



November 26, 2014

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 third annual report of the Massachusetts Gaming Commission. This report covers the details of our operations as of the end of Fiscal Year 2014 (June 30, 2014), and is submitted in accordance with section 70 of Chapter 23K.

We awarded the Slot Parlor (Category 2) license to Penn National Gaming on February 28, 2014. Construction of the facility in Plainville started soon after, and is currently on schedule to be completed on late June 2015.

On June 16, 2014 the Commission designated MGM International to receive the Region B Category 1 license. On September 15 the Commission designated Wynn Resorts to receive the Region A license. As part of the designations, MGM and Wynn each would finalize permitting & design and start construction as soon as the results of the petition to repeal c. 23K failed. On November 4, the citizens of the Commonwealth voted down question 3 and MGM and Wynn were formally awarded the licenses for Region B and Region A respectively.

We continue to make significant progress towards building the regulatory framework that will govern expanded gaming in the Commonwealth. We are committed to moving forward transparently with prudent oversight. We 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
- 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
- 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
- A diverse workforce and supplier base, and an inclusive culture internally and among our partners in the Massachusetts Gaming Industry
- 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 third 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. Licensing
2. Investigations and Enforcement Bureau
3. Research and Problem Gambling
4. Ombudsman Office
5. Racing Operations
6. Information Technology
7. Administration and Finance
8. Workforce, Small Business Supplier and Diversity
9. Communications and Outreach



Executive Summary

The Massachusetts Gaming Commission made significant progress towards its mission during FY14. We continue to build both an agency and the regulatory framework to enable this Commission to issue, award, oversee and regulate the gaming licenses that the Gaming Act allows.

During FY14 this Commission:

1. Finished the intensive background check (Phase 1) and investigation of all individuals (qualifiers) associated with the gaming applicants, and made determinations of suitability for ten applicants
2. Received Phase 2 applications for six gaming applicants in regions A, B and for the slots parlor license
3. Conducted extensive technical evaluations and awarded Penn National Gaming the State's sole Slots Parlor License. Designated MGM International as the licensee for Region B in Springfield and designated Wynn as licensee for Region A.
4. Promulgated five sets of regulations that govern the many important aspects of the gaming licensing process including (i) gaming vendor & employee licensing (ii) fees & assessments, (iii) self-exclusion, (iv) arbitration, (v) monitoring
5. Continued a comprehensive and ambitious research project to study the social and economic impacts of the introduction of expanded gaming
6. Assumed all responsibilities for the racing operations in the Commonwealth, and promulgated regulations and two sets of comprehensive amendments to State Racing regulations (205 CMR 3.00 and 4.00)
7. 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.
8. Held 48 public meetings, an additional 15 public input and statutory hearings and 3 educational forums (Responsible Gaming, Internet Gaming and Horseracing). We continue to receive significant community feedback expressing confidence in the transparency of all Commission activities.
9. Developed the "Massachusetts Responsible Gaming Framework" with the ultimate goal of drafting regulations that protect those who may be at risk of experiencing problem gambling.
10. Commissioners and other staff continue to attend numerous speaking engagements across the state through the Commission's successful Speakers Bureau Program.



Major Milestones Anticipated for Fiscal Year 15

- **The phase 1 application deadline for the Category 1 License for Region C was recently extended to January 31, 2015.** Given our experience with the timeframes Regions A and B, we anticipate that investigation and evaluation would take continue throughout FY14 for this region. 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 Opening of the Slots Parlor in Plainville is anticipated for June 2015.** Although we do not project significant gaming revenue accruing in FY15 to the Commonwealth, FY16 could bring approximately \$40 million to Local Aid, and \$9 million to the horse race development fund.
- **The results of the Baseline Study are anticipated for March 2015.** This report will contain a wealth of information of current levels of gambling, as well as attitudes and behaviors by Massachusetts residents. This Study is described in more detail in Section 3 of this report.
- **We will continue to study and implement responsible gaming features.** We have adopted a responsible gaming framework with the help of important stakeholders and will continue to evaluate the feasibility of features like a player management system.
- **Harness Racing will continue at Plainridge Race Course and increase to the statutory 105 days for calendar year 2015.** We will also continue to evaluate the feasibility of Thoroughbred Racing given available monies for purses, and two placeholder applications received on Oct 1, 2014.
- **We continue to make significant administrative progress** in the implementation and staffing of additional functions. Such functions include:
 - ✓ A “Licensing” unit and its associated licensing system, in order to license and register 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 which will govern operational functions at the gaming establishments, including the rules of games, slots standards, approval protocols, gaming software, gaming school certification, internal controls, reporting, cash management, licensing, tax payment, search & seizure, and research support
 - ✓ 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



1. Licensing

The Division of Licensing issues licenses to vendors and individuals that intend to do business with the Gaming Companies in the Commonwealth. Working in conjunction with the Commission's Investigations and Enforcement Bureau (IEB), the Division of Licensing will issue different types of licenses to gaming employees, gaming vendors and non-gaming vendors.

During FY14, we promulgated regulations that govern the application process for employees of a gaming establishment and vendors who will be providing goods or services to a gaming establishment (205 CRM 134.00). The regulations define thresholds for license or registration, the forms to be filed, licensing standards that must be met by applicants for licensure or registration, and how licensure will be determined. Applicants have the right to request a hearing in the event an application is denied.

The Licensing Process

The division created and developed procedures, forms and instructions for the submission, review, and acceptance of licensing applications. These documents are required of individuals and vendors applying for the different licenses.

The types of licenses are: Key Employee, Gaming Employee, Gaming Service Employee, Gaming Vendor Primary, Gaming Vendor Secondary, Non-Gaming Vendor, and Gaming School Certification.

