

PENNSYLVANIA GAMING CONTROL BOARD

PENNSYLVANIA STATE MUSEUM BUILDING
300 NORTH STREET
AUDITORIUM
HARRISBURG, PENNSYLVANIA

TUESDAY, DECEMBER 14, 2004, 9:06 A.M.

BEFORE:

THOMAS DECKER, CHAIRMAN
MARY DiGIACOMO COLINS
WILLIAM P. CONABOY
JEFFREY W. COY
KENNETH T. McCABE
JOSEPH W. MARSHALL, III
SANFORD RIVERS
GREGORY C. FAJT, SECRETARY OF REVENUE
DENNIS WOLFF, SECRETARY OF AGRICULTURE
BARBRA HAFER, TREASURER OF COMMONWEALTH PENNSYLVANIA

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning. I'm Tad
2 Decker. I'm Chairman of the Pennsylvania Gaming
3 Control Board. I would like to welcome the Board and
4 all of you to our first meeting.

5 I want to note for the record that all of
6 the Board Members, including the Ex-officio Members,
7 are present and that we had a quorum before the Board
8 meeting; and, therefore, I'm calling it to order.

9 I want to identify for the record the Board
10 Members and Ex-officio Members who are present today.

11 To my right, your immediate left is Senator
12 Dennis Wolff, then moving on, Mary Colins,
13 Commissioner Mary Colins, Sanford Rivers, Chip
14 Marshall, and to my left, Bill Conaboy and Ken
15 McCabe, Jeff Coy, Treasurer Barbara Hafer and
16 Secretary Greg Fajt.

17 The meeting -- I would also like to note
18 that the meeting is being stenographically recorded
19 and our first order of business is the swearing in of
20 the Board.

21 With that, I would like to introduce
22 Secretary of the Commonwealth, Pedro Cortes.

23 SECRETARY CORTES: Good morning.

24 CHAIRMAN DECKER: Good morning, Secretary.

25 SECRETARY CORTES: It would now be my

1 pleasure to administer the oath of office to the
2 members of the Pennsylvania Gaming Control Board. If
3 I could please have you come around and stand right
4 behind here, please.

5 If you will please raise your right hand
6 and repeat after me. I, state your name --

7 SECRETARY WOLFF: I, Dennis Wolff --

8 BOARD MEMBER DiGIACOMO COLINS: I,
9 Mary DiGiacomo Colins --

10 BOARD MEMBER RIVERS: I, Sanford Rivers --

11 BOARD MEMBER MARSHALL: I, Chip Marshall --

12 CHAIRMAN DECKER: I, Tad Decker --

13 BOARD MEMBER CONABOY: I, Bill Conaboy --

14 BOARD MEMBER McCABE: I, Kenneth McCabe --

15 BOARD MEMBER COY: I, Jeff Coy --

16 SECRETARY FAJT: I, Greg Fajt --

17 TREASURER HAFER: I, Barbara Hafer --

18 SECRETARY CORTES: -- solemnly swear --

19 BOARD MEMBERS: -- solemnly swear --

20 SECRETARY CORTES: -- that I will support,
21 obey, and defend --

22 BOARD MEMBERS: -- that I will support,
23 obey, and defend --

24 SECRETARY CORTES: -- the Constitution of
25 the United States --

1 BOARD MEMBERS -- the Constitution of the
2 United States --

3 SECRETARY CORTES: -- and the Constitution
4 of the Commonwealth of Pennsylvania --

5 BOARD MEMBERS: -- and the Constitution of
6 the Commonwealth of Pennsylvania --

7 SECRETARY CORTES: -- and I will discharge
8 the duties of my office --

9 BOARD MEMBERS: -- and I will discharge the
10 duties of my office --

11 SECRETARY CORTES: -- with fidelity.

12 BOARD MEMBERS: -- with fidelity.

13 SECRETARY CORTES: Congratulations. You're
14 now sworn in. Thank you.

15 CHAIRMAN DECKER: Thank you very much. I
16 would like to ask the Board -- I would like to ask
17 the Board and those in the audience to join us in the
18 Pledge of Allegiance. Would you please rise?

19 (Pledge of Allegiance.)

20 CHAIRMAN DECKER: Thank you. Let me thank
21 Secretary Cortes and welcome my fellow Board Members.
22 It's a pleasure getting together for the first time
23 to begin the important work of bringing slots and
24 gaming to Pennsylvania and providing tax relief and
25 the other benefits identified in the statute to

1 Pennsylvania citizens.

2 I have spoken to each of our Board Members
3 over the past few weeks, and I know that each of us
4 is committed to working together to accomplish the
5 mission given to us when we accepted our
6 appointments.

7 I also know that we are committed to making
8 integrity our highest priority, both in the work that
9 we will do and in the processes we will put in place
10 and in the people and entities we will license.

11 To that end, we are committed to conducting
12 our business in as transparent a way as possible,
13 including holding public meetings such as this.

14 We have been given a great responsibility
15 to start a new industry in the state. I know that
16 none of us takes that lightly.

17 To assist us in our efforts to bringing
18 slots and gaming to the state, we, as a Board, plan
19 to seek the advice of a broad range of experts. They
20 will assist us in learning from the experiences of
21 others by benchmarking and adopting best practices so
22 that we can be effective in our regulation of gaming
23 right from the start.

24 Because today marks the first meeting of
25 the Board, we will be focused over the next two days

1 on organizational matters and on hearing about the
2 alternatives that exist for some of the decisions we
3 have been asked to make.

4 Among those we will hear from are
5 representatives from the Department of Revenue and
6 the State Police. Both agencies have
7 responsibilities under the Gaming Act and have been
8 working to lay the foundation for the laws
9 implementation.

10 Some of the material that will be covered
11 over the next two days will not be new to all of you,
12 but it will help ensure that we and the public are on
13 the same page with respect to the starting up of
14 gaming.

15 I also want to point out that while we may
16 be making initial operating decisions over the course
17 of the next few days, all of those decisions are
18 subject to review as we evolve as a Board.

19 With that, let's get started and let's take
20 the first steps toward making and expanding gaming,
21 property tax relief, and the enhancement of economic
22 development a reality of Pennsylvania.

23 You have all previously received a copy of
24 the agenda. If there's no objection now, we will
25 move onto the new business.

1 I would like to start by asking Susan
2 Hensel to come forward. Susan is an attorney with
3 the Department of Revenue, and we have asked her to
4 provide us with an overview of some of Pennsylvania's
5 laws that will likely apply to us as a Board and as
6 Board Members.

7 Susan?

8 MS. HENSEL: Thank you, Chairman Decker,
9 and good morning, Gaming Control Board Members.

10 As Chairman Decker said, I've been asked to
11 come here today to provide you with a broad overview
12 of some of the various state laws that will affect
13 you as Board Members and as a new state agency.

14 My goal this morning is to provide a broad
15 overview, not to get into the specific nuisances of
16 these laws or the various provisions.

17 I recommend that if you do have specific
18 questions for how these laws will impact you as a
19 Board and as individual members, that you direct
20 those questions to your Chief Counsel when that Chief
21 Counsel is in place.

22 You have previously been provided with
23 copies of the various laws that I will go through or
24 information about these laws. So let's get started.

25 The first law that I would like to make you

1 aware of or give you a little background on is the
2 state's Adverse Interest Act. The state's Adverse
3 Interest Act, you are specifically subject to it
4 under 1202(L) of the Gaming Act.

5 What this law does is it prohibits state
6 employees from having an adverse interest in
7 contracts with the state agency with which they are
8 employed.

9 Basically, you can think of an adverse
10 interest as a personal interest. Therefore, you
11 cannot have a personal interest in the contracts
12 entered into on behalf of the Board.

13 Violations of the Adverse Interest Act can
14 result in fines and penalties up to and including
15 forfeiture of employment.

16 Second law that I would like to make sure
17 is on your radar screen is the Lobbying Disclosure
18 Act. Lobbyists in Pennsylvania are required to
19 provide quarterly filings with the State Ethics
20 Commission; and in those filings, they are required
21 to disclose items of value that meet certain
22 threshold amounts that have been provided to state
23 officials.

24 Those threshold amounts are the same that
25 apply to you under the State Ethics Act in your

1 statement of financial interest. Therefore, you, as
2 Board Members, are required to disclose aggregate
3 gifts of more than \$250 and reimbursements exceeding
4 \$650 per occurrence.

5 The next law is the Right-to-Know Law.
6 This applies to the Board under Section 1206(A) of
7 the Gaming Act. What the Right-to-Know Law does is
8 defines what records are public records and sets
9 forth a procedure for the public to access those
10 records.

11 Basically, it provides residents of
12 Pennsylvania with access to document-based records
13 that meet the statutory definition of public records.

14 The law defines public records in two
15 areas. First, those items that deal with fiscal
16 aspects of Government. These are defined in the law
17 as accounts, vouchers, and contracts.

18 Secondly, our document-based pieces of
19 information that relate to Government actions that
20 have an impact on a person or a group of people.
21 These are referred to in the Right-to-Know Law as
22 minutes, orders, and decisions.

23 There are specific exemptions under the
24 Right-to-Know Law for certain types of information,
25 including investigatory records and document-based

1 information that could be harmful to a person's
2 reputation or security.

3 The law was amended in December of 2002,
4 and those amendments set forth specific time frames
5 within which an agency must respond to Right-to-Know
6 requests. It also put in place a process for
7 appeals. The first line of appeals takes place at
8 the Administrative Level and there are also
9 provisions to appeal to Commonwealth Court.

10 The Board may consider designating a
11 Right-to-Know Official to help coordinate its
12 Right-to-Know requests that it receives. This is
13 something that agencies under the Governor's
14 jurisdiction make a practice of doing.

15 Next, the Procurement Code. As an
16 independent agency, it is likely that the Board is
17 subject to the Procurement Code.

18 The Code governs the procurement of goods
19 and services; and under the Procurement Code, the
20 Department of General Services acts as purchasing
21 agents for the independent agencies that are covered
22 under the Code.

23 Next, the Ethics Act. We touched on this.
24 This will apply to you as Board Members because you
25 are defined as public officials under the Act.

1 The Ethics Act does two things generally.
2 One, it restricts certain types of conduct. You
3 cannot engage in conduct constituting a conflict of
4 interest.

5 You cannot seek or accept improper
6 influence and you can't provide representation on
7 matters before the Government body that you are
8 employed with until a year after you have left your
9 employment.

10 The Ethics Act also requires you to require
11 a statement of financial interest, as mentioned
12 earlier. That statement of financial interest is due
13 May 1st for the preceding calendar year.

14 The last law we will look at is the Open
15 Meetings Act. That is also more commonly known as
16 the Sunshine Act. The Board is subject to this Act
17 under 1206 of the Gaming Act.

18 The general rule on the Ethics Act is that
19 official action or deliberations by a quorum of
20 members of an agency must take place at a public
21 meeting such as this. Public notice of the meetings
22 is required and written minutes must be kept.

23 There are exceptions to the Open Meetings
24 Act for Executive Session; for instance, you are
25 allowed to go into Executive Session to talk about

1 such items as personnel matters, labor relations, the
2 purchase or release of property, consultation with
3 professional advisors, and other information or
4 matters that would be privileged, confidential,
5 investigatory, and quasi-judicial in nature. There
6 also is an exception for some conferences.

7 That concludes my overview of laws that the
8 Board will be subject to. Thank you.

9 CHAIRMAN DECKER: Susan, thank you for that
10 comprehensive review.

11 As we mentioned at the outset, integrity is
12 our highest priority. To further assure the people
13 of Pennsylvania that we are committed to maintaining
14 integrity in the course of our duties, I would
15 propose the adoption of the Ethics Act as the Board's
16 official Code of Conduct.

17 May I have a motion to acknowledge that --

18 BOARD MEMBER MARSHALL: Mr. Chairman --

19 CHAIRMAN DECKER -- recommendation?

20 BOARD MEMBER MARSHALL: Mr. Chairman, I
21 move that this Board formally adopt the State Ethics
22 Act as this Board's Code of Conduct.

23 CHAIRMAN DECKER: Thank you. Is there a
24 second?

25 BOARD MEMBER DiGIACOMO COLINS: I second.

1 CHAIRMAN DECKER: Is there any discussion?

2 BOARD MEMBER McCABE: I have a question.

3 Are we just -- are we going to establish our own
4 standards of ethics independent from the State's
5 Ethics --

6 CHAIRMAN DECKER: When we reviewed it,
7 Commissioner, we looked at this very carefully. It
8 was our perspective that the Ethics Act was --
9 covered almost everything we could put in a separate
10 -- in a separate Code that we would write ourselves
11 and it would be redundant, and that the best position
12 for us would be to adopt the -- as our official Code,
13 the Code of Conduct that is already promulgated in
14 the Ethics Act.

