

COMMENTS BY MARY COLINS
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KEYNOTE LUNCHEON – PA GAMING CONGRESS

Good afternoon.

It is truly a pleasure to have the opportunity to talk this afternoon to all of you who have a stake in legalized slots gaming in Pennsylvania about the Gaming Control Board's regulatory achievements.

I want to first recognize the Gaming Control Board staff that is present today, and individually my fellow Board members....

Jeff Coy, Ray Angeli and Gary Sojka.

A few years ago, I had the opportunity to address you at the second Gaming Congress, at which time I made some projections on the impact of legalized slots gaming in the Commonwealth.

Among those projections was the generation of \$1.5 billion yearly in revenues going back to the citizens of the Commonwealth, along with the creation of thousands of jobs either directly with the casinos or as part of its contracting with builders and suppliers.

Just as significant as those predictions I discussed our other important goals such as establishing a regulatory process that is reasonable, consistent and predictable.

That was 2006...this is 2009...and I would like to discuss those areas with you today and where we are at this stage.

Let me first state that there was never a time when the Gaming Control Board failed to realize how much was at stake in moving forward quickly and decisively to help bring properly regulated gaming to the Commonwealth.

The successes thus far that I am about to talk about have occurred due to the strong working relationship of the PGCB, other state agencies such as the State Police and Department of Revenue, the gaming industry, and those in the legislature who have supported legalized gaming and have been responsible for all of the positive benefits I'm going to outline for you. These are the facts about gaming in Pennsylvania. This is what the data shows. It is not rhetoric.

The most visible contribution by the industry has been the enablement of Pennsylvania's first broad-based relief of homeowners' burdensome property taxes.

In 2008, Governor Rendell announced that \$613 million from casino revenues would be utilized to provide tax relief. The amount of relief provided this past year averaged \$190 per household and will continue to grow in the years ahead as current casinos expand and new casinos come on line.

In addition, casino revenues are taking care of those less able to pay through the expansion of the Property Tax/Rent Rebate Program for older Pennsylvanians. The Governor's Office reported that twice as many seniors were in line to benefit from rebates in 2008 compared to just 314,000 before the program's expansion. So far this year, nearly \$254 million was distributed to more than 529,000 homeowners and renters who have taken advantage of the program.

It is certain that use of gaming revenues clearly betters the lives of Pennsylvanians.

As with any business, it was expected that casinos would be good citizens in their communities, and all indications are that this is occurring in a significant manner.

Casinos are utilizing local and small businesses, the backbones of our Pennsylvania economy. Together, the operating casinos are spending a combined average of nearly \$58 million per month for goods and services provided, in large part, by hundreds of small Pennsylvania businesses and their thousands of employees.

In addition, obligations of the Act have been instrumental in allowing the casinos to provide an additional direct economic impact in its communities through revenue sharing. To date, host counties and municipalities have seen almost \$170 million injected into their budgets, and have been actively receiving and approving important community uses for this money.

I also know that casinos have worked hard on being a strong partner in their communities beyond what is mandated in the Act by contributing to charitable causes. This includes not only the

hundreds of thousands of dollars generated through test nights, but additional monetary contributions to worthy local causes.

Possibly the most significant impact that gaming is having during these weak economic times is by employing our citizens. Through the end of 2008, approximately 6,200 new jobs at the casinos have been created, and the casinos are clearly meeting the intent of the Act regarding diversity. During these rough times, casinos have cut back in personnel, but the good news is that those job reductions have been minimal.

How interested are Pennsylvanians in casino jobs? In Bethlehem, over 10,000 persons have applied for 1,000 jobs. And, in Pittsburgh at The Rivers Casino, about 2,400 applications have already been received even though they have yet to begin their full marketing efforts on employment.

A deeper look at casino employment in 2008 shows that minorities and women employed at the seven operating facilities constitute anywhere between 28% and 45% of total employment. Casinos also demonstrate their commitment to diversity in its dealing with vendors

by taking steps to obtain goods and services from qualifying minority and women-owned businesses. In fact, the percentage of contracts awarded to these types of business entities in 2008 ranged between 10% to 14% of all contracts awarded for goods and services.

Another very significant impact has been to the horse racing industry which directly benefits the agricultural community. For example...