Upon the determination of completeness these applications are forwarded to IEB so that a probity investigation may be conducted to determine suitability for licensure. Upon determination of suitability, the IEB recommendation is forwarded to the Division of Licensing for the issuance of a license credential or a certification indicating that suitability has been met.

To date the Division has received and processed 155 license applications as well as 28 Non-Gaming Vendor registrations.

We are currently developing and implementing a Licensing Management System (LMS). The LMS will allow for the electronic filing of an application for licensure or registration by a vendor or an employee and eliminate paper applications. The LMS will be used internally (Licensing, IEB, Legal) for the tracking the status of applications as well as application fees. Further, the LMS will document the amount of time required by staff to complete the review.



The information from the LMS will be used to determine actual costs incurred by the Commission and subsequently bill the applicant for any additional costs. In future phases of development, the LMS will allow for the electronic filing of applications for racing licensing, certification of gaming schools, tracking of self-exclusion, tracking of reports used to determine compliance with established regulations or conditions of licensing, as well as tracking of excluded individuals. The LMS will be the tool used by the gaming establishment to inform the Commission of their respective employees and of the business being conducted with licensed or registered vendors.

2. Investigations and Enforcement Bureau (IEB)

The Investigations and Enforcement Bureau (IEB) is the investigatory unit of the Commission, and includes Massachusetts State Police (MSP) staff. Throughout the initial licensing of casino companies (applicants), the IEB conducted the intense Phase 1 background investigations.

Phase 1 Determinations of Suitability

In fiscal year 2014, the IEB completed the suitability reports of the slots parlor applicants, as well as all applicants for Region A and Region B, resulting in 6,161 pages worth of un-redacted reports and exhibits. Below is a chart of all completed suitability reports, as well as the number of pages and exhibits included in each.

Applicant	Determination	Date	Report (Pages)
Crossroads	Suitable, pending additional financing	11/13/2013	285
MassGaming & Entertainment	Positive Determination of Suitability	7/11/2013	219
MGM International / Blue Tarp	Positive Determination of Suitability	12/9/2013	2,919
Mohegan Sun	Positive Determination of Suitability	10/3/2013	383
Ourway	Not Found Suitable	7/25/2013	168
Penn National	Positive Determination of Suitability	9/19/2013	444
Cordish / PPE	Positive Determination of Suitability	7/11/2013	81
Raynham Park	Positive Determination of Suitability	7/26/2013	354
Sterling Suffolk	Positive Determination of Suitability	10/29/2013	1,013
Wynn Resorts	Positive Determination of Suitability	12/16/2013	295

The IEB also conducted a suitability investigation for Hard Rock Massachusetts, LLC, as an applicant for a Region B license. However, since the voter referendum on the host community agreement did not pass, the investigation was not officially completed and the report remains in draft form. HR Massachusetts included 3 entities and 13 natural person qualifiers.



The reports were a result of months' worth of investigations which included an intensive background check of all applicants. Each applicant included several entity qualifiers (companies, holding companies, etc.) and in most cases multiple individual qualifiers (persons with control and/or ownership of the qualifying entities). Qualifiers were the subject of detailed financial evaluations and interviews under sworn testimony. Each report to Commissioners was accompanied by a recommendation from the Director of IEB regarding the suitability of the applicant, including any proposed conditions. Where the IEB had questions or concerns, these were addressed in a public adjudicatory meeting of the Commission.

Below is a chart summarizing the number and types of suitability investigations conducted during FY14.

Investigation Type	Applicants	Entity	Individual	Grand Total
Category 1 - Resort Casino				
Region A	3	25	34	59
Region B	3	25	67	92
Region C	1	3	4	7
Category 2 - Slots Parlor				
Slot Applicants	3	33	57	90
Grand Total	10	86	162	248

Casino Vendors and Employee Investigations

Upon completion of the suitability investigations at the end of calendar year 2013, IEB began the investigations phase of licensing vendors and employees for the slots parlor gaming establishment. These investigations included 96 individuals and 64 entities within a four month period from March through June 2014. Upon completion of each investigation, IEB issues a recommendation to the Licensing Division on whether an entity or an individual is suitable to be licensed. The IEB is also tasked with conducting investigations on employee hires for the Gaming Commission (MGC) as well as its vendors and consultant hires. The chart below shows the breakdown of the numbers and types of investigations conducted by IEB for FY 2014.

Types of Investigations	# of Investigations
MGC Consultant or Vendor	64
MGC Direct Hire (Employee)	57
Licensee (Vendor or Employee of Casino)	113
Suitability Determination (Casino Qualifier)	248



3. Research and Problem Gambling

The Gaming Act allocates significant resources to the areas of research and problem gambling. When fully operational, a public health trust fund (described below) will count with \$15 - \$20 million annually to study, allocate, prevent and treat problems associated with problem gambling. This will make Massachusetts the state in the U.S. that dedicates most resources to this area.

MGC Research Mandate

Section 71 of the Gaming Act requires the Commission to establish “an annual research agenda” to assist in understanding the social and economic effects of casino gambling in Massachusetts and minimizing the harmful impacts of expanded gaming. The Act further requires that the Commission and the statutory Gaming Policy Advisory Committee (GPAC) make annual, scientifically-based recommendations to the Legislature.

The gaming law is unique in enshrining the role of research in enhancing responsible gambling and mitigating problem gambling in Massachusetts. Section 71 identifies three essential elements of this research agenda:

- Understanding the social and economic effects of expanded gambling;
- Implementing a baseline study of problem gambling and the existing prevention and treatment programs that address its harmful consequences;
- Obtaining scientific information relative to the neuroscience, psychology, sociology, epidemiology and etiology of gambling.