15 BOARD MEMBER McCABE: One concern that I
16 have that I didn't see in the Ethics Act is us
17 reporting all contacts with lobbyists.

18 I think to safeguard each one of us, if we
19 will advise the Board any time any lobbyists attempt
20 to contact us or have any dealings with them, that
21 would safeguard all of us and keep us above reproach
22 of anybody suggesting that we are doing something
23 nefarious or behind Board -- or favoring somebody.

24 CHAIRMAN DECKER: Is there any comments?
25 Any other comments from the Commissioners?

1 BOARD MEMBER MARSHALL: Well, the purpose
2 of my motion was not to preempt that, Commissioner.
3 I think this is something we can build on.

4 I am a little -- I don't disagree in
5 principle, but I think we need to work through the
6 mechanics of that just so we're all clear, but I
7 think it's important today that we formally
8 acknowledge that this Board has adopted as its Code
9 of Conduct the State Ethics Act, and it would be
10 happy to discuss this issue and do something as soon
11 as we have something before us.

12 CHAIRMAN DECKER: Would that be okay,
13 Commissioner?

14 BOARD MEMBER McCABE: Yes, I think it's
15 necessary that we put something like that in there
16 just to safeguard all of us.

17 CHAIRMAN DECKER: Any other discussion
18 points?

19 BOARD MEMBER DiGIACOMO COLINS: No. I
20 think that's a -- I just want to add that I think
21 that's a good working point from which to start, and
22 I think it's something we should definitely look
23 seriously at and embellish on.

24 I think it's a good point, but I would also
25 think that the starting point of a State Ethics Act

1 is crucial today and we should vote on it.

2 CHAIRMAN DECKER: Any other comments?

3 BOARD MEMBER McCABE: Just so I understand,
4 this is going to be where we're going to start, but
5 we're also going to be adding onto and form our own
6 ethics standards?

7 CHAIRMAN DECKER: If when someone -- let me
8 make it clear. If and when we go through the Ethics
9 Act and we find that it doesn't cover our particular
10 needs, we would always be free to adopt additions.

11 You suggested one and I think we should
12 take a look at that, how that would work. In the
13 context of the ethic, there's a Lobbyist Disclosure
14 Act. In that context, we should examine what our
15 obligations are, in addition to what the obligations
16 of the lobbyists might be.

17 So I think once we have a comprehensive
18 review of that, then we can make adjustments. There
19 might be some other adjustments also, Commission
20 McCabe, that we would want to make.

21 This might just -- your suggestion might
22 just be one of them, but I don't think that should
23 stop us from adopting the Ethics Act of Pennsylvania
24 as our official Code, because it is very
25 comprehensive and it covers a tremendous amount.

1 One of the things that I did in a life in
2 the corporate world and also as an attorney was to
3 review codes of conduct for all series of
4 organizations.

5 The Pennsylvania State Ethics Act is very
6 comprehensive, and I think it does provide a very
7 strong baseline for us in terms of what needs to get
8 done.

9 BOARD MEMBER MARSHALL: Mr. Chairman, I can
10 reiterate as the former Chairman of the State Ethics
11 Commission that it's very comprehensive and I think
12 would be a good place to start.

13 CHAIRMAN DECKER: Are there any other
14 comments?

15 BOARD MEMBER McCABE: Well, I would agree
16 that this is a good starting point, but I want to
17 leave it open that we can add onto and build on it.
18 I think we need to be above reproach and --

19 BOARD MEMBER MARSHALL: Absolutely.

20 BOARD MEMBER McCABE: -- have stricter
21 standards.

22 CHAIRMAN DECKER: No one is disagreeing
23 with you on that.

24 BOARD MEMBER DiGIACOMO COLINS: You're
25 preaching to the choir.

1 CHAIRMAN DECKER: All right. Any other
2 comments? All right. I'm going to call for a vote
3 then. To say it again, we're going to adopt the
4 Ethics Act of Pennsylvania as the Board's Official
5 Code of Conduct. We have a motion and a second.

6 All in favor -- I want to explain one
7 thing. The law requires a qualified majority for
8 each vote. This means that each of the respective
9 appointees of the Majority and Minority leaders of
10 the Senate and House and one of the three Governor's
11 appointees must approve most actions taken by the
12 Board.

13 So I'm going to call for a vote. All those
14 in favor, please indicate by saying aye.

15 BOARD MEMBERS: Aye.

16 CHAIRMAN DECKER: Are there any opposed?

17 Then we have a unanimous vote and that is a
18 qualified majority. So that is passed.

19 The second item we have on the agenda today
20 is the Sunshine Act, to review the Sunshine Act that
21 I believe Susan Hensel covered for us in a very
22 comprehensive way.

23 In addition to the ethical standards,
24 another important fundamental for the Board to -- is
25 the transparency of our actions. To that end, I

1 would propose formally adopting a motion concerning
2 the conduct of our public meetings.

3 May I have a motion that the Board will
4 announce its meetings pursuant to the State's Open
5 Meetings Act requirements and will make a
6 stenographic record of all of its public meetings and
7 will post transcripts of the meetings on the Gaming
8 Board's website?

9 BOARD MEMBER CONABOY: Mr. Chairman, I
10 would so move.

11 BOARD MEMBER MARSHALL: I would second it.

12 CHAIRMAN DECKER: Is there any discussion?

13 All of those in favor, please indicate by
14 saying aye.

15 BOARD MEMBERS: Aye.

16 CHAIRMAN DECKER: Any opposed?

17 Again, that passes unanimously and fulfills
18 our requirement.

19 All right. The next item on our agenda is
20 for Lynn Stelle to make a presentation to us. Lynn
21 is a consultant with the Department of Revenue, and
22 he is going to talk to us today about some of the key
23 steps to the start-up of gaming in the Commonwealth.

24 Lynn?

25 MR. STELLE: Thank you, Chairman Decker and

1 the members of the Board.

2 A little housekeeping before I start. I
3 would like to advise the audience that if they're
4 interested in the PowerPoint presentations, many of
5 them are available on the website at
6 www.pgcb.state.pa.us.

7 To assist the Board in the implementation
8 of gaming in Pennsylvania, we've developed an
9 overview of the activities and the processes
10 developed and used in other venues.

11 Additionally, we have integrated these
12 activities and processes into a list of key tasks
13 that are prescribed by the Legislation passed in
14 Pennsylvania and hopefully incorporates some of the
15 idiosyncracies of our Legislation.

16 It's our objective over the next two days
17 to assist the Board by providing additional
18 background information on many of these key tasks
19 that will require and hopefully provide an orderly
20 start-up to gaming in Pennsylvania.

21 It has been our approach to examine all of
22 the solutions that are available to these key tasks
23 found in other jurisdictions that have gaming and
24 hopefully describe to the Board the common practices
25 that have been adopted in those states.

1 And with that said, let me begin. In the
2 Legislation, it's clear that one of the Board's most
3 important tasks is the screening and selection of
4 operators, manufacturers, and suppliers and the
5 careful screening of employees, officers, and the key
6 investors to make sure that we don't have a problem
7 with those that we do license to do business in the
8 State of Pennsylvania.

9 Before licensing the 14 gaming venues
10 outlined in the Act, we first have to license the
11 suppliers and the manufacturers of the gaming
12 equipment.

13 The Act requires the licensing 90 days
14 before any facility can be licensed. Once the
15 manufacturers and suppliers are licensed and we have
16 the process underway, we'll address the forms and the
17 procedures of the Category 1, 2, and 3 licensees and
18 hopefully provide you an orderly start-up in those
19 areas as well. Tomorrow, we'll discuss licensing in
20 greater detail.

21 It's anticipated that much of the work of
22 the Board will evolve in the coming months and years
23 in the implementation and the growth of the gaming
24 program.

25 It's the objective of these presentations

1 to provide a starting place from which the Board can
2 add, delete, and modify; and certainly, these are
3 just proposals to the Board to review and to discuss.

4 We'll begin a discussion on the initial
5 regulations focusing on those that are common in most
6 jurisdictions and the impact of technology on the
7 regulation foundation.

8 Some states are technology driven. Some
9 states are manpower driven. We want to analyze both
10 alternatives to assist you in selecting a regulatory
11 balance.

12 So much of the leading edge approach taken
13 by Pennsylvania Legislation is derived from the
14 Department of Revenue's installation of a Central
15 Control System.

16 DOR, Department of Revenue, will discuss
17 the Central Control System and update the Board on
18 the status of that procurement.

19 Staffing also is one of our most important
20 tasks facing the Board. We will present a sample
21 organization chart, a staffing plan, and establish
22 the initial tasks of hiring the Executive Director,
23 the Chief Counsel and the Director of Bureau of
24 Investigation and Enforcement.

25 We've reviewed the activities necessary to

1 implementing gaming in PA, and I hope we're going to
2 give you a balanced and comprehensive organization
3 chart and staffing plan based on those that we have
4 reviewed in other venues.

5 We'll review various human resource issues
6 and possible solutions the Board can select from.
7 It's anticipated the Board will move expeditiously in
8 the hiring of an Executive Director and a Chief
9 Counsel as said previously.

10 Also, there are a few other key staff
11 members that we should focus on to try and bring the
12 Board the balance that it will need in getting
13 started.

14 As with new venues, resources will be
15 limited and must be managed. The Board is
16 responsible for the overall cost of the regulatory
17 management of the gaming activities and is required
18 to approve the budgets of both the Pennsylvania State
19 Police and the Department of Revenue.

20 To resolve the redundancy and focus
21 activities, we will have to clearly delineate what is
22 and is not established.

23 Prior to the installation and operation of
24 slot machines in any venue, we will have to adopt
25 certification and operating standards. In addition

1 to the standards that have universally been accepted
2 in all jurisdictions, we will have to review the more
3 unique standards that are currently in place in other
4 jurisdictions and that may or may not be appropriate
5 for the State of Pennsylvania.

6 The Board will have to review these
7 standards not only to control how the equipment
8 operates within the confines of the Central Control
9 System, but also how it communicates with the Central
10 Control System.

11 Every jurisdiction tests and certifies its
12 equipment and the performance of their slot machines.
13 We'll discuss and provide opportunity and
14 alternatives to the Board on how we will achieve a
15 similar result.

16 To give you some kind of a real summary
17 time line, and this is really a best guesstimate and
18 it's optimistic, but it is the possible time line
19 that we can accomplish in the implementation of
20 gaming. This is a possibility you could possibly
21 review and consider.

22 As with every venue, certain work flow
23 needs to be established if for no other reason to set
24 some objectives for ourselves and a time to market
25 must need to be developed.

1 Many aspects of the start-up will happen
2 concurrently, but we tried to touch on just the key
3 ones today.

4 We've developed this simplified time line
5 incorporating many of these significant events. We
6 intend to evaluate aspects of the time line as part
7 of our review over the next two days; and in general
8 terms, we feel key aspects of the time line are as
9 follows:

10 In the second and third quarter of '04-'05,
11 we hope to review a manufacturer and supplier
12 licensing process, approve documentation necessary
13 for that, and a process to be implemented.

14 We would like to see senior staff selected
15 and commence the hiring of the staff. We would like
16 to set deadlines for Category 1 through 3 licenses
17 and begin accepting applications to deliberate on
18 these licenses. All of these are key tasks for the
19 Board to review and to deliberate on.

20 In the fourth quarter of 2004-'05, we hope
21 to establish a 60-day commencement period for review
22 and discussion of all applications. This is required
23 under Section 1506 of the Act having to do with land
24 use.

25 We also hope at that point to be up to

1 speed on doing background investigations on key
2 employees and qualifiers of manufacturers and
3 suppliers.

4 We also hope sometime towards the end of
5 that quarter to be able to issue our first
6 manufacturer and supplier licenses.

7 SECRETARY FAJT: Lynn, could you flip the
8 PowerPoint? I think we're on --

9 MR. STELLE: Thank you very much.

10 SECRETARY FAJT: Sure.

11 MR. STELLE: I'm sorry.

12 SECRETARY FAJT: One more. There you go.

13 MR. STELLE: Okay. Okay. Let me catch up
14 to it. In the third quarter after start-up, we hope
15 to begin working on the development of our testing
16 lab, make sure it's functional, and all equipment
17 slated for deployment are tested and certified. We
18 also hope the DOR Central Control System is installed
19 and testing is completed.

20 Finally, the Board hopes to establish
21 procedures for the permitting of the gaming staff
22 themselves.

23 Additionally, we hope to start processing
24 applications for the first gaming employees and the
25 issues on the individual employee occupational

1 permits.

