00 and 4.00) in order to strengthen the racing regulatory framework, enhance the safety and welfare of racing participants and improve the integrity of the betting product. A comprehensive review of the Pari-Mutuel and Simulcasting Regulations (205 CMR 6.00 and 7.00) is currently underway.

This spring the Commission passed a resolution in support of a regional effort to promote uniformity in the areas of veterinary practices, medications used in racehorses, and drug testing methods. The Mid-Atlantic and Northeastern pari-mutuel states are home to dozens of tracks within a 250 mile radius, and the participants in racing are inherently mobile. Having uniform regulations makes playing by the rules much easier for occupational licensees who race their horses in multiple jurisdictions in any given week. Additionally, races run at these tracks are simulcast all over the country, and the pari-mutuel customers have strongly indicated that they would like to be assured that all races are run under the same conditions and that penalties for infractions are consistent across jurisdictions. Massachusetts has been recently recognized as a leader in this area.

Additional racing division activities:

- Requested and coordinated with the State Auditor's Office a transition audit, the results of which were published in December, 2012
- Assessed the needs of our licensing operations to facilitate seamless integration with the Commission's system for licensing of gaming participants



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- Issued RFPs for equine drug testing and pari-mutuel auditing services and contracted with industry-recognized successful respondents
- As of July 30th, issued approximately 80 administrative rulings regarding occupational licensees
- As of July 30th, completed post-race drug testing on approximately 1,500 horses
- As of August 30th, this Commission has not had any appeals on the rulings of any judge or steward

6. Finance and Budget

The Gaming Act initially funded the Gaming Commission through a \$15,000,000 “loan” from the Commonwealth Stabilization Fund (aka “Rainy Day Fund”). This advance is re-payable shortly after award of either of the first gaming licenses. The Commission does not and will not receive any tax-payer funds, nor is the recipient of any line item appropriations (other than the one time loan for initial operations discussed herein).

The Commission started operations on March 21, 2012. Expenditures for the partial Fiscal Year 2012 (FY12) from March 21 to June 30, 2012 amounted to **\$855,101**. There were no revenues for FY12.

FY13 included \$9,899,354 in revenues. This amount was comprised of the initial application fees (\$400,000 per applicant for eleven applicants), plus additional investigative fees assessed to applicants. Applicants are assessed both the direct costs of investigations (direct costs of investigative firms and investigation consultants to the Commission), as well as indirect costs of the Commission for the investigation effort (direct salaries of the Investigation and Enforcement Bureau of the Commission with a proportional overhead rate for central office expenditures).

FY13 expenditures amounted to \$13,175,425. These expenditures include all costs incurred by the Commission for its investigations and operations (excluding costs assessed to the Racing Oversight Fund and for the racing operations).



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Summary of Revenues and Expenditures							
Fund	Name	Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Notes
10500001	MGC	FY12	\$ 15,000,000	\$ -	\$ 855,101	\$ 14,144,899	1
10500001	MGC	FY13	\$ 14,144,899	\$ 9,899,354	\$ (13,175,425)	\$ 10,868,828	2
Notes							
1)	FY12 represents activities from March 21, 2012 through June 30, 2012						
2)	Revenues include assessments to gaming applicants for investigations (detail in separate chart)						

Revenues

The bulk of the FY13 revenues consisted of fees collected for the investigations effort, including initial application fees and additional investigations assessments.

Revenue Item	FY13 Amount	Notes
Initial Application Fees	\$ 4,400,000	1
Additional Investigation Fees	\$ 4,606,581	2
Applicant Grant Activity	\$ 605,411	3
All Other Revenue	\$ 287,362	4
Subtotal	\$ 9,899,354	

Note 1: Eleven applicants at \$400,000 each, for slots license, and regions A and B.

Note 2: All applicants have been assessed additional investigation fees (proportional to the investigative effort required and given their companies and partnership structures). This figure includes all additional assessments, and reflects a Commission overhead rate of 13.71%

Note 3: The Commission acts as a conduit to fund certain expenditures of some cities and towns related to the negotiation of a Host Community Agreement. The costs are first agreed-upon between the applicant and the host community (or surrounding community), and remitted to the Commission from the applicant. The same monies (without any Commission overhead) are then remitted as a “grant” to the host community. This mechanism (vetted with the Division of Local Services at DOR) avoids the undesirable instance of Towns having to appropriate monies via town meeting for expenditures for



consultants and advisors during the host community negotiation period. The “grants” to Towns for FY13 amounted to \$605,411.