Public Health Trust Fund

The Gaming Act established a Public Health Trust Fund, which will be used to support social service and public health programs dedicated to addressing problem gambling and related issues, including research, prevention and treatment. This includes the annual research agenda (highlighted above). However, the Public Health Trust Fund cannot be established and endowed, until fees are assessed to gaming licensees and funds collected from taxes on gross gaming revenues.

Although the Public Health Trust Fund is not yet in place, Section 71 requires the MGC to conduct a Baseline Study of social and economic impacts as well as ongoing research on gaming in the Commonwealth. Since the Baseline Study necessitates collecting data ahead of the granting of licenses, the MGC elected to allocate resources from its general operating budget to fulfill this statutory requirement.



Public Health Trust Fund Executive Committee

The Commission and the Executive office of Health and Human Services entered into a Memorandum of Understanding (MOU) on July 24, 2014, and established an Executive Committee of the Public Health Trust Fund. The MOU authorizes the Executive Committee to set an annual budget for expenditures from the Public Health Trust Fund, which includes funding for the annual research agenda.

The co-chairs of the Public Health Trust Fund Executive Committee are Commission Chairman, Stephen Crosby and the Department of Public Health Commissioner, Cheryl Bartlett. Other members of the Executive Committee include Beth Bresnahan, Executive Director of the Massachusetts State Lottery; Rebekah Gewirtz, Executive Director of the Massachusetts Public Health Association; and Anne Powers, Undersecretary for Law Enforcement, Executive Office of Public Safety and Security. The Committee is staffed by Mark Vander Linden, Director of Research and Problem Gambling for the Gaming Commission and Stefano Keel, Director of Problem Gambling Services for the Department of Public Health.

To additionally help guide research matters, the Commission convened an informal Gaming Research Advisory Committee (GRAC). This Committee is staffed by MGC Director Vander Linden and DPH Director, Keel. The GRAC functions as an informal peer review committee to advise on methodology, monitor research efforts currently under way and make recommendations to advance the ongoing agenda.

Social and Economic Impacts of Gambling in Massachusetts (SEIGMA)

To carry out the mandate of Section 71, the Commission competitively procured and eventually engaged a multidisciplinary team at the University of Massachusetts Amherst to carry out a comprehensive, multi-year study of the “Social and Economic Impacts of introducing casino Gambling in Massachusetts” (SEIGMA). The SEIGMA project is composed of four distinct components including social and health impacts, economic and fiscal Impacts, evaluation of problem gambling services and a data management center.

The largest element of the Social and Health Impacts component is a Baseline General Population Survey and two related targeted surveys. Because such surveys will be repeated after the introduction of casinos, the team will be in a position to determine the social impacts associated with the introduction of casinos.

Similarly, the team of researchers will evaluate Economic and Fiscal Impacts from existing sources. The team has developed a matrix of economic and fiscal measures (employment, income, state revenues, property values, etc.) that will be tracked over time. All associated data and related methods will eventually be available to the public.



The team has performed extensive work to ensure that relevant data is collected from licensees (i.e., socio-demographics of employees and construction workers) as they play a critical role in the research effort.

In addition, researchers have begun analyzing helpline data in order to evaluate Problem Gambling Services. A report documenting findings and associated recommendations will also be part of the Baseline Study.

The report on the Baseline Survey is planned for March 30, 2015 which will also include a final report on the Problem Gambling Services Evaluation. A Baseline Economic and Fiscal Impacts report is planned for May 31, 2015 along with a Baseline Social and Health Impacts report.

Massachusetts Gambling Impact Cohort (MAGIC)

In November 2013, the MGC released a Request for Proposal (RFP) to conduct a cohort study on gambling behavior to the University of Massachusetts Amherst and the Cambridge Health Alliance Division on Addiction. The rationale for limiting to these two applicants was that each possessed a unique set of qualifications to conduct a study of this nature. An external review committee and MGC Director Vander Linden unanimously agreed that the proposal submitted by the University of Massachusetts Amherst had a stronger research strategy and would more successfully accomplish the objectives of the study.

The GPAC voted unanimously to add a longitudinal cohort study to the research agenda. On April 2, 2014, the MGC approved the recommendation of the review committee and selected UMass Amherst to conduct the study, but directed that it begin at later date in 2014 to be determined by the Commission.

MAGIC promises to be a landmark study, providing new and much needed information about incidence rates and the course of problem gambling in Massachusetts. MAGIC will yield important and unique information leading to treatment and prevention initiatives that are tailored to the needs of the people of the Commonwealth. Furthermore, this valuable addition to the research agenda will:

- Establish the raw number of new problem gamblers each year (necessary for resource allocation);
- Identify the variables of greatest etiological importance in the development of and remission from problem gambling ;
- Determine whether proportionally more resources should be put into prevention or treatment; and
- Provide guidance on whether there are 'safe levels' of gambling.



Future Research Activities

1. Establish evaluation measures and processes, collect and analyze data and report findings to determine the effectiveness of responsible gaming initiatives
2. In accordance with the Gaming Act, procure services with an “experienced nonprofit research entity” to collect, anonymize, store and disseminate information generated by loyalty programs, player tracking software, player card systems, or any other information system. Data will be made available to qualified researchers.

4. Ombudsman’s Office

The office of the Ombudsman is responsible for coordinating, communicating and facilitating interactions between all stakeholders: State Agencies, Applicants, Licensees, Host and Surrounding Communities, State and Local Officials, Community Groups, Divisions within the Commission and other interested parties. This office further coordinates and supports legislatively mandated Advisory Committees and sub-committees.

Grant Program, Involuntary Disbursements & Technical Assistance

The Office of the Ombudsman is a conduit to effectuate funding and negotiations among communities and applicants that so choose, or are not able to reach agreements among themselves.