2 And it is possible that if one of the
3 applicants comes in requesting a temporary facility,
4 we would be in a position at that point to issue a
5 Category 1 Conditional License for a temporary
6 facility.

7 Finally, the first Category 1 soft opening
8 could take place in the fourth quarter after start-up
9 and be fully opening shortly thereafter.

10 Thank you.

11 CHAIRMAN DECKER: Lynn, if you would stay
12 up there for a second. This time line, of course,
13 presumes that we will have completed all of the
14 background checks and all of the other --

15 MR. STELLE: Absolutely.

16 CHAIRMAN DECKER: -- investigations of
17 individuals who are going to be licensed as well as
18 their companies, correct?

19 MR. STELLE: Correct. It's an optimistic
20 approach to what is possible.

21 CHAIRMAN DECKER: Right. I also want to
22 comment for the Board that we -- I think individually
23 we have looked at this. We haven't talked as a group
24 yet about it.

25 I know we all want to get this done as fast

1 as possible. We want to make sure -- I want to note
2 for the record that we make sure that all of the
3 ethical considerations are going to be fulfilled and
4 we're going to have excellent reports back on the
5 individuals who are proposed to be licensed.

6 MR. STELLE: Absolutely.

7 CHAIRMAN DECKER: Okay. Are there any
8 questions from the Commissioners?

9 BOARD MEMBER McCABE: I hope I don't get
10 that reputation of always just jumping up.

11 CHAIRMAN DECKER: That's what we're here
12 for.

13 BOARD MEMBER McCABE: I do have questions.
14 I'll be the quickest Board member. I have a question
15 about the time line.

16 CHAIRMAN DECKER: Commissioner, just let me
17 interrupt you one second. We're not adopting
18 anything today.

19 BOARD MEMBER McCABE: I have a question on
20 the time line proposal. With all of this litigation
21 that is going on and controversy about suppliers,
22 distributors within Pennsylvania, outside
23 Pennsylvania, how is that going to affect you putting
24 together the license process and approval forms?

25 MR. STELLE: Well, putting the forms

1 together and being able to implement them, I think,
2 are the two issues.

3 We'll be able to put the standard operating
4 procedure together, I believe; but it's up to the
5 Board to interpret how the litigation affects the
6 Board and how they want to move forward on specific
7 applications.

8 BOARD MEMBER DiGIACOMO COLINS: I just
9 wanted to comment regarding this time line. It is
10 actually a very action-oriented time line. I want to
11 just underscore the need that there is for the Board
12 to formulate thoughtful, precise regulations that
13 will govern the action items contained in this time
14 line and that time line doesn't really mention that,
15 more or less the working -- the underpinnings of it
16 all will be the regulatory scheme that the Board will
17 have to create.

18 I think that's going to take a lot of
19 thoughtful, hard work on our part. I just want to
20 acknowledge that. It's not just a quick time line.
21 There will be thoughtful, legal regulations and
22 workings that will behind it all.

23 CHAIRMAN DECKER: Mr. Marshall?

24 BOARD MEMBER MARSHALL: Thank you, Lynn,
25 for your presentation; but I just want to make sure

1 this is sort of something you've put together as a
2 working document, all of which Commissioner Ken and
3 Mary have talked about.

4 I just want to be careful -- I want to make
5 sure that we don't get out in front of ourselves with
6 respect to expectations.

7 Nothing that you have set forth is set in
8 stone. We have not discussed it as a Commission, and
9 I think it would be fair to say that is more likely
10 than not that these will -- this thing will move
11 around, maybe some things get done faster, some
12 things get done slower.

13 We have the whole litigation or
14 litigations, if you will, that we will have to deal
15 with.

16 I think it's important, Mr. Chairman, that
17 the public knows that we're not issuing licenses
18 today and that people shouldn't be looking, expecting
19 -- a bad pun -- to place a bet on it, bet the house
20 on where we'll be on your time line.

21 MR. STELLE: Absolutely. This is the first
22 step in a long journey. It's going to change many
23 times between now and the first implementation of the
24 first site.

25 BOARD MEMBER MARSHALL: And one other

1 question. You've had a lot of experience. Maybe you
2 can share with the public some of your experience in
3 this field, and then I would like to follow-up with
4 the question of where you see this time line as it
5 stands with respect to other jurisdictions that have
6 gotten involved with this.

7 MR. STELLE: It's all over the board.
8 Different marketplaces have handled this differently.
9 Delaware was very effective in one venue; and in
10 another venue, it took a year and a half longer than
11 they had originally anticipated.

12 As we all know, New York got itself
13 involved in significant litigation and it took
14 several years longer than they had anticipated.

15 So there's really no answer to that. It's
16 really one step at a time. It's setting -- if
17 anything, this is some type of an optimistic
18 objective just so we can have something to work from
19 and start challenging ourselves on the many tasks
20 ahead.

21 I would not put a lot of credence into this
22 until we're well down the path. It's really just to
23 identify how succinct those key tasks are. As in
24 building anything, there's multiple things going on
25 simultaneously and we have to start working on each

1 one of them. We will get delays along the way. No
2 question about it.

3 At least it outlines the key tasks to get
4 us to where we want to be, and we can monitor each
5 one as we go along and affect the whole picture.

6 BOARD MEMBER MARSHALL: So you would see us
7 constantly revising and updating this.

8 MR. STELLE: Absolutely.

9 BOARD MEMBER MARSHALL: Thank you,
10 Mr. Chairman.

11 CHAIRMAN DECKER: Thank you. Any other
12 questions for Lynn?

13 Hearing none, Lynn, thank you very much.

14 MR. STELLE: Thank you.

15 CHAIRMAN DECKER: That was a very good
16 review.

17 We're moving forward with our schedule at a
18 very quick pace. Is Curt Haines here now? Curt,
19 could you come up.

20 Curt is the Deputy Secretary for
21 Information Technology at the Department of Revenue.
22 He's going to talk to us about some of the interim
23 support that the Department is willing to make
24 available to us as we move down this road towards
25 gaming.

1 MR. HAINES: Thank you, Mr. Chairman. The
2 first thing I've been asked to do, since I'm the IT
3 guy, is some IT housekeeping.

4 I've been told that the static we're
5 picking up on the microphones is more than likely a
6 result of BlackBerries and/or cell phones, wireless
7 communication.

8 We would like to ask everybody if you have
9 any of these devices to just please power them off so
10 we can keep the mike free from that static that
11 obviously we're hearing.

12 If you would just give me a moment. Next
13 up is the presentation I was giving this afternoon.
14 So if you'll just give me a moment.

15 CHAIRMAN DECKER: Curt, do you want us to
16 take a quick break? Does that make some sense? I
17 put you on the spot. This was supposed to happen
18 after our break.

19 MR. HAINES: Yeah, that's fine.

20 CHAIRMAN DECKER: Why don't we take a
21 15-minute recess. Do we have a motion to that
22 effect, for the recess?

23 BOARD MEMBER MARSHALL: So moved.

24 CHAIRMAN DECKER: We're going to be
25 recessed for ten minutes.

1 (Break.)

2 CHAIRMAN DECKER: We're going to call the
3 meeting to order again, please. Thank you.

4 Curt, could you go ahead. I'm sorry to
5 have sandbagged you that way.

6 MR. HAINES: No problem.

7 CHAIRMAN DECKER: The schedule moved a lot
8 faster than anyone anticipated.

9 MR. HAINES: No problem at all. Shortly
10 after the Gaming Act was passed, we, in the
11 Department of Revenue, began working on the
12 Department's responsibilities under the Act.

13 It was apparent very quickly to us that the
14 Board faces two major challenges. The first is
15 obvious, to establish a whole new industry in
16 Pennsylvania that transacts billions of dollars a
17 year at 14 venues, employing thousands of people.

18 The second is to establish as soon as
19 possible and get effective as soon as possible a
20 whole new state agency.

21 The hiring process, the logistics of
22 finding office space, getting that office functional
23 is indeed a -- going to be a major challenge.

24 As a 30-year veteran of state employee --
25 of state employment, I'm not so certain at times

1 which of those is the two biggest challenges.

2 Recognizing that, Secretary Fajt, as a
3 member of the Board, had asked the Information
4 Technology staff or the IT staff of the Department to
5 begin looking at things to see if we, in the
6 Department, could take steps on behalf of the Gaming
7 Board to begin to build the basic rudimentary -- what
8 I will call -- IT infrastructure that every modern
9 office has to have to be effective.

10 Things like personal computers, network
11 Internet access, secure e-mail capabilities, etc. are
12 absolutely fact of life in the success of any
13 organization these days.

14 We begin looking at existing state
15 contracts to see if we could begin to acquire that
16 infrastructure on behalf of the Board without
17 committing the Board to any additional obligations
18 until such time that you made that decision.

19 The Department of General Services has
20 established a number of statewide contracts that
21 agencies can quickly and easily obtain the very
22 infrastructure that I'm going to reference here.

23 On the Board's behalf, we have, indeed,
24 acquired the basics of that office infrastructure and
25 have committed IT staff for the Department of Revenue

1 at least on an interim basis to assist the Board in
2 establishing that infrastructure and as tomorrow
3 topics we'll get into perhaps even more than an
4 interim basis if that's what the Board so desires.

5 The first thing we did, recognized that
6 personal computers are a must for any office. We
7 went and acquired on the Board's behalf off of that
8 state contract 50 personal computers that are -- have
9 met the state's standards for memory and
10 functionality. The only deviation from that is we
11 acquired the displays to support image processing,
12 which I will get into a little later.

13 Revenue's IT staff, once the Board
14 establishes where your offices would be located,
15 would go in on your behalf, get the PCs functional,
16 get them networked together, securely via fire wall
17 software attach them to the Commonwealth Network,
18 which will provide each employee secure e-mail
19 functions, as well as Internet access.

20 We are also looking at a couple of systems,
21 probably chief among them is a computer application
22 that the Horse Racing Commission is currently running
23 to help the Board manage the thousands of
24 applications and licensees that you will be
25 responsible to administer.

1 SECRETARY FAJT: Curt?

2 MR. HAINES: Yeah.

3 SECRETARY FAJT: Could I ask a question?

4 MR. HAINES: Sure.

5 SECRETARY FAJT: Once we have a physical
6 location for the Gaming Board, how long will it take
7 your folks to get the computers up and operational?

8 MR. HAINES: It depends on the current
9 infrastructure, the wiring structure of whatever the
10 building is.

11 If it's halfway decent, we would have the
12 network functional within a week. So in very short
13 order, we can get the computers and a lot of
14 preliminary work has been done with the Commonwealth
15 Network.

16 They know as soon as we get any location
17 the Gaming Board will be plugging into the network,
18 the IDs have been established, the accounts, etc. So
19 a lot of advance work has been done.

20 CHAIRMAN DECKER: Curt, what kind of
21 staffing will the Board need to keep that up and
22 functional? Do we have to have some people there or
23 can we -- is there some other alternatives for that?

24 MR. HAINES: Yeah. The alternative that
25 you would have is clearly hire your own IT staff.

1 That's one option down the road.

2 You can, if you so desire, contract that
3 out to some other entity or you can continue on a
4 longer term relationship with the Department of
5 Revenue through some interagency agreement.

6 I think our initial task has been to get
7 the Board and their initial employees functional and
8 working as soon as possible, and then we would just
9 sit back -- you know, we would rely on the Board to
10 make the decision as to how you want to proceed from
11 there.

12 An office of this expected magnitude would
13 not need a huge IT staff, I wouldn't think. Six,
14 seven folks probably would handle that.

15 BOARD MEMBER MARSHALL: Thank you,
16 Mr. Chairman.

17 Curt, as you get us into business, will
18 this be able to expand and contract depending on --

19 MR. HAINES: Yeah. And I'll be getting
20 into this. Everything we have done is expandable
21 because -- as I said, we initially purchased 50
22 computers. Conventional thinking is there's going to
23 be more employees than that; but that will buy a
24 couple of months time.

25 Then as the Board expands their employees

1 or their complement, they can easily go to these
2 statewide contracts as we did and quickly and
3 effectively grow that office.

4 BOARD MEMBER MARSHALL: So you're not
5 concerned that we're locked in? We will have
6 complete flexibility?

7 MR. HAINES: Absolutely not.

8 BOARD MEMBER MARSHALL: Good.

9 MR. HAINES: Obviously, an office needs a
10 telephone system. We have acquired what we call an
11 executive telephone system off the statewide
12 contract.

13 It has capabilities of holding, call
14 forwarding, a very important function of conference
15 calling, which I imagine will be very important to
16 the Board Members.