Note 4: The bulk of “all other” revenue are chargebacks to the Racing Development Oversight Trust fund to pay for costs that the Commission has incurred that are allocable to the racing operations (including the salaries of certain racing employees like the Director of Racing and other employees of the Commonwealth Racing Commission that transferred to the Commission’s Racing Division).

Expenditures

The expenditures for FY13 for gaming operations are summarized below. The bulk of costs during this fiscal year consisted of costs paid to investigators for the Phase 1 investigation effort, as well as Commission’s cost, including salaries, rent and other consultants.

Expenditure Item	FY13 Amount	Notes
Investigation Costs	\$ 6,534,277	1
Commission Costs	\$ 5,835,737	2
Applicant Grant Activity	\$ 605,411	3
City/Town Payments	\$ 200,000	4
Subtotal	\$ 13,175,425	

Note 1: Reflects payments to outside consultants and investigator firms.

Note 2: The Commission approved a budget for these costs at the beginning of fiscal year FY13 for a total of \$7,411,652. Additional discussion on the Commission’s budget is provided in a separate section below.

Note 3: As explained in note 3 of the revenue section above, these are grants to cities and towns for the negotiation of host community agreements, and the Commission serves as a “pass-through” of such costs. The Communities that have taken advantage of this mechanism are: **Everett, Leominster, Millbury, Plainville, Raynham and West Springfield.** In addition, the applicant “Crossroads Massachusetts LLC” with a proposed project in Milford has agreed to fund monies via the Commission to the Metropolitan Area Planning Council (MAPC) to look at regional impacts for **Surrounding Communities to Milford.**

Note 4: The Gaming Act provides that \$50,000 of the initial application fee (\$400,000) may be used by communities to defray the costs of negotiating a host or surrounding community



agreement. Alternatively, communities can seek and obtain direct reimbursement from applicants for such costs. To date, the following four communities have requested the \$50,000 monies: **Everett, Plainville, Raynham and West Springfield.**

It should be noted that Communities have the ability to obtain directly from applicants all monies necessary to defray the costs of negotiating host and surrounding community agreements, as well as the costs of conducting the host community referendum.

Budget Discussion

At the beginning of FY13, the Commission approved a budget for its operations (excluding investigations) for a total of **\$7,411,652**. The actual expenditures that co-relate to this figure were **\$5,835,737**. This represents a difference of **\$1,575,915**.

The principal reason expenditures were less than the budget is centered on the need of the Commission to preserve a positive balance until such time it can assess the bulk of its oversight costs to its gaming licensees.

The initial FY13 budget figure was put together conservatively, assuming certain large expenditures taking place earlier. Some of these expenditures include a licensing software system, estimates of more rapid hiring, and the additional use of consultants.

Conversely, the Commission will need to incur certain large expenditures during the early parts of FY14, including the first payments of a large research project (baseline study – see Section 3 of this report), as well as a licensing software in preparation for licensing vendors and individuals as soon as the first gaming license is awarded (the slots license award is anticipated for late December of 2013). We will submit the required spending plan for FY14 to the Office of Administration and Finance prior to September 30, 2013, as the budget for FY14 has already been reviewed with and approved by the Commission.

A summary of the Budget to Actual results for FY13 is below:



Massachusetts Gaming Commission

Description	FY2013 Amount	FY2013 Actuals	Under (Over) Budget	Notes
Salaries and Fringe	\$ 2,735,896	\$ 2,225,240	\$ 510,656	1
Consulting / Advisors / Service Providers	\$ 2,986,809	\$ 2,642,502	\$ 344,307	2
Rent / Administration / Chargebacks	\$ 685,460	\$ 695,464	\$ (10,004)	
Equipment/Furniture	\$ 245,000	\$ 185,492	\$ 59,508	3
Events / Hearings / Travel	\$ 84,700	\$ 87,039	\$ (2,339)	
Subtotal	\$ 6,737,865	\$ 5,835,737	\$ 902,128	
Statewide Allocation Percentage	\$ 673,787	\$ -	\$ 673,787	4
Subtotal Approved Budget	\$ 7,411,652	\$ 5,835,737	\$ 1,575,915	

Note 1: From July 1, 2012 to June 30, 2013 (FY13) the Commission grew from 12 FTE's to 36 FTE's. The difference in budget to actuals reflects a slightly slower hiring than initially anticipated.