The Gaming Act provides that applicants reimburse communities for expenses incurred in the course of studying mitigation and negotiating agreements with applicants. The Commission issued regulations that govern those activities (including petitions from Communities for involuntary disbursements). The Ombudsman’s office oversees these activities and makes recommendations to the Commission about instances when the parties do not reach agreements.

In fiscal year 2014, in accordance with 205 CMR 114.03(2) the Ombudsman’s office distributed thirty six grants for a total of \$1,929,054 to surrounding and host communities through the Grant Program.

The Ombudsman’s office helped develop a statewide technical assistance program under which five regional planning agencies (RPA’s) assisted surrounding communities in their efforts to ascertain potential impacts including traffic and other factors to determine mitigation relating to the negotiation of surrounding community agreements.



The following Cities and Towns were recipients of grants processed through the Commission’s Ombudsman office:

Agawam	Foxborough	Millbury	Taunton
Bridgewater	Holyoke	Monson	West Bridgewater
Chicopee	Leominster	Plainville	West Springfield
East Longmeadow	Longmeadow	Raynham	Wilbraham
Easton	Ludlow	Revere	Winthrop
Everett	Milford	Saugus	Wrentham

Gaming Policy Advisory Committee

Chapter 23K established the Gaming Policy Advisory Committee. A major function of the GPAC is to advise the Commission in the development of an annual research agenda. The results of the studies conducted will later form the basis for policy recommendations to the legislature.

This Gaming Policy Advisory Committee (GPAC) is comprised of the Governor or his designee, the Chair of the Commission (relates to question on the next page), 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).

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 regard to its role in reviewing the Commissions annual research agendas.

The first meeting of the GPAC was held on July 16, 2013. Rachel A. Volberg, Principal Investigator on the Commission’s SEIGMA study gave a presentation to focus member attention regarding its role on research and advising the Commission.

The second meeting of the GPAC was held on October 21, 2013. Dr. Volberg gave an update on the surveys for the research study underway. Mark Vander Linden of MGC addressed the committee regarding development of an annual research agenda to understand the social and economic effects of expanded gaming in the Commonwealth. At this meeting the GPAC accepted a motion to advise the Commission to add a longitudinal cohort study to its research agenda, and to continue the scope of its current research agenda into 2014 with the additional of a longitudinal cohort study.



Mr. Rob Hubbard, the chair of the Gaming Policy Advisory Committee resigned his position on June 6, 2014. The Committee is awaiting the appointment of a new Chair by the Governor.

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, as Thomas Land has been designated by the Commissioner of Public Health to replace Hilary Jacobs, and Brian Lang, a representative of organized labor appointed by the Governor.

Other Activities

The Ombudsman’s office continued to build relationships between the Commission, host communities, surrounding communities, and gaming applicants. The major activities of this office included:

- Educate communities, community officials and interest groups regarding the gaming act, the licensing process, policies, and Commission regulations.
- Work with communities to assist them in meeting deadlines and other requirements under the Commission regulations.
- Form and staff the Gaming Policy Advisory Commission.
- Compile and present reports to evaluate a community’s status as a surrounding community for review by the Commissioners.
- Maintain and update status reports on progress of the applicants and their surrounding communities for reports to the Commission.
- Assist and advise to the Commission regarding specific regulatory and policy matters.

5. Racing Operations

The Racing Division continued to build on the progress achieved during FY13. The chief accomplishments of this division can be grouped in the following major categories:

- Operational and fiscal oversight of activities at licensed pari-mutuel facilities
- Enhancements to safety and welfare of racing’s participants
- Transparency initiative

A discussion of each major accomplishment follows below, and is further detailed in the State Racing Report for the calendar year 2013 (which is forthcoming).



A. Operational Activities at Licensed Pari-Mutuel Facilities

Live Racing

Because live racing operates on a calendar, rather than fiscal, year schedule, the statistics provided below reflect those for the entirety of the 2013 live race meets.

In 2013 live Thoroughbred racing was conducted at Suffolk Downs from June 1 through November 2, for a total of 81 race days. For the meet, the Racing Division:

- Issued 1,753 occupational licenses
- Issued 68 administrative rulings, with no appeals
- Issued 29 administrative penalties
- Submitted 874 urine and 1,574 blood samples for equine drug testing

In 2013 live harness racing was conducted at Plainridge Racecourse from April 15 through November 14, for a total of 93 race days. For the meet, the Racing Division:

- Issued 1,057 occupational licenses
- Issued 69 administrative rulings, with no appeals
- Issued 53 administrative penalties
- Submitted 842 urine and 1,509 blood samples for equine drug testing

Simulcasting

Simulcasting is conducted year-round on seven licenses at the following facilities:

- Plainridge Racecourse
- Raynham Park
- Suffolk Downs, including:
 - Twin Spires
 - TVG
 - Xpressbets
 - Wonderland

For 2013, total pari-mutuel handle in the commonwealth totaled \$277,555,905. Of that, \$7,446,683 (or 2.7%) was wagered on-track on live horse racing being conducted at that facility as governed by MGL c.128A. The remaining \$270M (or 97.3%) was wagered on simulcast product governed by c.128C. \$200,046,826 was wagered on simulcast imports from other jurisdictions, and \$70,032,396 was wagered on simulcast export of the Massachusetts live racing product.