17 Once again, we initially acquired the first
18 50 telephones. That system is easily expandable to
19 whatever complement the Board ultimately decides on.

20 Copier, fax machines, printers, very
21 important in any office. Those have been ordered and
22 have been received. We're waiting instruction on
23 where to set them up.

24 We have indeed established a website for
25 the Gaming Board. It is functional. Lynn had given

1 the address earlier.

2 One caution, it is, like the Board, under
3 construction. It is, at this point, rather
4 rudimentary; but as the Board takes actions and
5 things like minutes are developed and the PowerPoint
6 presentations of today will be out there. Although,
7 they won't be there today. Lynn had indicated that
8 they're there now. We just finished these up late
9 last night. So by tomorrow we expect at the latest
10 to have them up on that website.

11 That's a very important tool for the Board
12 and any agency to get information out to the public.
13 We would, once again, at least on an interim basis,
14 use our website -- not our website -- our web support
15 staff to post to that site and take off whatever the
16 Board deems necessary to communicate to the public.

17 The other very important aspect that we
18 would ask the Board to consider for your benefit is
19 what we call electronic document management.

20 If I can just give a little background,
21 there's probably not a state agency that I can think
22 of that gets more paper delivered to it than the
23 Department of Revenue.

24 We literally get tens of millions of pieces
25 of paper from returns to W-2s to schedules. Six or

1 seven years ago, the Department committed to a major
2 information technology upgrade to turn those paper
3 documents into electronic images so that the
4 Department can do all of its processing off of index
5 electronic images and not move paper all over the
6 agency.

7 It has been a tremendous success, so much
8 so that shortly after he came into office, Governor
9 Rendell asked the Department of Revenue as part of a
10 statewide cost savings initiative to begin to explore
11 the possibility of providing that service to other
12 state agencies, so that they would not have to go out
13 and build the same infrastructure or contract for
14 those type of services.

15 So we are now in production with three or
16 four other agencies doing that work for them whereby
17 we take paper and turn it into an electronic image,
18 properly indexed, hand it off to that agency so that
19 their staff, henceforth, can work with electronic
20 images rather than thousands of paper applications
21 that you would expect to get at the Gaming Board.

22 That's a service that we would certainly
23 extend to the Gaming Board should you so desire.
24 We've had some -- at that point, we haven't acquired
25 anything on your behalf. We've had some

1 literally the Board would decide on how long to keep
2 these paper documents. Industry wide, it's all over
3 the board.

4 Some companies, once they are -- and
5 agencies, once they are certain of the quality
6 assurance of those images, they immediately shred
7 those documents to save storage cost. There's legal
8 aspects to that and public records aspect to that,
9 and Chief Counsel could advise you on the paper
10 retention.

11 The paper would still be in control by the
12 Gaming Board. But you could keep it in a filing
13 cabinet, in storage, or shred it once that imaging is
14 perfected.

15 CHAIRMAN DECKER: Go ahead, Ken.

16 BOARD MEMBER McCABE: Curt, if I may, we're
17 a brand new organization.

18 MR. HAINES: Um-hum.

19 BOARD MEMBER McCABE: What -- do we have to
20 start with paper or can we start right off from the
21 very beginning requiring all of our information to be
22 forwarded to us electronically?

23 MR. HAINES: You could do both. You could
24 easily mandate that you're going to be -- to the
25 extent possible -- as much as electronic commerce

1 agency as is possible.

2 And once again, we or somebody else could
3 put out on the web, like we do our income tax forms,
4 you can file your income tax safely and securely on
5 the Internet, we could do that for licensees of the
6 Gaming Board if you so desire.

7 That takes a little longer to develop that
8 and to test it and perfect it than it does paper. So
9 our initial thinking would and suggestion, you might
10 want to start as paper because there is some key
11 licensing information or processes that have to occur
12 fairly quick; but we would certainly explore what
13 time frame we think we could turn that into
14 electronic imaging. Paper would be quicker to start.

15 CHAIRMAN DECKER: And some of us are
16 electronically challenged as well.

17 BOARD MEMBER DiGIACOMO COLINS: Well,
18 that's -- Mr. Chairman, that's a good point also,
19 because I think a lot of thought and research has to
20 go in not just the legal ramifications of how are
21 applications accepted, how long documents are
22 retained, whether signatures can be transmitted
23 electronically and the validity of those signatures
24 with respect to enforcement issues.

25 But also, there's a whole world out there

1 of people who really don't have access to computers
2 and are challenged and those are people who might
3 want to --

4 CHAIRMAN DECKER: Particularly for
5 employees.

6 BOARD MEMBER DiGIACOMO COLINS: Right. For
7 the employee applications, the occupational
8 applications. I think there are lots of issues that
9 have to be looked at with respect to that.

10 CHAIRMAN DECKER: But you're addressing the
11 storage capabilities as well and that's something
12 that, you know, we might be able to do down the road.

13 Chip?

14 MR. HAINES: Right, and clearly many
15 agencies do not get out of their paper retention
16 obligations; but at a minimum, if you image, your
17 internal staff can access records in a second as
18 opposed to looking through files and misfiling
19 things.

20 So at a minimum, once you turn that paper
21 into an electronic image, internal staff efficiencies
22 significantly increase even though you may still have
23 to keep that paper for seven to ten years or whatever
24 your counsel could determine.

25 BOARD MEMBER MARSHALL: Curt, could you

1 talk for a bit about the security issues? We're
2 going to have pretty sensitive information.

3 MR. HAINES: Yeah. The applications that
4 we're looking at and virtually any modern computer
5 system has built-in security safeguards, authorized
6 users with password protection.

7 They all have log-in capabilities, which
8 mean any employee or any authorized employee who
9 looks at any record, there is a log of that retained
10 so that at least after the fact, if something bad
11 would happen, you would know who could or did access
12 that record.

13 It's not a new concept for IT. We had this
14 challenge for 15 years. The security software has
15 come an awful long way. We never say never, but the
16 Board would -- you know, if Revenue would at least
17 initially get, say, the licensing system functional,
18 the Board would tell Revenue, here is a list of
19 people who are authorized to view this data.

20 Here is a list of people who are authorized
21 to change this data. We would implement that for
22 you.

23 If you would ever get your own IT staff or
24 contract with somebody else, it's the Board or your
25 Executive Director, whoever you would tell, would

1 control the actual access rights, would determine the
2 access rights. The IT staff has to turn that into
3 software protection.

4 CHAIRMAN DECKER: Well, how reasonable in
5 price are you guys going to be?

6 MR. HAINES: I'm sorry?

7 CHAIRMAN DECKER: I'm kidding. I said, how
8 reasonable in price do you guys intend to be?

9 MR. HAINES: To be determined. At our
10 imaging center, we have told other state agencies,
11 once again, working with the Governor's office, we
12 are not looking to make money off of other state
13 agencies.

14 We establish their volumes of paper, what
15 it costs us, and we prove to them that we're not
16 making a profit at the expense of their budget.

17 Every year, if our cost goes up, we, in our
18 interagency agreements, we go back and revisit that
19 cost for an informed decision on the part of the
20 Board or that agency.

21 So far, we have had no complaints from any
22 of the agencies that we're not adhering to that
23 concept of -- we in Revenue need to break even.
24 We're not going to look to make money off of you.

25 BOARD MEMBER MARSHALL: Curt, would you

1 anticipate that this looks something like an
2 electronic medical record? It keeps moving. It can
3 work. Reports come in. You take basic application.
4 People can file into that report.

5 MR. HAINES: You could establish work
6 flows. An initial application comes in and say it's
7 an application for a restaurant manager in one of the
8 casinos. You can -- that could immediately go
9 through work flow software to a licensing expert who
10 focuses in on that aspect of licensing.

11 If you have a key employee of a casino
12 through work flow, it can go to a person who has a
13 little more experience or expertise.

14 Once again, the Board, the Executive
15 Director would make that decision and through -- as I
16 keep referring to it, it's called work flow software,
17 we could route that. That's what we do in Revenue.

18 BOARD MEMBER MARSHALL: So if we were to
19 take an application, the State Police, say, for
20 example, were to do a background check, they could
21 file in. We could have one sort of central
22 repository for all of the --

23 MR. HAINES: Yeah. And obviously, I failed
24 to mention the State Police will be a big player in
25 this, too.

1 CHAIRMAN DECKER: I was just going to add
2 that.

3 MR. HAINES: They will have access to the
4 licensing records. They will have view capabilities,
5 more than likely update capability.

6 So it's going to be a system administered
7 by either Revenue or who you choose; but the users of
8 that system would be the Gaming Board and the State
9 Police.

10 CHAIRMAN DECKER: Bill.

11 BOARD MEMBER CONABOY: Curt, just an
12 observation, which is evident from your presentation.
13 I just think it's very important for the public to
14 know the tremendous amount of best practices, if you
15 will, due diligence that people like yourself and
16 others at the Department of Revenue and the
17 Pennsylvania State Police and other Commonwealth
18 employees have done to this point.

19 In other words, it was observed earlier
20 that this Board is under construction, and that's
21 very true; but we're not reinventing the wheel here.

22 People like yourself and the Pennsylvania
23 State Police and others have, from my understanding,
24 literally traveled around the country to several
25 other venues to look at how is it done best, what

1 mistakes have been made and what mistakes can we
2 avoid.

3 As I said, that's very evident in your
4 presentation and only the few others we've had thus
5 far that a lot of best practices, due diligence has
6 been done. We really appreciate that as a Board.

7 I just thought it was important to point
8 out that while we're sitting up at this table today
9 just getting started, that a lot of work has been
10 done to look at how others have done it right and the
11 best way to do it. We appreciate that and I just
12 want to point that out.

13 MR. HAINES: Thank you on behalf of
14 everyone. Just in summary, once again, we'll assist
15 the Board on its IT challenges up until such time
16 that you would decide otherwise.

17 As soon as we get information as to where
18 your offices would be, if you so desired, we would be
19 there immediately in quick order and get you a
20 functioning office.

21 Any other questions?

22 CHAIRMAN DECKER: Any other questions?

23 BOARD MEMBER MARSHALL: Just one, Curt,
24 following up on Bill's point, have you had a chance
25 to kind of look around and say -- can you give us

1 some sense as to who you think does it better than
2 others from an IT perspective?

3 MR. HAINES: We've looked at bits and
4 pieces. You know, we've looked at some other states.
5 As I said, the Pennsylvania Horse Racing Commission,
6 this application, we think with modification could be
7 a nice fit for the Board.

8 We and some senior officers from the State
9 Police have a meeting this week, a follow-up meeting
10 to take a more in-depth look at that.

11 As far as the concepts of IT, the imaging
12 and the scanning and the setting up of network and
13 with the Commonwealth Network, those are pretty much
14 basics; and that's why I call them the IT
15 infrastructure. It's IT 101.

16 I think anybody who is successful in
17 business has that underpinning of IT. That's been
18 our major emphasis to this point.

19 As the Board moves forward and wants to get
20 more sophisticated or more functionality, and then
21 this afternoon we'll be talking about the Central
22 Control System, which you folks will be very much
23 involved in, you know, we would just basically take
24 this -- we or whoever could take this wherever you
25 wish to take it and to get the office as modern and

1 as efficient as possible.

2 CHAIRMAN DECKER: Before you go, Curt,
3 you're going to -- this afternoon you're going to
4 come back and talk about the Central Computer System,
5 right?

6 MR. HAINES: Correct.

7 CHAIRMAN DECKER: And we'll have a lot more
8 opportunity, if we have other questions, to ask about
9 that but we're interested in hearing about that later
10 on today.

11 MR. HAINES: Very good.

12 SECRETARY FAJT: Mr. Chairman, one more
13 question. Curt, can you talk a bit -- I don't think
14 you touched on it before but you just mentioned it
15 briefly -- about the Horse and Harness Racing
16 Commission work flow and their computer program.

17 MR. HAINES: Okay.

18 SECRETARY FAJT: And if you said it earlier
19 and I missed it, I apologize; but I know that we and
20 the State Police have looked at that, but it goes to
21 Commissioner Conaboy's comment about not reinventing
22 the wheel.

23 This is a perfect example where we feel
24 there may be a system in place now that is workable
25 with some tweaks that --

1 MR. HAINES: And that's a good example
2 because of not inventing any wheels. You
3 commissioned our IT to look at the IT infrastructure.

4 Secretary Wolff at one of the meetings
5 said, hey, you know, the Horse Racing Commission has
6 a licensing application that is pretty robust. So we
7 went out and looked at that.

8 So we think by pulling from these
9 resources, you know, with the key of doing it right
10 but not spending time reinventing any wheel.
11 Clearly, if we would -- if the Board would be
12 interested in the licensing application of the Horse
13 Racing Commission, there has to be some customization
14 in it to meet the -- some of the unique things of the
15 Gaming Act; but it's a good basic start.