Note 2: The initial budget assumptions regarding consultant use were higher than actuals.

Note 3: The FY13 budget assumed increasing space in the existing building. During the year the Commission expanded its 7,560 square feet of space to a total of 12,890 square feet (which represented an increase of approximately 70%, but was less than originally budgeted). We are now contemplating issuing an RFP for a total of approximately 20,000 square feet.

Note 4: The initial budget included an assumption that the Commission would be assessed the Statewide Indirect Allocation on the majority of its costs. During the formulation of the initial budget figures for FY14, and the timeline for awarding licenses, we requested a temporary waiver of the indirect cost from the Executive Office of Administration & Finance. The waiver was granted for FY13. We have also requested the indirect waiver from A&F for FY14, and their decision on this matter is pending. We do not anticipate that this waiver will be necessary once the Commission is in a steady state of assessing licensees for the cost of oversight.



7. Communications and Outreach

In line with the Gaming Act highest principle of ensuring public confidence and the integrity of the licensing process, the Commission has committed to openness and transparency and made these principles the centerpiece of its mission. As such, all meetings of the Commission are streamed live, recorded and transcribed in full. All recordings, transcripts and minutes are also available at the Commission's website www.massgaming.com

In addition, the Commission, and Commissioners spend significant time soliciting, reading and responding to public comment, as well as engaging in speaking opportunities to a wide range of groups, stakeholders and media outlets. Anecdotally speaking, we have received significant community feedback expressing confidence in the transparency of the process

Chairman Steve Crosby (and to a lesser degree the Commissioners and the Ombudsman) spend significant time speaking at public events. During FY13 the Commission attended approximately **70 speaking engagements** (the vast majority of them attended by Chairman Crosby). These speaking events ranged from regional chambers of commerce, regional and local groups, associations, editorial boards and other public interest events.

Below is a summary of the FY13 activities in the Communications and Outreach arena:

Brand Identity, Communications Program and Website:

During FY13, we established the agency's brand identity, through the creation of a Massachusetts Gaming Commission logo and related collateral, that visually demonstrates MGC and its divisions as professional, authoritative and community-minded, while also demonstrating the Commission's principal mission to create a fair, transparent, and participatory process for implementing the expanded gaming law

Using the newly developed brand identify, the Commission developed a high-quality communications infrastructure to provide a multi-faceted platform from which to increase awareness of Commission-related activity and effectively and efficiently communicate with key stakeholders.

In addition, we launched an aggressive public relations program to raise awareness of MGC's roles and responsibilities to facilitate the introduction of expanded gaming and solicit public participation. The communications program includes:



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- Development and launch of a new official website, www.MassGaming.com, to ensure that the site was consistent with the Commission's brand identity and was user-friendly, dynamic, informative and easily maintained and internally updated by Commission staff
- Development, management and updating of all website's content. The site was purposefully designed to strategically highlight the following key elements: Expanded Gaming overview, a blog, a community calendar, open meeting archive, live stream and video, email alert sign-up function, Speakers Bureau request form among other gaming-related news and updates
- Production of a 10 minute introductory video to educate the community on the Expanded Gaming statute, the licensing process and the roles and responsibility of the Commission

Additional Communications and Outreach:

Below is a summary of the Communication and Outreach efforts during the last Fiscal Year:

- 130 Press Releases
- 1,600 Twitter followers & 1,580 tweets
- 180 Facebook fans and approx. 500 Facebook posts
- 100 YouTube videos
- 70 Speaking Engagements
- 50 Blog posts and Guest Blog Posts
- More than 800 sign-ups for direct email blasts
- Consistently factual and positive media accounts based on proactive announcements by MGC



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