Total statutory revenue* distributed to stakeholders was as follows:

- MGC for operating and regulatory expenses: \$1,398,453



- Local aid to host communities: \$1,134,131
- Capital improvements and promotional funds for thoroughbred facilities: \$983,103
- Capital improvements and promotional funds for harness facilities: \$191,994
- Massachusetts Thoroughbred Breeders Association: \$326,461
- Standardbred Owners of Massachusetts: \$174,547
- Department of Public Health for problem gambling programs: \$101,377
- Eighth Pole to provide health care and human services to licensees: \$80,000
- Jockey's Guild: \$65,000
- Economic Assistance programs for thoroughbred racing licensees: \$20,000
- Tufts Veterinary School: \$17,976
- Department of Agriculture: \$1,654

*Distributions to purse accounts for horse owners, which are governed both by statute and contract, are not reported here.

B. Enhancements to Safety and Welfare of Racing's Participants

For live racing in 2014, the Racing Division implemented a commission-controlled furosemide administration program at both racetracks. A blood gas testing program was initiated at Suffolk Downs, and the Division accepted oversight of the existing program at Plainridge Racecourse.

The Racing Division adopted a "Horses First" guiding principle and the Commission became the first in the country to endorse a set of Welfare Guidelines, as promulgated by the International Specialist Group of Racing Veterinarians.

In 2013, Suffolk Downs achieved re-accreditation with the National Thoroughbred Racing Association's Safety and Integrity Alliance and was cited for numerous best practices.

C. Transparency Initiative & Additional Activities

The MGC Website (www.massgaming.com) includes a new webpage for the Racing Division, with links to operations at both live racing facilities. Beginning in 2014, all of the Division's administrative rulings and daily racing reports were posted, along with drug testing results for quantified substances and informational guides for occupational licensees.

Accreditation of Key Racing Division Personnel

Two of Racing's long-term officials, Ms. Susan Walsh (Chief Commission Steward at



Suffolk Downs) and Mr. Salvatore Panzera (Associate Commission Judge at Plainridge Racecourse) attended, completed, and became accredited horse racing officials through the national Racing Officials Accreditation Program. This intensive course accepts only experienced racing industry personnel and the overall pass rate for all four sections of the course is less than 50 percent.

Cutting Edge Updates to Racing Regulations

Building on the comprehensive regulatory changes promulgated by the Commission last year, the Commission adopted amendments to existing medication regulations to keep current with the state of the industry. Such amendments will continue to be recommended annually as scientific information regarding medications and drug testing programs become available to the industry through the Model Rules of the Association of Racing Commissioners International.

Live Racing for Calendar Year 2015

On November 5, 2014, the Commission approved the live racing application for Penn National at **Plainridge Race Course to conduct 105 days of harness live racing**. Although the construction of the slots parlor continues, the requirement embedded in c. 23K to increase the number of races is projected to be met by the licensee.

Shortly after the award of the Category 1 Region A license, the principals at Suffolk Downs announced their intention to close the thoroughbred race track. **On October 1, 2014, the Commission received 2 racing applications to conduct thoroughbred racing**. We will continue to evaluate the feasibility of thoroughbred racing in the Commonwealth in the coming months.

6. Information Technology

The Information Technology Division supports the technology efforts of the Commission and is divided into two groups:

IT Operations - Infrastructure and Applications – The IT Operations group is responsible for planning and coordinating all activities related to the design, development, and implementation of organizational information systems, software applications, and network infrastructure. The operation is also responsible for maintaining, supporting, and upgrading existing systems and applications, as well as wide area / local area networks and desktop / mobile devices.

Gaming Technology Laboratory (GTL) - The Gaming Technology Laboratory is



responsible for planning, organizing, managing, and implementing the regulations, policies, procedures and testing needed to ensure the integrity of electronic gaming devices (EGD's) and associated equipment. The GTL will oversee the issuance of certifications and permits for the use of EGD's in Massachusetts. The GTL is also responsible for the evaluation, inspection, and investigation of electronic gaming devices and associated equipment, and the oversight of all EGD assets in the jurisdiction.

Highlights of ITD activities for FY14 include:

- **IT Organizational Development** – The IT department includes a manager of infrastructure and applications as well as a desktop support analyst. ITD is looking to fill two current open positions - Manager of the Gaming Technology Laboratory, and an Infrastructure and Application Architect. Both positions are expected to be filled by January 2015.
- **Infrastructure – foundational hardware and software** – During the past year ITD has procured and installed multiple hardware and software components that will serve as the foundational infrastructure for MGC operations. ITD has been assisted by our strategic business and service delivery partners: Commonwealth of Massachusetts Information Technology groups (Mass IT and ANF LAN/WAN/Desktop support); Verizon and Verizon Wireless; Advizex and Hewlett Packard; and the Markley Group.
- **Licensing Management System (LMS)** – Partnering with the Division of Licensing and system integrator NTTData to configure an LMS to support external applications for licensee and the internal review workflow for criminal and financial background checks.
- **Enterprise Class Wireless Network** - Controller and Wi-Fi Access Points – Installation of 9 wireless access points that provide the Commission and our consultants with high speed, managed access to the Internet
- **MGC Office Connectivity** - Wide Area Network / Local Area Network – To solve problems with latency and performance, ITD worked with MassIT to upgrade the MGC Network connection speed / capacity from 3.0Mbps (2 T1's) to 20 Mbps.
- **Mobile Device Deployment** –Deployment of mobile devices to Commissioners, Directors and IEB. A direct impact of using the iPads was the elimination of the preparation of Commission meeting binders. Commission packets are published in an indexed PDF, and are accessible to staff and the general public on multiple platforms.



- **Promulgation of Electronic Gaming Device Regulations** –
 - 205 CMR 143.00: Gaming Devices & Electronic and Gaming Equipment
 - 205 CMR 144.00: Approval of Slot Machines & Electronic Gaming Equipment Testing Laboratories
 - 205 CMR 145.00: Possession of Slot Machines
- **Intranet** - Working with the High Performance Management team, developed an MGC Intranet for internal communications and information.