16 The other thing, we have indicated we might
17 want to look at New Jersey's licensing application.
18 It's very sophisticated.

19 The thing -- the nice thing about if we
20 could -- if you folks could get comfortable with the
21 Horse Racing Commission system is that we think it
22 would be easily transferrable from one state agency
23 to another with minimal cost to the Board. So that's
24 one of the reasons we're very interested in it.

25 Anything else?

1 CHAIRMAN DECKER: Any other questions? And
2 just to emphasize, you're working not only with other
3 government agencies such as the State Police working
4 closely with the --

5 MR. HAINES: As far as Gaming Board issues,
6 yes.

7 CHAIRMAN DECKER: But on the application
8 forms --

9 MR. HAINES: On the applications, on the IT
10 things. As I said, we have a meeting this week.

11 CHAIRMAN DECKER: Okay. We're going to
12 come back to that later anyway.

13 MR. HAINES: Okay.

14 CHAIRMAN DECKER: Thank you very much,
15 Curt.

16 MR. HAINES: You're welcome.

17 CHAIRMAN DECKER: That was very helpful.

18 Well, until we are able to hire our own
19 staff to take over these responsibilities or even if
20 we make that decision but until that time, we're
21 going to have deal with the computers, the handling
22 of the paperwork that will be coming by our office,
23 presuming we get an office soon.

24 I would propose taking advantage of the
25 services of the Department of Revenue that you've

1 just heard described.

2 I suggest that we enter into an interagency
3 agreement with the Department of Revenue to provide
4 interim executive, legal, and administrative services
5 so that we can -- at least until such time as we are
6 able to hire our own key staffers and others, and
7 that arrangement could continue on a periodic basis
8 until we're in a position to operate on our own.

9 With that said, I'd like to entertain a
10 motion that would authorize the Chairman to enter
11 into an interagency agreement with the Department of
12 Revenue under which the Department would provide
13 interim executive, legal, and administrative support
14 services to the Board, and which would allow for
15 termination of the agreement upon sufficient notice
16 to the Department.

17 BOARD MEMBER COY: So moved, Mr. Chairman.

18 BOARD MEMBER RIVERS: Seconded.

19 BOARD MEMBER MARSHALL: Mr. Chairman, if I
20 could just speak to the motion.

21 CHAIRMAN DECKER: Please.

22 BOARD MEMBER MARSHALL: I agree with the
23 motion and would support it. I think -- but as we go
24 forward, it will be important if they're not involved
25 where they should be, because we have all of these

1 agencies going, that you be able to direct them.

2 I don't know if Curt -- if there's things
3 that Curt was discussing where he should be involved
4 and maybe hasn't been. So I just -- the spirit of
5 the motion, I hope, would reflect that.

6 BOARD MEMBER McCABE: Mr. Chairman?

7 CHAIRMAN DECKER: Please, Ken.

8 BOARD MEMBER McCABE: What is the
9 alternative? Is there any alternative?

10 CHAIRMAN DECKER: Right now, there isn't
11 much unless we try to outsource with another agency
12 -- excuse me -- another company, another entity.

13 I don't know that anybody is far enough
14 along that could practically provide the needs we
15 have on a short-term basis. I don't know of any.

16 BOARD MEMBER McCABE: I don't know of any
17 either.

18 BOARD MEMBER DiGIACOMO COLINS: It seems to
19 me like a very smooth and efficient transition for us
20 to do.

21 CHAIRMAN DECKER: And I'm sure that we'll
22 be able to negotiate this at a reasonable price.

23 BOARD MEMBER RIVERS: Mr. Chairman, I would
24 like to add that given the closeness of the two
25 Departments that it would be most advantageous that

1 we spend a lot of time with the Department of
2 Revenue, understanding their process, just as they
3 understand the process that we're going to employ,
4 because a lot of the information that they're going
5 to receive or the information that we have, and
6 obviously they have to deal with that information, so
7 I wholeheartedly endorse the direction that we're
8 traveling.

9 CHAIRMAN DECKER: Any other comments or
10 questions?

11 BOARD MEMBER COY: Mr. Chairman, I want to
12 emphasize -- excuse me, I'm struggling with a cold
13 today. I want to emphasize and agree with what
14 Commissioner Conaboy said earlier.

15 The Department of Revenue has done a lot of
16 work on this matter and all of the matters affecting
17 the Board up until now. I, for one, am very grateful
18 to them.

19 CHAIRMAN DECKER: Right.

20 BOARD MEMBER COY: The work that they have
21 done has been professional. I know the Secretary is
22 to my left, and I'm not saying it because I'm close
23 to them but rather because I observe it as a matter
24 of fact. I want to thank them for their work, and I
25 do that in the spirit of the motion I made.

1 CHAIRMAN DECKER: The other thing I would
2 like to add onto that is that, Jeff, while they've
3 done a great amount of work, they have not positioned
4 this so that decisions are fey to complete.

5 They teed up the questions for us, and they
6 continue to tee them up. They are looking to us to
7 make the decision after -- you know, as we become
8 more informed with respect to a particular issue.

9 I appreciate that because it would have
10 been very easy for the Department and others who are
11 involved in this process to have foreclosed, you
12 know, their own way of thinking and pushed us into
13 making decisions in a certain way. I haven't seen
14 that from anybody that is involved in this process,
15 not only at DOR but the other agencies as well.

16 We're very happy about that. We've -- I've
17 talked individually to the members of the Board.
18 They all equally feel the same way.

19 Any other questions for Curt or anyone
20 else? Thank you.

21 We have a motion and second. All those in
22 favor, indicate by saying aye.

23 BOARD MEMBERS: Aye.

24 CHAIRMAN DECKER: Any opposed? Again, the
25 motion carries unanimously.

1 I get to cover the next item, which is
2 office space. Well, in addition to the needs you
3 just heard about in terms of telecommunications and
4 administrative support services, one of our first
5 priorities is to obtain office space from which we
6 are going to be able to operate and from which our
7 staff, which we hope to hire in due course, will also
8 be able to operate.

9 In order to accomplish this in a timely a
10 manner as possible, I ask that I be -- the Chair be
11 authorized to enter into contracts for all necessary
12 office spaces.

13 Can I have a motion authorizing the Chair
14 to seek an emergency procurement to negotiate and
15 enter into contracts for necessary office spaces from
16 which the Board and its members can operate?

17 BOARD MEMBER CONABOY: So moved.

18 CHAIRMAN DECKER: Do I have a second?

19 BOARD MEMBER McCABE: Second.

20 CHAIRMAN DECKER: Is there any discussion?

21 TREASURER HAFER: Mr. Chairman?

22 CHAIRMAN DECKER: Treasurer?

23 TREASURER HAFER: I would suggest that we
24 begin with offices in Harrisburg but limit offices in
25 the region.

1 It's my experience over 25 years of serving
2 in Government, Local Government and State Government,
3 that the work is really here, the staff is here; and
4 I would suggest that we start with offices central in
5 Harrisburg, that people travel to Harrisburg, be
6 reimbursed, and work from the Harrisburg office for
7 security reasons, for access to staff, communication,
8 and efficiency, and also cost effectiveness.

9 CHAIRMAN DECKER: Treasurer, we are -- the
10 purpose of this is to get started as fast as possible
11 in Harrisburg.

12 I think everyone acknowledges that the main
13 office is here, all of the staff will be here, and
14 this is where we intend to operate.

15 I think there's been some discussion about
16 whether individuals who are not going to be able to
17 be here every day are going to need an office locally
18 and that's -- we've talked about that. We haven't
19 reached any conclusions.

20 Any other comments on any of the office
21 space?

22 BOARD MEMBER MARSHALL: Can you share with
23 us, Mr. Chairman, your thinking around office space
24 right now?

25 CHAIRMAN DECKER: We've looked at -- where

1 we stand now, we've looked at a number of offices;
2 and we have one or two candidates.

3 The one location that we've looked at is
4 close by, and I think some of you have seen it. It's
5 very reasonably priced. I would rather not pin it
6 down right now because I think if we do, maybe our
7 negotiating position would be severely impacted.

8 But there is one space that we like a lot
9 and there's a backup space that we like a little
10 less; and like I said, the price is right.

11 BOARD MEMBER MARSHALL: But they're both in
12 Harrisburg?

13 CHAIRMAN DECKER: Oh, they're both in
14 Harrisburg. I'm sorry. I apologize. They're very
15 close by. They're within walking distance.

16 All right. So, Treasurer, that's a point
17 well-taken; but I think everyone understands that
18 they have to be here one way or the other and either
19 sometimes participating by phone when it's not
20 possible to be here but definitely for meetings,
21 we're all going to be here to the extent possible.

22 There will be some exemptions for that and
23 we're going to cover that a little later in the
24 agenda.

25 Any other questions on this?

1 Okay. We have a motion before the floor.

2 All those in favor, please indicate by saying aye.

3 BOARD MEMBERS: Aye.

4 CHAIRMAN DECKER: Anyone opposed?

5 Again, the motion passes unanimously.

6 Our next presenter is Mike Walsh, Special
7 Assistant to the Governor. Mike is the former
8 Executive Assistant to the Secretary of
9 Administration and has experience with the
10 Commonwealth personnel policies. He will talk to us
11 today about some of the personnel decisions we are
12 going to have to make.

13 Mike?

14 MR. WALSH: Thank you, Mr. Chairman. Good
15 morning, Commissioners. The purpose of my
16 presentation today is to briefly outline some of the
17 administrative issues as related to the establishment
18 of the Pennsylvania Gaming Control Board.

19 As indicated on this first slide, I will
20 highlight some items for your consideration as
21 related to human resources technology and
22 procurement. At the conclusion of my remarks, I will
23 outline a few items that do not require immediate
24 consideration by the Board but which may require
25 further thought and discussion at future meetings.

1 As with the creation of any new
2 organization, the work of establishing an
3 administrative services framework is one that
4 requires a great deal of time and effort during the
5 early stages.

6 This is true for the obvious reason that to
7 carry out its mission, this support structure must be
8 in place in order to recruit, hire, and retain the
9 qualified and professional workforce.

10 The workforce of the Gaming Control Board
11 will have a unique mission to fulfill. And under the
12 guidance of the Board and the Executive Director, the
13 employees will each be assigned a series of
14 responsibilities to ensure the success of the
15 organization.

16 Transparent to the core business functions
17 is the underlying administrative functions that
18 provide for the workforce and, therefore, allow it to
19 operate as smoothly as possible.

20 You will hear from Lynn Stelle again, and
21 he will outline a proposed organizational structure
22 and indicated -- as indicated in that proposed
23 organizational chart, which you will see, all of this
24 may eventually happen and be the duty of a Bureau of
25 Administration; but until such time that framework is

1 established and until such time that policies and
2 procedures are in place, the Board may consider
3 utilizing the existing framework currently in place
4 and used by state agencies under the Governor's
5 jurisdiction.

6 To get started, the Gaming Control Board
7 could work off the SAP platform for the
8 administration of such programs as payroll, leave,
9 benefits, budget, and procurement.

10 BOARD MEMBER McCABE: Excuse me, Mike.
11 What is the SAP?

12 MR. WALSH: I'm sorry?

13 BOARD MEMBER McCABE: What does SAP stand
14 for?

15 MR. WALSH: SAP is the name of a company
16 that was hired by the Commonwealth under the Ridge
17 Administration to develop this platform and I'm --

18 CHAIRMAN DECKER: It's a very large
19 German --

20 MR. WALSH: It's a German name.

21 CHAIRMAN DECKER: -- software company.
22 It's one of the largest companies in the world; and
23 recently, I guess in the last couple of years,
24 they've gotten involved by acquisition or otherwise
25 in HR systems, right, providing HR systems, which

1 allow you to cover things like payroll, benefits,
2 etc.

3 MR. WALSH: Yeah, it's an acronym for
4 something, I apologize.

5 CHAIRMAN DECKER: No, no. It's not.
6 That's the name, SAP.

7 MR. WALSH: I just know it was a German
8 company. They have offices locally outside of
9 Philadelphia.

10 CHAIRMAN DECKER: Their US headquarters are
11 outside of Philadelphia.

12 MR. WALSH: Yeah.

13 SECRETARY FAJT: Mike, before you leave
14 that point and follow-up on one of the issues
15 Commissioner McCabe raised before, I mean, if we
16 don't use the Commonwealth SAP system for things like
17 payroll and benefits and budget, I mean, what is our
18 alternative?

