

Thursday, March 3, 2005

Pa. Gaming Control Board Addresses Time Table on Regulations

(HARRISBURG) March 3, 2005. The Pennsylvania Gaming Control Board is publicly showing its steady progress toward implementing the measures which will produce a businesslike gaming industry in Pennsylvania. Today's meeting was intended to inform the audience that the Board is mindful of the need for workable and understandable regulatory protocols for manufacturers' licenses, suppliers' licenses, and vendors' licenses, and that these protocols are merely the beginning of the controls which will drive the monitoring of the Category 1 licenses to be awarded in the future.

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Regulations

Commissioner Colins reported on the progress of regulations. She began by noting that the time table she was providing was subject to many contingencies but that the Board intended to use the regulatory process to compel forward progress in all of the Board's official duties, including the awarding of licenses.

Manufacturer and Supplier Licenses

The first regulations concerning manufacturer and supplier licenses, with application forms, are in draft form. These

will be circulated to the legislative leadership, caucuses and staff for comment and revision before being made available to the public and sent to the Office of Attorney General. It is expected that the "go public" date will be March 13 or 15. The general public will have 10 days to comment. The Attorney General will have 30 days. The Board will consider revisions based on comments from the public and the Office of Attorney General. The Attorney General will then be given an opportunity to review again. The Board anticipates the draft regulations to be presented to it for approval as temporary regulations at a May 5, 2005 meeting.

After Board approval of the regulations, prospective applicants will have 30 days to submit their applications, i.e., by June 5, 2005. The Board expects that it will be able to have the background checks performed and the applications reviewed so that they can approve licenses for manufacturers and suppliers at a mid-September meeting.

While the Gaming Act was the primary source for the substance of the regulations, Commissioner Colins reported that she and those assisting her found guidance in the regulatory systems being used in New Jersey, Nevada and New Mexico.

Chairman Decker noted that the Board anticipated the manufacturer license process would move more smoothly than the supplier license process. This is largely because most manufacturers would have experienced similar licensing processes in other jurisdictions. However, unlike Pennsylvania, suppliers are not licensed in most other jurisdictions.

Vendor Licenses

The Board expects to vote at a May meeting on whether or not to require vendor licenses. If yes, it is anticipated that those regulations will be ready to go to the Office of Attorney General for a 30-day review and to the public for a 10-day comment period almost immediately. This procedure will allow them to be presented to the Board for approval at a July meeting.

Category 1 Licenses

Commissioner Colins reported that because the Gaming Act requires the Category 1 licenses to be awarded within 90 days of the award of the manufacturer and supplier licenses, the Board hopes to have draft Category 1 license regulations, including applications, drafted and ready for submission to the Office of Attorney General, and the public, in late May or early June. If so, the regulations would be ready for Board approval in July and applications available to prospective licensees in mid-July, with a mid-August deadline for application submissions. The Gaming Act then requires a 60-day public comment period. The Board expects that it, or some designated members, will hold public hearings in the areas where the applicants propose to build, in order to ensure and make easy participation by the local governments that will be impacted. Board decisions on applications would then be expected in mid-December.

Commissioner Colins reiterated that the timing was dependent on many contingencies, including the timely hiring of key staff, the training of staff and the implementation of an IT system. Chairman Decker noted that the 10-day public comment period was not etched in stone, i.e., comments received after the deadline would still be considered if time was available to do so. He stressed that the Board had learned in its discussions with other jurisdictions that industry comments were very important. Commissioner Colins

indicated that the general regulations being developed at the same time as the manufacturer and supplier regulations would include a provision addressing how information, including copies of the draft regulations, could be obtained from the Board. She pointed out that the draft regulations would be available on the Board's website and that comments could be submitted through the website or by mail.

Administrative Issues – Staff

Member Rivers reported that the Board hoped to fill 42 positions by the end of the fiscal year, but 18 critical positions needed to be filled within the next 45 days if the Board was to meet its proposed schedule as to regulations and approvals. The six most important positions were the Executive Director, Chief Counsel, Deputy Executive Directors for Bureau of Investigation and Enforcement, Licensure, Hearings and Appeals and Administration.

Administrative Issues – Budget

Consultant Lynn Stelle presented a budget through the end of the fiscal year. He broke it into two components – recurrent and non-recurrent expenses. Recurrent expenses were estimated to be \$2.5 million and non-recurrent to be just short of \$1.4 million. Included in the non-recurrent was the purchase of furniture for the 42 positions expected to be in place by the end of the fiscal year. After discussion, the Board approved a resolution adopting the budget for the remainder of the fiscal year.

Reports

A discussion was led by Chairman Decker about a recent trip of the Board members to Las Vegas to compare and contrast the regulatory needs of the Nevada gaming industry and the regulatory needs of the gaming industry in Pennsylvania. It was observed that Las Vegas venues are

significantly different than Pennsylvania venues, in that Las Vegas venues intend to provide recreation in the following priorities: entertainment, fine dining, table gaming and slot machines. The limits embodied in the Pennsylvania statute call for gaming in slot machine venues only, and therefore the Las Vegas experience may reflect a contrast with the Pennsylvania experience as the Pennsylvania gaming industry reaches maturity. It was expressly noted that criminal elements are being denied access to the Las Vegas industry as a result of significant state regulatory machinery, high-profile policing at all levels, and increased corporate vigilance to keep the criminal element out.

Susan Hensel, Special Assistant to the Board, reported on her meeting with the New Jersey Licensing Director. Special Assistant Hensel concentrated her remarks on three areas: (1) Vendor Licensing, (2) Background Checks, and (3) the Need to Leverage Technology. Hensel recited increased efforts by New Jersey's regulators to register contractors who do business with licensees, and noted New Jersey's establishment of a list of "prohibited contractors." She specifically referenced New Jersey's practice of monitoring all construction contractors, including subcontractors. New Jersey background checks of persons or businesses subject to licensing and permitting will likely be made by New Jersey personnel who have a background in accounting or auditing. New Jersey's implementation of computer-based processing systems are replacing paper-based technologies, creating easier systems for tracking licensee's practices and business behavior.

Two executive sessions were held by the Board, each to address candidates for staff positions and other personnel matters.

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