7. Administration and Finance

The Division of Administration and Finance (A&F) is responsible for completing all financial transactions and coordinating with other functional areas to complete all administrative functions. The division consists of the finance department and human resources. The division is responsible for accounting, budgeting, payroll, and classification and compensation functions within the MGC structure.

Human Resources, Hiring and Recruiting Efforts

The human resources (HR) department is responsible for assisting MGC staff in recruiting, training and retaining a diverse professional workforce. The HR team assists managers with:

- developing the bureau/division organizational structures;
- creating job descriptions and compensation recommendations for employees;
- developing and updating agency human resource policies & procedures manuals;
- providing access to employee assistance programs;
- developed and documented hiring, onboarding and exit process
- streamlined background check process from 12 weeks to 4- 5 weeks
- conducted complete audit of employee and payroll records
- launched performance management process that established performance factors, development planning and performance goal setting exercises
- Interview to hire ratio of 10 to 1

Recruiting and Hiring:

During FY2014 the Commission hired **17 Gaming Employees** in critical administrative



areas like Licensing, Workforce and Supplier Diversity, Administration, Finance, IT, HR, etc.

In addition, during the last year we also hired and re-hired 35 employees associated with the racing operations, including Veterinarians, judges, stewards, and other licensing employees at the existing tracks and simulcasting facilities.

The chart below depicts the total number of employees by department, and the respective planned additions for FY15:

Headcount by Department/Division	# of Employees FY14	# of Employees FY15	Planned Additions
Commissioners & staff	7	8	Admin Assistant
Executive Director & staff	2	2	
Investigations & Enforcement	5	17	Assistant Director, Gaming Agents, Financial Investigators
Licensing	5	6	Licensing Specialist
Communications	2	2.5	Co-op
General Counsel / Legal	4	7	Deputy General Counsel, Hearing Officer, Paralegal
Human Resources	2	3	Admin Assistant / Intern
Information Technology	3	5	Gaming Lab Manager, Applications Architect, Admin
Ombudsman	2	2	
Problem Gambling	1.5	1.5	
Workforce & Supplier Diversity	1.5	2.5	Co-op
Racing *	7	6	
Total	42	63	

❖ Seasonal commission employees at the tracks (Stewards, Judges, Veterinarians) are not included in the number above or ratios below

The chart below depict the diversity and female/male ratios of the Commission as of the end of FY14

Diversity Representation	MGC Employees	Gender Representation	MGC Employees
Caucasian	82%	Female	55%
Diverse	18%	Male	45%

Finance Operations



The finance department is responsible for ensuring the financial stability of the organization and assisting managers in securing necessary resources to carry out the regulatory responsibilities of their division/bureau. The finance department is comprised of an accounts receivable office, and an accounts payable, budgeting and procurement office.

The accounts receivable office has the following current main responsibilities:

- Verifying racing billings from the three licensees are correct and reconciling racing billings to actual receivables;
- Preparing invoices, dunning notices, and reconciling receivables from gaming category 1 and 2 applicants;
- Working with the licensing division to generate invoices for license applicants;
- Billing licensees for annual assessments and annual slot fees.

The accounts payable, budgeting and procurement office has the following main responsibilities:

- Developing an annual budget and providing monthly reports for actual revenues and expenditures;
- Assisting managers with all procurements to ensure conformity with state rules and regulations;
- Receiving, verifying and processing all payments, including all travel reimbursement requests compliant with MGC policies.

The following were major accomplishments for the finance department in FY14:

- Developed a \$24.4M initial budget projection, which was later revised to \$23.7M
- Adapted budget format to meet standard state reporting format
- Researched and recommended funding solution to address final FY14 revenue shortfall of \$2.8M without seeking additional funding from the Legislature
- Developed cost accounting structure to allow for each division to be assigned a budget in FY15
- Developed annual cost assessment and slot fee regulation
- Developed FY15 budget recommendations of \$24.4M requiring a \$20.8M assessment on licensees while doing a comparison analysis to three other gaming jurisdictions
- Collected \$9.2M from applicants for grants, phase 1 and phase 2 activities
- Developed comprehensive set of financial policies including payroll, budgeting, procurement, accounts payable, accounts receivable, and payroll processing



- Conducted a comparison study of Commonwealth, the General Services Administration, and three other gaming control board/commission’s travel policies to develop a comprehensive travel policy for the MGC

FY14 Closeout:

The MGC projected FY14 expenditures to be \$23.7M. The MGC was projecting revenues of \$38.1M, of which \$17.5M was from the category 2 license fee. The MGC anticipated needing to utilize \$3.5M of the category 2 license fees to close the gap between anticipated expenditures and revenues.

FY14 final expenses were \$22M, which was ~\$2.7M less than anticipated. However, \$2.6M of that underspending was carried into the FY15 budget for continuing commitments. The MGC utilized \$2.8M of the category 2 licensing fees to close out FY14 and balanced \$14.7M of the amount borrowed into FY15. The MGC anticipates repaying the \$17.5M in licensing fees before the close of FY15. With the close of FY14, the MGC’s FY15 budget remains in balance.