19 MR. WALSH: Your alternative would be to
20 develop a new technology to interface with Department
21 of Treasury for payroll and to interface with
22 healthcare companies for benefit programs.

23 It would take a certain amount of time to
24 develop the scope of what your needs are, put out an
25 RFP, look at proposals, agree on a proposal.

1 We're talking many months of work to
2 develop a new interface; and the SAP implementation,
3 in fact, took years and just went live last year
4 after it was procured in the Ridge Administration.

5 CHAIRMAN DECKER: How is it working now?
6 After the implementation, is it up and running and
7 it's satisfactory and, you know, people are getting
8 paid?

9 MR. WALSH: Yes.

10 CHAIRMAN DECKER: No, but seriously.

11 MR. WALSH: Everyone has gotten paid. The
12 Treasurer might be a better person to speak to this.
13 I'm biased because I worked in the Office of
14 Administration.

15 TREASURER HAFER: We did not elect the
16 Treasury to go with SAP. We developed our own
17 system. We take information from 150 agencies.

18 We didn't feel at the time that SAP was
19 being up and running with the Administration that we
20 in Treasury could really compete.

21 It's working. It has its problems. I've
22 been critical of it. We're trying to adjust it and
23 tweak it.

24 Again, Treasury, the SAP application for
25 business really didn't meet the Treasury function,

1 but the Administration has done a marvelous job with
2 a very difficult system that needs a lot of
3 adjusting. So having said that, you know, it's --

4 CHAIRMAN DECKER: There are some competing
5 systems. My experience is it takes a long time to
6 get them implemented and in. It's something we can
7 look at down the road in any event.

8 BOARD MEMBER RIVERS: Mr. Chairman, when
9 you talk about different competing systems, are you
10 talking about different competing systems within the
11 state bureaucracy or --

12 CHAIRMAN DECKER: No, outside.

13 BOARD MEMBER RIVERS: Okay. My question
14 then would be, to whomever, how many different
15 systems do we have operating within the Commonwealth
16 of Pennsylvania at the state level?

17 TREASURER HAFER: Well, again, SAP is the
18 main system that the Administration uses. Treasury
19 elected not to develop our own system and we were
20 really up and running much before SAP. We had to to
21 accept the information.

22 We are struggling with SAP, and there needs
23 to be tweaks. It isn't 100 percent. It's a business
24 application that was superimposed on Government and
25 Government does a lot of different things.

1 We are trying to adjust and the
2 Administration has done a wonderful job. It's not
3 perfect. There are probably other systems, but it
4 would take us a long time and we -- I would suggest
5 that we work with the Administration to try to -- to
6 try to have Revenue take a look and see how it would
7 apply to us, what we can do.

8 If we start with SAP, can we go to another
9 system? It just is more efficient to start with what
10 we have.

11 BOARD MEMBER MARSHALL: My understanding of
12 your point is we can use this to transition?

13 MR. WALSH: Exactly.

14 BOARD MEMBER MARSHALL: We can spend some
15 time. We can look at what would fit our needs and
16 either decide to stay or make a change at some later
17 date.

18 But if we hire someone tomorrow, that
19 person can start getting paid, get their benefits,
20 all that.

21 Would that be a recommendation? You've
22 been in this business.

23 MR. WALSH: That's what I was just going to
24 say. It's a short-term phase-in option, a seamless
25 transition is to use the SAP system as you bring in

1 staff and IT support, which Curt talked about, you
2 can determine what the scope is of a new system,
3 begin to work with the State Treasury and with other
4 entities to work out the agreements that need to be
5 made to interface with each other. But the
6 short-term phase-in option is to utilize the SAP
7 system.

8 BOARD MEMBER MARSHALL: And that's your
9 view? That's your recommendation?

10 MR. WALSH: That's my recommendation.

11 CHAIRMAN DECKER: Ken?

12 BOARD MEMBER McCABE: That was my point,
13 too. This was just for us to start-up and then we
14 can evaluate these other systems if we want to and
15 then transition to something else. This is just to
16 get started.

17 CHAIRMAN DECKER: Otherwise, Mike will have
18 to come over and do handwritten checks for our
19 payroll. Mike, is that -- are you --

20 MR. WALSH: That's all I have on that first
21 point.

22 CHAIRMAN DECKER: Are there any other
23 questions for Mike?

24 Okay.

25 MR. WALSH: Okay. Thank you. I'll just go

1 to the second --

2 CHAIRMAN DECKER: On this issue, I meant.

3 MR. WALSH: Oh, are there any other
4 questions? That's my recommendation.

5 Just quickly on the second point, as you
6 know, the Office of Administration has been assisting
7 with the short-term HR support and the orientation
8 for new members.

9 During the start-up period, they have
10 offered to provide human resource assistance, related
11 technical support, those orientation services and
12 other guidance as requested.

13 They've been extremely helpful thus far
14 and, you know, my recommendation would be that we
15 continue to provide -- that they continue to provide
16 short-term assistance to the Board as you hire new
17 employees, and then allow for a transition to happen
18 with your newly created Bureau of Administration.

19 CHAIRMAN DECKER: Any other -- I'm sorry.
20 Go ahead.

21 MR. WALSH: Okay. I just want to talk
22 quickly. I mentioned the SAP platform that provides
23 an interface for business transactions, payroll,
24 administration, etc.

25 I want to take a minute now to discuss the

1 framework that the Board would accept by adopting
2 this system and provide some detail on what that
3 means.

4 The Board would essentially be adopting the
5 same payroll, leave, and benefit program for its
6 employees as those that are now in place and
7 currently provided to state employees. Those are the
8 employees under the jurisdiction of the Governor.

9 First, in regards to payroll operations,
10 this would include the standard 37.5 hour workweek
11 and the bi-weekly pay schedule, meaning employees are
12 paid every other week.

13 The Commonwealth mandates that employees
14 are paid by direct deposit. This is to reduce the
15 cost associated with printing and distributing
16 payroll checks.

17 Additionally, the Pennsylvania Gaming
18 Control Board would also recognize the 12 paid
19 holidays and the standard leave plan. I would be
20 happy to provide any of you with a calendar for 2005
21 with what those 12 state holidays are.

22 In regards to leave, SAP provides an
23 automated tracking system that allows employees to
24 request leave and allows the supervisor to either
25 approve or disapprove that leave electronically.

1 For the information of the Board members,
2 there are several different types of leave with the
3 three most common being annual, personal, and sick.
4 As stated in the policies, that would be the default
5 for now. Annual leave is calculated based on years
6 of service, while sick leave is accrued in each pay
7 period with a maximum of 13 days per year.

8 Again, as we discussed, let me stress that
9 the Board may at any time in the future adopt its own
10 policies on any of the above-stated issues.

11 The intention today is to allow for
12 framework of organization that is being created; and
13 once this Bureau of Administration is in place, they
14 can perform any and all changes to such policies as
15 deemed necessary.

16 BOARD MEMBER McCABE: Mike, before you move
17 on, I just have a question. Why is it a 37.5
18 workweek? What is that based on?

19 MR. WALSH: There's two options. It's a
20 37.5 or a 40 hour. We go off of the 37.5.
21 Specifically, where I just came from, the Office of
22 Administration, we work off of that. That's the
23 standard for office work.

24 I mean, there are different pay schedules
25 for people who work different shifts and when you

1 count part-time employees and folks who, depending on
2 the structure of the organization, might be out on
3 the road doing enforcement and other jobs at
4 different times and have elongated shifts, but the
5 37.5 is the standard for, you know, the office work
6 and that would be the default. That's the 8:30 to
7 5:00, with, you know, the half hour for lunch, I
8 would assume, you know.

9 SECRETARY FAJT: Mike, that's also part of
10 the Statewide Union Contract also, right?

11 MR. WALSH: That's correct. Yeah. The --
12 I'm getting to that in a quick minute here. As you
13 can see on this slide when it talks about PEBTF --

14 BOARD MEMBER McCABE: I just wondered,
15 because coming from the Federal system where we were
16 required to work at least 10 hours a day and we
17 worked, you know, 5 days a week and sometimes 7 days
18 a week --

19 MR. WALSH: Yeah.

20 BOARD MEMBER McCABE: -- I'm going to be on
21 vacation.

22 MR. WALSH: Yeah.

23 CHAIRMAN DECKER: Everybody in the Federal
24 Government was working those hours.

25 MR. WALSH: I'll hold all jokes on state

1 workers.

2 This is the transition to the healthcare
3 benefits. In regards to healthcare benefits,
4 eligible Commonwealth employees have access to
5 healthcare benefits administered by the Pennsylvania
6 Employees Benefit Trust Fund or PEBTF.

7 The PEBTF is jointly led by labor and
8 management trustees and there are currently more than
9 81,000 employees who participate at this time. They
10 include those under the Governor's jurisdiction,
11 several independent agencies, as well as employees
12 from the Office of Attorney General, the Auditor
13 General, and the State Treasury.

14 So you know the employer contribution rate
15 is \$270 per bi-weekly pay for each eligible employee
16 and \$135 for each part-time employee. Employees who
17 elect coverage pay 1 percent of their gross salary
18 upon enrollment.

19 And in order to keep this brief today, I
20 won't go through all of the specifics as related to
21 dependent eligibility or the specifics of the
22 benefits offered in each of the plans that are
23 provided, but we will furnish you with a copy of
24 these and they are similar to what you have received
25 in your own individual orientation packets.

1 CHAIRMAN DECKER: Any questions?

2 MR. WALSH: Other benefits -- a quick note
3 on other benefits. The Gaming Control Board
4 employees are eligible to join the State Employee
5 Retirement System or SERS.

6 Employees contribute 6.25 percent of
7 salaries towards their retirement, which is federally
8 tax deferred, and SERS also offers deferred
9 compensation programs similar to a 401K and SERS
10 provides that information to new employees upon their
11 hire.

12 As noted here, there are also life
13 insurance programs for employees to consider and they
14 are eligible for workers' compensation.

15 BOARD MEMBER McCABE: Mike, if an employee
16 from another part of the Government comes over to
17 work for us, they're able to transfer their
18 retirement system from there.

19 Now, if we take a different retirement
20 system, how does that affect people transferring from
21 another part of the Government?

22 MR. WALSH: I'll give you a general answer
23 first. In regards to any interagency agreement,
24 reciprocal agreements need to be put in place.

25 I'm going to get to this in another slide

1 -- in the next slide; but for leave, for benefits,
2 for retirement, any time you change the normal that
3 is in place, you need to create reciprocal
4 agreements.

5 I'm going to talk about leave, for example.
6 By adopting the leave plan that we just talked about
7 for annual, personal, and sick, you will be the
8 default now, so the interfaces with the Department of
9 Treasury are in place.

10 I was an employee just, for example, in the
11 Senate of Pennsylvania for six years; and when I came
12 to the Office of Administration, there was a
13 reciprocal leave agreement in place.

14 So the two days of sick time, just for
15 example, maybe that I didn't use were carried over.
16 The same is true of any of the agreements between the
17 state, meaning the employees under the Governor's
18 jurisdiction, the employees of the House, the Senate,
19 the Courts, you would need to create those reciprocal
20 agreements.

21 Most of them are covered by SERS. So that
22 answers your question from a retirement perspective.
23 But as you see with leave and other benefits, those
24 reciprocal agreements need to be put in place any
25 time the change is made.

1 BOARD MEMBER MARSHALL: How about between
2 Federal and Local Governments?

3 MR. WALSH: Those agreements also need to
4 be made.

5 BOARD MEMBER MARSHALL: But they can be
6 made?

7 MR. WALSH: They can be made, yeah. I
8 mean, both parties, your Chief Counsel working with
9 the HR staff would have to create, you know,
10 agreements that pass the test unless they're for both
11 sides.

12 BOARD MEMBER MARSHALL: Mike, are there --
13 is there an employer match in the pension plans in
14 the SERS plan?

15 MR. WALSH: There is --

16 BOARD MEMBER MARSHALL: Or can there be?

17 MR. WALSH: I would have to get back to you
18 on that. I don't know. I haven't joined myself the
19 deferred compensation program that they talk about
20 here.

21 It's similar to a 401K plan, but I don't
22 have all of the information today on it. I can get
23 that to you, if there's an employer match; but I'm
24 not sure. Mr. Secretary, you don't know?

25 SECRETARY FAJT: I'm not sure,

1 Commissioner, whether there is a match; but we'll
2 certainly get that information.

3 MR. WALSH: SERS, being an independent
4 agency, provides that information directly to the
5 employees, and HR staff would create orientation
6 process in place when someone is hired and provide
7 that information.