- purses have increased thereby attracting better quality owners
- breeders and sire stakes awards are attracting major breeders to the Commonwealth thus creating jobs and saving precious farmland;
- those who work in the horse and harness racing industry are able to get health insurance and pension benefits which were not available previously;
- farmers are benefiting from increased demand for feed, hay and bedding; and,
- small businesses are benefiting from increased demand for tack, veterinary care and equine products.

Further, casino license holders at racetracks are contributing millions of dollars in improvements to the backsides of these facilities, such as

stalls and dormitories. This creates a significant and positive change in living and working conditions for those employees who are truly the backbone of horse racing in Pennsylvania.

We have a lot of work ahead of us in 2009 that will extend and increase these many benefits to Pennsylvanians.

Currently, there are four major casino construction projects in various stages of completion in Pennsylvania. Two of the projects are replacements of temporary facilities...The Meadows Racetrack and Casino and Philadelphia Park Casino... along with two new facilities...Sands Casino Resort Bethlehem and The Rivers Casino in Pittsburgh.

This expansion, of course, means our regulatory outreach needs to expand to meet the mandates we are to carry out. The public has high expectations in this area, and we are not in a position to fail.

This becomes more difficult, however, when we must meet the demands placed on us for the opening and staffing of the new casinos under the shadow of a tight state budget.

But, high expectations can lead to better businesses. While we will be tough when toughness is necessary, you can continue to expect us to provide reasonable, consistent and predictable enforcement.

For example, as a regulator we must ask ourselves “what can we be doing to help the licensee be compliant with our regulations and still allow the casino to operate at its highest capability?”

In one example, as the gaming industry in Pennsylvania begins to mature, the Board has begun to implement an auditing program in order to ensure ongoing compliance with internal controls. Since the documents are typically more than 1,000 pages in length, audits are a critical element to assure that the breadth of the internal controls are being appropriately applied.

From our standpoint, we see this role as a compliment to internal audit functions and, together, an effort to help casino businesses run better.

We fully understand that it is important to help the casinos...as private businesses...be nimble in its needs and not put unneeded roadblocks before them. Moreover, as a “first generation regulator”, we continue to reach out more and more to others within the industry to evolve our practices and fulfill our regulatory responsibilities while also meeting the real-world needs of the industry we regulate.

Let me provide some examples.

Recently, well-publicized developments regarding certified vendors have led to a re-evaluation of the processes surrounding vendor investigations and certifications. Under the Board’s leadership, the Bureau of Investigations and Enforcement and the Bureau of Licensing are preparing to introduce reasonable policies which will balance our mission of protecting the integrity of gaming with the real world needs of a dynamic industry. As part of this process, BIE will be working to evaluate criminal disclosures prior to allowing companies to work...while at the same time Licensing is working to streamline the certification application process to ensure qualified vendors can still begin working prior to receiving their certifications.

Another area is in license renewal. As you know, the Gaming Act places a significant burden on all licensees to gain renewal on a yearly basis. I believe the Board is taking a reasonable approach to this requirement by focusing annual renewal investigations primarily on significant changes in the application. Under this process, every renewal applications will be received and processed every third renewal cycle.

We have streamlined the process for regulating the industry from an enforcement standpoint. The Office of Enforcement Counsel accepts referrals from the various bureaus regarding potential regulatory violations. This partnering of the various bureaus in the PGCB, allows us to keep the man-hours required for investigations to be reasonable, thereby lowering the reimbursable costs from the industry.

We also continue to receive positive reports on our ability to license through the SlotsLink system. The expectation and need of the Pennsylvania industry is to fill positions fast and we have worked hard at accomplishing this, in large part due to this system.

In reviewing our licensing work during 2008, the PGCB investigated and issued nearly 3,000 gaming employee permits and did so within an average of 8 days after the application submission...provided there are no issues. Our licensing and permitting turnaround is notable compared to other established gaming jurisdictions which can take anywhere from a month to six months.

In addition, we investigated and issued over 2,500 non-gaming registrations within an average of 5 days, while the time frame in other gaming jurisdictions can take up to a month.

We are building a Gaming Control Board which will have in place all the smoothly functioning components of a fully-mature gaming regulatory agency.

Our licensing function works. Our enforcement function has been proven effective. And, our compliance function is operating efficiently.

As more work for us comes down the road...and it is always a possibility that table games could arrive at some juncture ...our agency will be positioned to continue fair, reasonable and thorough regulations of them without skipping a beat.

Again, it was my pleasure to share with you today what the Gaming Control Board...and you the casino industry...has accomplished in our short lives together...and where you can expect us to go from here.