2014					
Row Labels	Initial Projection	New Projection as of 4/17/2014	FY14 Finals	Variance (FY14 Finals - Budget)	Balance Forward to FY15
10500001					
AA REGULAR EMPLOYEE	\$ 3,746,771.00	\$ 3,290,889.42	3,257,898.73	(32,990.69)	-
BB REGULAR EMPLOYEE RELATED	\$ 137,950.00	\$ 97,950.00	85,799.19	(12,150.81)	-
CC SPECIAL EMPLOYEES	\$ 100,000.00	\$ 123,057.18	132,578.27	9,521.09	-
DD PENSION & INSURANCE RELATED	\$ 1,010,136.15	\$ 905,745.22	903,988.85	(1,156.37)	-
EE ADMINISTRATIVE EXPENSES	\$ 564,729.00	\$ 531,229.00	477,962.45	(53,266.55)	-
FF PROGRAMMATIC FACILITY			40,173.45	40,173.45	-
GG ENERGY COSTS AND SPACE	\$ 563,256.00	\$ 553,256.00	597,831.27	44,575.27	-
HH CONSULTANT SVCS (TO DEPTS)	\$ 110,030,534.44	\$ 11,116,471.19	9,024,150.39	(2,092,320.80)	1,402,733.23
JJ OPERATIONAL SERVICES	\$ 903,180.00	\$ 752,240.00	625,314.68	(126,925.32)	-
KK Equipment Purchase	\$ 61,500.00	\$ 56,500.00	11,609.19	(44,890.81)	-
LL EQUIPMENT LEASE-	\$ 28,822.00	\$ 38,872.00	35,282.94	(3,589.06)	-
MM PURCHASED CLIENT/PROGRAM	\$ 10,000.00	\$ 10,000.00	21,971.25	11,971.25	-
NN INFRASTRUCTURE:	\$ 76,585.81	\$ 76,585.81	76,495.06	(90.75)	-
PP STATE AID/POL SUB	\$ 4,158,083.00	\$ 4,142,352.00	4,237,095.63	94,743.63	537,241.29
UU IT Non-Payroll Expenses	\$ 2,054,893.89	\$ 2,021,604.29	1,408,670.07	(612,934.22)	640,464.00
Grand Total	24,428,960.29	23,716,752.11	20,936,821.42	(2,779,930.69)	2,580,438.52
ISA to AGO			79,380.31	79,380.31	
Revenues	Initial Projection	New Projection as of 4/17/2014	FY14 Finals	Variance (FY14 Finals - Budget)	Amount Rolled to FY15
Beginning Balance	\$ 10,868,827.88	\$ 10,868,827.88	\$ 10,868,827.88	-	
Grant Collections		\$ 439,546.39	\$ 936,184.92	496,638.53	17,134.19
Phase 1 Investigation Collections	\$ 4,578,201.16	\$ 4,525,334.82	\$ 4,438,110.41	(87,224.41)	653,585.14
Phase 2 Category 2 Collections	\$ 1,500,000.00	\$ 1,500,000.00	\$ 1,500,000.00	-	
Phase 2 Category 1 Collections	\$ 2,800,000.00	\$ 3,183,880.02	\$ 2,387,589.75	(796,290.27)	1,222,233.23
Licensing Division Revenue	\$ 150,000.00	\$ 150,000.00	\$ 73,300.00	(76,700.00)	
Transfer from \$25M Category 2 Fee	\$ 20,000,000.00	\$ 17,500,000.00	\$ 17,500,000.00	-	14,705,794.14
Legal Fees	\$ -	\$ -	\$ 38,316.00		
Public Records Requests	\$ -	\$ -	\$ 26,826.47		
Assesment	\$ -	\$ -	\$ 4,967,000.00	4,967,000.00	4,967,000.00
Grand Total	\$ 39,897,029.04	\$ 38,167,589.11	\$ 42,736,155.43	\$ 4,503,423.85	\$ 21,719,953.70
Cash Balance At Close of Month			21,719,953.70		



8. Workforce, Small Business Supplier and Diversity

The main goal of the office of Workforce, Small Business Supplier and Diversity is help maximize the economic development potential of the Resort Casinos and Slot Parlor and to fulfill the Gaming Act's priority focus on diversity, job creation and promoting local small business.

We have been involved in dozens of presentations to chambers and economic development groups across the commonwealth to ensure that Massachusetts businesses are aware of the potential opportunities to do business with gaming licensees. Additionally, we are working closely with workforce development and education groups to ensure a trained and ready workforce.

MassGaming Vendor Advisory Group

On September 2013 we launched the **MassGaming Vendor Advisory Group** which focuses on finding ways to support the preparation of small business owners across the state to become capable and qualified suppliers and vendors to the casino industry in Massachusetts. The Vendor Advisory Group brings together 10 state agencies and more than a dozen economic development organizations to coordinate support and communicate opportunities to small businesses, provide information to casino licensees throughout the commonwealth.

The advisory group includes the MA Dept. of Veterans Services, MA Office of Supplier Diversity, Center for Women in Enterprise, Greater New England Minority Supplier Development Council and the MA Growth Capital Corporation.

Workforce Development

MassGaming has established workforce development programs through strong partnerships and strategic collaborations to maximize economic development and job creation. The state's community colleges and MassGaming have entered into an agreement to establish a partnership that is focused on the creation and implementation of a statewide workforce training program known as the Massachusetts Casino Careers Training Institute.

It is anticipated that over 30,000 individuals will need to be considered for employment in order to fill the 10,000 needed positions projected. In order to effectively respond to this workforce scale up challenge, the Massachusetts Casino Careers Training Institute and MassGaming partnership will continue to work with state agencies, Workforce Investment Boards/Regional Employment Boards (WIB/REB) and a collaboration of workforce system stakeholders including the one-stop career centers, community based organizations, organized labor, and other public and private educational entities.



Business Development Outreach Efforts

We perform proactive outreach and communication to engage diverse stakeholders regarding issues and community concerns as well as potential impact. We have developed an electronic mail list of over 600 stakeholders from across the commonwealth interested in being connected regarding workforce, supplier and diversity issues. This effort has offered a voice to individuals and community coalitions that include women, minority and ethnic communities and veterans. These groups participated in the review of casino licensee affirmative action plans; employee and vendor licensing regulations, construction monitoring regulations, as well as recommendations to the Legislature regarding Statute Change-Eliminating the Automatic Disqualifiers (CORI) for Gaming Service Employees.