8 New employees and really all employees deal
9 directly with SERS. They have a toll free line and
10 counselors are in place to deal directly with them.
11 Gaming --

12 BOARD MEMBER COY: Mr. Chairman?

13 MR. WALSH: -- Control Board staff would
14 not have to deal with that.

15 CHAIRMAN DECKER: Yes, Jeff.

16 BOARD MEMBER COY: I just want to indicate
17 that I would encourage us to put these types of plans
18 in place because I think it can help us attract good
19 employees. It may be key especially to attracting
20 long-term employees either from other agencies of
21 Government or elsewhere. So this needs to be viewed
22 in that context, I think.

23 MR. WALSH: Okay. In conclusion, in the
24 last slide, I will just mention a few items that the
25 Board may consider at future meetings but do not

1 require immediate consideration.

2 First, hiring procedures and policies.

3 This is self-explanatory, but the Board will
4 obviously need to consider the adoption of minimum
5 qualifications for employment based on positions and
6 further discuss what processes to use to recruit the
7 workforce and eventually, what process to use to post
8 for vacancies that would occur.

9 Second, in regards to pay schedules and
10 leave policies as discussed earlier, the Board may
11 choose to adopt in this short-term framework that is
12 place for Commonwealth employees. In the future, the
13 Board may choose to review these leave policies.

14 Commissioner McCabe, as I just mentioned,
15 if changes are made, the Gaming Board would need to
16 work with other entities on reciprocal agreements.
17 This would affect employees that might be hired from
18 Commonwealth Services to the Gaming Control Board
19 from the Legislature or the Courts. This is needed
20 to ensure that all sides recognize the accrued leave
21 earned by the employee.

22 The third item that the Board may want to
23 consider is the HR framework that details and
24 outlines standardized job classifications and
25 position descriptions.

1 The Gaming Control Board is not required to
2 use the classification and compensation plan that is
3 in place for those agencies under the Governor's
4 jurisdiction. You may create your own.

5 Again, the short-term plan, as we
6 discussed, is to utilize the framework that is
7 currently there; but you may consider making future
8 changes with the advent of the Bureau of
9 Administration.

10 A note on Act 159, which is commonly known
11 as the Public Employee Labor Relations Act. As a
12 public employer, employees of the Gaming Control
13 Board are granted the right to organize and freely
14 choose their representatives.

15 Act 195 requires that 30 percent or more of
16 the employees in a unit must desire to be exclusively
17 represented for collective bargaining purposes in
18 order for the election process to begin.

19 It is reasonable to assume that at some
20 point, a union or unions may attempt to achieve a 30
21 percent showing of interest.

22 Quickly, on the last two points, technology
23 and budget and procurement. As you will see on the
24 proposed organizational chart that Lynn will be
25 discussing, there's a management informations system

1 division under the Bureau of Administration, as well
2 as a budget and procurement division.

3 You heard earlier today about the
4 procurement process from Susan Hensel, and we
5 discussed the SAP platform which administers this
6 process.

7 But going forward, the Board will want to
8 consider the level of technical support to provide
9 in-house, as Curt talked about, and, you know, this
10 is especially important given the inherent mission of
11 the organization.

12 That concludes my remarks. I understand
13 that this is only a high-level overview but as the
14 administrative services functions are more clearly
15 defined in the weeks and the months ahead, these
16 issues may require your thought and consideration in
17 the future.

18 BOARD MEMBER McCABE: Mr. Chairman, I have
19 a question. On the pay schedule, does the state have
20 a specific pay for specific job skill or do they do
21 pay banding and do we have to do the same thing
22 everybody else is doing?

23 MR. WALSH: There is a standard pay
24 schedule which is used by the Office of
25 Administration, which is a number of pay ranges. I

1 believe there's 14 of them and there's 20 steps in a
2 range.

3 If you were to be hired for a clerk
4 position as deemed by the Office of Administration,
5 it would be a certain pay range; and you would have a
6 high and a low and there would be some factors taken
7 into consideration.

8 If the person was coming from within and
9 they are at a certain pay range, would it be a
10 promotion? Would it stay the same? Those are really
11 a part of the policies and procedures that are
12 administered by the Office of Administration.

13 In agencies under the Governor's
14 jurisdiction, if you're in the Department of
15 Environmental Protection and you want to hire
16 someone, you have to work off of that standard pay
17 schedule, so to speak, and work within those
18 classifications that exist.

19 You will not have to do that as an
20 administrator in the Gaming Control Board. You can
21 create your own schedule or your own ranges, your own
22 classifications, and your own compensation plan to go
23 with each of those classifications.

24 CHAIRMAN DECKER: What are the other, you
25 know, so-called independent agencies doing that

1 respect?

2 MR. WALSH: Sure.

3 CHAIRMAN DECKER: And with respect to the
4 adoption of, you know, plans.

5 MR. WALSH: We've talked to a few, you
6 know. The PUC and the Liquor Control Board work off
7 the Office of Administration's pay schedule and job
8 classification plan. The Turnpike Commission does
9 not, for example. So you have two models there to
10 choose from.

11 BOARD MEMBER DiGIACOMO COLINS:

12 Mr. Chairman?

13 CHAIRMAN DECKER: Mary?

14 BOARD MEMBER DiGIACOMO COLINS: A question,
15 Mike, since this statutory statute is so new and some
16 of the duties are yet to be fully described for the
17 employees who are yet to be found and hired, do you
18 see this, the establishment of job duties and job
19 descriptions and assigned pay to those job
20 descriptions, as being a long-term evolving process
21 for many, most, or all of the jobs?

22 MR. WALSH: I think it is an ongoing
23 process. I think you want to have a standard from
24 the outset.

25 By adopting the Office of Administration's

1 standard, just at the outset, we will ensure that it
2 is uniform; and then as you transition to a new
3 standard, you want to ensure that that uniformity
4 exists, because you don't want to be in a situation
5 where you're hiring people for similar tasks but the
6 pays are completely, you know, different and there's
7 a large spread. So that's Item No. 1.

8 Item No. 2 is given that you do not
9 subscribe to the compensation/classification plan
10 administered in the state, you do have the leeway to
11 ensure that you could be as competitive as possible
12 with the private sector to get the best employees in.
13 That has been -- you know, that is something you
14 might see as a plus, a benefit.

15 It will -- there's not a rigid box there
16 that is, you know, limiting what you can and can't
17 do.

18 But regardless of what you do, I think
19 someone who comes into the Bureau of Administration
20 and the folks in the HR office will want to maintain
21 a uniform process going forward, just so that
22 employees feel a sense of fairness when they're being
23 brought on.

24 BOARD MEMBER MARSHALL: Mike, have you or
25 could you on our behalf take a look at some of the

1 other jurisdictions that are involved in gaming?

2 I would think that the agencies aren't so
3 big that you could maybe take a look and translate.
4 I don't know much of this stuff.

5 MR. WALSH: We have in a cursory manner
6 just so we could put this together, but we would be
7 more than happy to put something formal together for
8 you that would list each of the --

9 BOARD MEMBER MARSHALL: Mr. Chairman, I
10 think that would be great.

11 CHAIRMAN DECKER: I was going to suggest
12 the same thing.

13 MR. WALSH: Okay.

14 CHAIRMAN DECKER: In addition to that, I
15 think we're going to look at, you know, a proposed
16 organizational chart, and at least quite a few of the
17 assistant -- the assistant chief positions, etc. are
18 very important and the question of what we pay them
19 and where they -- if we adopt the administrative, you
20 know, procedures that you have in place at some of
21 the other agencies and with the Government, we would
22 like to make sure we will be competitive.

23 I don't know what slots they fit into or
24 what ranges they fit into to something Ken said. We
25 want to make sure we're very competitive. The only

1 way to do that is look at it nationally, I think and
2 maybe, you know, we'll have to adjust it accordingly
3 but not that we would get way out of line with what
4 is normal, but I presume other people have faced this
5 issue and have dealt with it, you know, with the
6 right way.

7 BOARD MEMBER DiGIACOMO COLINS: I think
8 that could give a wealth of information.

9 CHAIRMAN DECKER: Including job
10 descriptions and everything else.

11 BOARD MEMBER MARSHALL: Job charters.

12 CHAIRMAN DECKER: Yeah, charters to fit it
13 in so an HR person, such as yourself, and people who
14 work with you can properly slot them.

15 MR. WALSH: Lynn Stelle, I think, will
16 discuss some of this a little bit more.

17 CHAIRMAN DECKER: Right.

18 MR. WALSH: As a consultant, I know he's
19 put together some job classification for your
20 consideration. I think what I could do working with
21 Susan and Lynn is put together several models that
22 you could consider, the Liquor Control Board, the
23 Public Utility Commission, those agencies under the
24 Governor's jurisdiction and the Turnpike, which is
25 completely separate.

1 CHAIRMAN DECKER: At least for the top
2 three or four levels, and then we're going to look at
3 the staff positions and be fair there as well.

4 BOARD MEMBER MARSHALL: I think, too, it
5 would be helpful or help me to have an HR
6 professional and not just get to the various
7 classifications and some of the strategies. To Ken's
8 point, I think we're going to have to be competitive
9 and recruit from all over.

10 BOARD MEMBER COY: I believe the
11 Legislature when they passed the Act had in mind
12 freeing this agency of personnel issues and so on and
13 the salary for employees. We should take advantage
14 of that section of the Act when we're looking toward
15 this sort of thing.

16 CHAIRMAN DECKER: I would like to comment
17 but my own -- I guess it's by Sandy and I and some
18 others and Ken just mentioned it, my view is you have
19 fewer people and you get the best people. If you
20 have to pay slightly a little more for that, it's a
21 premium worth paying.

22 They drive themselves, and, you know, they
23 don't look at things as a nine-to-five job. That's,
24 I hope, the kind of people we get. We'll see, but
25 that's what we hope. Again, I know we have

1 constraints. We're a public agency. We're not the
2 Disney Company. Thank God. We have restraints on
3 what we can pay as a practical matter but we want to
4 be competitive.

5 Sandy, and then Ken. Sandy?

6 BOARD MEMBER RIVERS: Mr. Chairman, I
7 endorse your comments. I think it's important that
8 we understand that individuals that are hired are
9 going to bring with them a specific skill set that
10 may not necessarily exist in other areas.

11 So the ability to compensate them probably
12 at a little greater level is going to work well for
13 us in terms of finding and identifying and hiring the
14 best possible. That's one of the important points.

15 CHAIRMAN DECKER: Absolutely. I agree. I
16 think we'll pay a little more so we can steal the
17 best people in the Government to come work with us.

18 BOARD MEMBER MARSHALL: Well, but in
19 fairness, it's not just a question, I suggest, of
20 just paying a little more. I think some of the
21 issues that Mike raised about you need equity, you
22 don't want two people doing basically the same
23 function. There's a whole HR strategy that we really
24 need to adopt and look at.

25 BOARD MEMBER RIVERS: I think your point is

1 well-taken and I agree with you.

2 CHAIRMAN DECKER: One of the things we're
3 going to ask the Commissioners to do is take a lead
4 on certain segments, and we have some really good
5 experience on this Board in doing some that and Sandy
6 is one person who has it.

7 Ken, I cut you off.

8 BOARD MEMBER McCABE: I'm okay.

9 CHAIRMAN DECKER: Any other questions for
10 Michael here before he goes other than since he is
11 not participating in SERS, we would suggest that you
12 get a financial advisor as soon as possible for your
13 future. Mike, you're a young guy but --

14 BOARD MEMBER MARSHALL: Some day, Mike,
15 you're going to look back at all of the years you've
16 been here.

17 CHAIRMAN DECKER: Only kidding.

18 MR. WALSH: My parents would say the same
19 thing. Thank you and I'll get the answers.

20 CHAIRMAN DECKER: Michael, thanks for the
21 review. That was terrific.

22 Well, in order to begin the process of
23 hiring staff as expedient a manner as possible, it's
24 going to be necessary for us to have some of the
25 basic personnel decisions we just heard about

1 decided.

2 In particular, the process of payroll, not
3 something everybody focuses on; but something that
4 absolutely needs to happen will be an issue
5 particularly if we choose not to take advantage of
6 the existing Commonwealth system.

7 The benefit of adopting the
8 Administration's system, at least on an interim
9 measure, is that it will save the Board from having
10 to purchase and put in place a system of its own. I
11 don't know how many of you have participated in that,
12 but that's an extremely time consuming and difficult
13 process with a lot of complaints resulting from it in
14 general.

15 But in order to utilize the Commonwealth's
16 existing system, it's going to be necessary for us to
17 adopt the Administration's work hours, holidays, and
18 leave policies on at least an interim basis.