On February 2014 the Massachusetts Clean Energy Center (MassCEC) and the Gaming Commission jointly presented a **Clean Energy Expo**, a half day expo to familiarize gaming facility applicants with Massachusetts-based clean energy technologies and help technology providers better understand the deployment opportunities in new gaming facilities. The Expo was an opportunity to unite developers with sustainable and clean energy technology providers as well as for Massachusetts and regional based businesses and service providers to pitch their sustainable products and clean energy technology to casino developers (who are statutorily required to meet certain clean energy and sustainable thresholds).

Diversity

We are working with licensees, vendors, and community leaders to ensure that the state's new expanded gaming industry is inclusive and provides opportunities that reflect the diversity of the commonwealth.

Casino developers are required to set hiring goals and submit strategy plans for utilizing minority-owned, women-owned, and veteran-owned businesses to participate as contractors in all stages of building their gaming establishments (design, construction, and operation). As part of the licensing process, Casino applicants were also required to formulate their own specific diversity plans related to the total dollar amount of the contract.

We have established processes and systems to ensure diversity during construction and operations. Our recently developed regulations require the regular reporting of the diversity goals during construction related to supplier and workforce diversity. We procured and engaged two construction monitor companies to monitor the construction workforce and supplier diversity as well as other commitments the licensee has made.



This process has resulted in strong diversity numbers for the Category 2 Slot Licensee Penn National Gaming and their contractor Turner Construction. The Licensee has authorized the contractor Turner Construction to award a total of \$56.7 Million in contracts. The contractor reports that as of Sept 30, 2014 \$25 Million (45%) of the Contracts have gone to minority, women and veteran owned businesses. \$7.8 Million (14%) of total contracts was awarded to MBE’s, \$9.5 Million (17%) of total contracts to WBE’s, and \$7.7 Million (14%) to VBE’s. The Category 2 Licensee surpassed their diversity goals which were 4% MBE, 7% WBE and 3% VBE.

See charts below:

Penn National Gaming Vendor Diversity (Plainridge)	Goals	Actuals (% Let)	Actuals (\$ Let in millions)
Minority Business Enterprise (MBE)	4%	13%	\$ 7.40
Women Business Enterprise (WBE)	7%	17%	\$ 9.50
Veteran Business Enterprise (VBE)	3%	14%	\$ 7.80
Balance	n.a.	56%	\$ 30.30
Total Construction Contracts (as of Sept 2014)			\$ 55.00

Penn National Gaming Workforce Diversity	Goals	Actuals *
Minority	16%	15.81%
Women	7%	4.16%
Veteran	no goal	5.89%

* As of September 2014

We continue to monitor the activities and efforts of licensees regarding vendor and workforce diversity, including local purchasing and other commitments to host and surrounding communities. We are planning increasing our efforts to increase the number of women participation in the construction period, and will be convening an “Access and Opportunity Committee” to supplement the efforts of licensees as well as keep them accountable for the goals they have set for workforce and supplier diversity.

9. Communications and Outreach

The Commission continues to build upon its robust and comprehensive communications campaign aimed at enhancing public trust and increasing overall awareness of our efforts toward the successful implementation of expanded gaming. To that end, all the Commission’s meetings are streamed live, recorded, transcribed and available in its meeting archive.



From the very beginning, we sought to establish a prominent online resource for all of the latest expanded gaming news by maximizing the use of the newest technologies available such as the use of a blog, social media and other innovative methods of news media. A key component of MGC's overall communications campaign is the development and implementation of a thorough and user-friendly website, **MassGaming.com** which continues to be the cornerstone of the Commission's external communication. The website is a key facet for enhancing MGC's relationship with numerous constituents to build trust and educate the public.

The site is consistently updated with new and informative content that demonstrates MGC's commitment to keeping the public and the participants informed of Commission activity, available resources and key decisions as well as soliciting public feedback and participation.

MassGaming.com offers a wide variety of information that is relevant to many constituents including municipalities, gaming applicants, public officials, local business owners pursuing vendor opportunities, residents seeking job opportunities, as well as concerned citizens and members of the media.

MGC spends a significant amount of time identifying newsworthy elements and important updates that are distributed frequently and succinctly to the media, public and participants. Strategic content generation and "news you can use" announcements are frequently disseminated via blog posts, press releases, video news releases, direct email blasts, Facebook posts and tweets.

The site continues to be re-organized and designed to strategically highlight key elements, important archived data and evolving topics:

- Overview. Information on the Gaming Act, news, updates and comments
- All public meeting information. Including a comprehensive meeting archive
- Live Stream and Video. The Commission provides a live stream for every open public meeting and educational forum.
- Key Employee and Vendor Licensing Applications
- Casino Jobs
- A Gaming blog
- Community Calendar
- Social Media connection (Twitter, Facebook, Tumblr and YouTube).
- Sign-up function The site offers a simple option for constituents to sign up to receive email alerts and newsletters on information of most interest.
- Speakers Bureau request form. The Commission maintains a Speakers Bureau as a means of providing civic organizations and other community groups a mechanism in which to request a representative from the gaming commission to attend gatherings and educate audiences.



Approximate Measurements for Overall Communication and Outreach:

- 200 Press Releases and newsletters
- 3,217 Twitter followers and 431 Facebook fans
- 200 YouTube videos
- 80 Speaking Engagements
- 150 Blog posts and Guest Blog Posts
- More than 1,000 sign-ups for direct email blasts