19 So may I have a motion -- let me come back.
20 I would certainly recommend that we do that. So may
21 I have a motion to adopt the Administration's work
22 hours, holidays, leave policies, and utilize the
23 Commonwealth's existing SAP system as an interim
24 measure to help facilitate the efficient start-up of
25 the Gaming Control Board?

1 BOARD MEMBER MARSHALL: So moved.

2 BOARD MEMBER RIVERS: Second.

3 CHAIRMAN DECKER: Second. Is there any
4 additional discussion?

5 If not, all of those in favor, please
6 indicate by saying aye.

7 BOARD MEMBERS: Aye.

8 CHAIRMAN DECKER: Anyone opposed?

9 Again, that's a unanimous vote.

10 One other item I would like to cover now is
11 a consideration of the diversity plan. It's an
12 important personnel issue in any entity. The Board
13 is required to address our affirmative action or
14 diversity plan under our current Act.

15 We're required to consider and adopt a
16 diversity plan no later than early January of 2005.
17 I believe each of you has been provided with a draft
18 diversity plan, which I've asked that you review
19 prior to the start of the meeting.

20 Again, it's an initial proposal. It can be
21 amended later, but I think it provides a good
22 starting point.

23 May I have a motion to adopt the draft
24 diversity plan that has been provided to you?

25 BOARD MEMBER DiGIACOMO COLINS: So moved.

1 BOARD MEMBER MARSHALL: Second.

2 CHAIRMAN DECKER: Any discussion on this
3 point?

4 BOARD MEMBER McCABE: Can you give me a
5 minute just to look -- to find it?

6 CHAIRMAN DECKER: Sure. Sure.

7 BOARD MEMBER McCABE: Are we talking about
8 whole EE --

9 CHAIRMAN DECKER: No. No. We're talking
10 about the diversity section of it, just the diversity
11 section.

12 BOARD MEMBER MARSHALL: Mr. Chairman, we
13 can amend this later.

14 CHAIRMAN DECKER: Absolutely. If you want
15 to act on this, Ken, after lunch, we can certainly
16 postpone it until after lunch, if you would like.
17 Pardon me?

18 BOARD MEMBER McCABE: The diversity plan
19 was in here?

20 CHAIRMAN DECKER: No, it's a separate
21 document. Why don't we -- we'll postpone that until
22 either this afternoon or tomorrow morning. All
23 right. Make sure everybody has had an opportunity to
24 take a look at it.

25 All right. We have -- our next item is

1 Lynn. I would now like to ask Lynn Stelle to come up
2 to make an additional presentation.

3 As we said before, Lynn is a consultant to
4 the Department of Revenue. He's going to talk to us
5 about some of the other key steps which have to be
6 taken in order to get gaming up and running,
7 particularly Board organization and some initial
8 budget considerations.

9 Lynn?

10 MR. STELLE: Thank you again. It was
11 requested that I spend a few minutes talking about
12 the background and the process of creating this
13 information that we're presenting to the Board as
14 proposals today.

15 I think the first part of that is I have 34
16 years in doing start-ups, turnarounds, and build-outs
17 of organizations starting in the Nixon White House,
18 in the early '70s, building in the Cost of Living
19 Council.

20 Since then, I have done eight successful
21 build-outs and really what that has given me is a
22 foundation of knowledge. Usually, these things take
23 three to four years to go through the creep, crawl,
24 walk, and run process.

25 From that, we also went forward; and we

1 started evaluating not only from a simple framework
2 of how do you start an entity such as this, but we
3 started evaluating the common practices in other
4 jurisdictions.

5 We talked to many existing gaming entities
6 such as New Jersey, Delaware, West Virginia, New
7 York, Louisiana, found out what were they doing, how
8 did they get started, what did they find successful,
9 what did they find detrimental.

10 We tried to incorporate those into our
11 activities that we wanted to present to you as
12 possibilities.

13 We also found out and will discuss in
14 greater length later on that this business is a
15 continuum. Las Vegas started it. Obviously, it has
16 been extremely successful. They had some problems
17 though with organized crime.

18 New Jersey came along some 24 or 26 years
19 ago, and they really nipped the crime problem in the
20 bud. By the way, they designed their regulations by
21 the way they designed their systems and their
22 manpower organizations. They really went after it in
23 a good way.

24 Business stayed pretty much as usual until
25 all of a sudden there was a significant growth in

1 regulatory environments with gaming and the
2 implementation of technology. The central system
3 changed the paradigm for everybody.

4 We found in evaluating that that West
5 Virginia, Delaware, New Mexico, all had significant
6 success by implementing technology to not only help
7 them and assist them in their security process, but
8 also to help them with their surveillance and their
9 other regulatory responsibilities.

10 It took some of the burden off of them from
11 a manpower standpoint and allowed them to implement
12 technology.

13 That helped us in designing our proposal to
14 you of what we think are the common practices today.

15 So we're on a continuum; and by no means,
16 just like there's a million recipes for chocolate
17 chip cookies, and I've tried almost of them, I think
18 you'll find that there's no absolutes in this and you
19 will have to learn as you go along in designing your
20 organization structure and your staffing needs.

21 SECRETARY FAJT: Lynn -- could I, Mr.
22 Chairman, make a comment?

23 CHAIRMAN DECKER: Yes.

24 SECRETARY FAJT: Lynn, I want to follow-up
25 on your comment about going to other jurisdictions

1 because, as you know, I participated in some of those
2 meetings also; but I want to recognize that in
3 jurisdictions like New Jersey, West Virginia,
4 Louisiana, those jurisdictions were extremely helpful
5 to us in gathering a lot of basic information about
6 the gaming industry.

7 Two things that they told us in every
8 jurisdiction was don't reinvent the wheel. We made
9 mistakes in our jurisdictions. We're willing to
10 share those mistakes with you so that you, in
11 Pennsylvania, don't fall into the same traps that we
12 did.

13 Secondly, they all told us to set the
14 regulatory bar high. When you come out of the gate
15 with gaming, there are a lot of interests involved,
16 some good, some bad; and when you have the chance to
17 start a new organization, start it with a very, very
18 high regulatory bar.

19 You can always drop that bar later on if
20 you think that it's onerous or too involved or
21 doesn't make any sense anymore; but coming out of the
22 gate, you never get a chance to set that bar the
23 first time again.

24 If you set it high and you make the rules
25 stringent and you make people comply with the rules

1 to the letter of the law, you're much better off; and
2 six months down the road, a year down the road, you
3 can always reduce that bar.

4 Over and over, every jurisdiction we talked
5 to, it was almost like they were reading from the
6 same script. I think it bears repeating. I've had
7 that conversation with some of you privately; but for
8 the public, I really wanted to say those things to
9 set the regulatory bar high and don't reinvent the
10 wheel.

11 MR. STELLE: Thank you, Secretary Fajt. In
12 designing this organizational chart, again, we have
13 used this continuum of knowledge that we have gained
14 from talking to these other jurisdictions and we have
15 also looked at the things that have worked and
16 haven't worked.

17 Most of you are aware that river boat
18 gambling was not able to successfully use a
19 centralized system because the boats had to cruise,
20 and obviously you couldn't wire them to cruise.

21 Now, most of these states are coming back
22 to not cruising their boats and they're actually
23 starting to evolve into hooking into a central
24 system.

25 So the central system did make a

1 significant impact on the organization structure I'm
2 going to discuss.

3 Again, this is all proposed. It's not in
4 stone by any stretch of the imagination; but I think
5 it will help to start identifying some of the key
6 tasks that need to be accomplished by personnel and
7 some of the activities and people we need to try to
8 focus on if we're going to get a start-up going
9 efficiently.

10 First of all, the two senior positions are
11 going to be -- and I apologize for the size of this.
12 As I said, I hope these will eventually be on the
13 website for people to get copies of it, are the Chief
14 Counsel and the Executive Director.

15 These are the engines that run the ship,
16 the Chief Counsel, which is the first area of
17 discussion, obviously, carries very heavy regulatory
18 role.

19 Everything that we'll be doing for the
20 first few years, I'm sure, will have a regulatory
21 implication. So we feel that there should be a chief
22 and at least four deputies, each deputy handling each
23 one of the bureaus underneath the Executive Director.

24 Communications will also be key to the
25 success of the Board. So we've incorporated an

1 Office of Communications, as well as an Office of
2 Legislative Liaison to make sure that everyone is
3 kept up to speed on everything that the Board is
4 doing or anticipating.

5 From a work flow standpoint, we have a very
6 large fiscal control and regulatory compliance
7 responsibility.

8 As with many aspects of the Legislation, we
9 have to make sure that financial audit activity is
10 completed.

11 Many of these things, you must define
12 exactly how you want them to be handled. There's
13 some duplication of effort between the different
14 organizations involved in the Act.

15 It will be up to the Board to define
16 whether it's going to be the Department of Revenue or
17 the State Police or possibly their own Bureau of
18 Investigation doing some of this work.

19 The regulatory and licensing compliance
20 audit unit will focus on the audits of the license
21 applications and the forensic audits of the
22 organization, also responsible for employee and
23 qualifier audit standards and contract liaison, such
24 as if you contract with Lexus Nexus to do some of
25 your forensic work, they would have to manage that

1 area.

2 It was anticipated that the actual
3 application transmission would be handled by a
4 separate licensing group which will be mentioned
5 shortly.

6 There's a revenue analysis unit discussed.
7 Basically, what we want to do is we have a focus on
8 the money and the revenues received from the slots.
9 We want to do comparative analysis on the Central
10 Control System and make sure that they're in sync.

11 So there will have to be some type of a
12 manual audit to confirm that the computer audits are
13 all working correctly.

14 We also have in this unit envisioned a
15 Compulsive Gaming and Excluded Persons Unit. As
16 specified in the Act, we have to make sure that we
17 protect those that are compulsive gamblers from their
18 own illness, as well as establish an Excluded Persons
19 Unit to keep people that would choose to be excluded
20 from gaming from entering these facilities.

21 Another area the Board will have to focus
22 on is the development of a Bureau of Investigation
23 and Enforcement. This is specified in the Act.

24 Again, there is some duplication of effort
25 between the Bureau, the State Police, the Department

1 of Revenue, and the actual responsibilities have to
2 be established by the Board.

3 BOARD MEMBER MARSHALL: Excuse me, Lynn.

4 MR. STELLE: Yes.

5 BOARD MEMBER MARSHALL: Could you just
6 identify for us what are the positions specifically
7 provided for in the Act?

8 MR. STELLE: The positions?

9 BOARD MEMBER MARSHALL: Yes.

10 MR. STELLE: I'm not sure -- it does refer
11 to an Executive Director and a Chief Counsel. I'm
12 not sure it refers to any of these other positions
13 specifically in the Act.

14 BOARD MEMBER MARSHALL: Then I didn't
15 understand your reference to the Bureau of
16 Investigation and Enforcement.

17 MR. STELLE: It refers to the Bureau. It
18 says that the Board will establish a Bureau of
19 Investigation and Enforcement.

20 The role of the Bureau is referred to
21 across several different areas having to do with
22 investigations, background investigations,
23 investigations of incidents in the casino, everything
24 other than -- well, and including criminal
25 investigations could be enacted by this Bureau of

1 Investigation.

2 That has to be defined by the Board, what
3 you want the Bureau to do, what you want the
4 Department of Revenue to do, in the way of audits,
5 for example, and what you want the State Police to
6 do.

7 BOARD MEMBER MARSHALL: It's logical to
8 assume then that there would be a director of this
9 Bureau.

10 MR. STELLE: That's right.

11 BOARD MEMBER MARSHALL: Chief Counsel?

12 MR. STELLE: Each Bureau would need a
13 director. As I referred to, they would have a Chief
14 Counsel referencing to them.

15 BOARD MEMBER MARSHALL: And an Executive
16 Director. Are there any other, sort of, obvious
17 things?

18 MR. STELLE: As far as staffing?

19 BOARD MEMBER MARSHALL: That we're required
20 to do.

21 MR. STELLE: I would envision that you
22 would have operating units underneath that, at least
23 two. You're going to have an audits unit. You're
24 going to have an administrative unit underneath that
25 which could be as -- well, if you have 14 facilities,

1 you could have 20 to 30 staff doing -- if you decided
2 that you wanted them to do all of this work.

3 BOARD MEMBER MARSHALL: I guess where I'm
4 having not difficulty, but I guess in terms of
5 dealing with a proposed organizational chart, I think
6 it would be very relevant to talk to the person who
7 is going to be the Chief Counsel, the Executive
8 Director, and the director of the Bureau of
9 Enforcement and Investigation.

10 I'm trying to think of who else we have to
11 get on board before we settle on a final
12 organizational chart.

13 MR. STELLE: Well, let me back up a little
14 bit then. I think you need an Executive Director and
15 a Chief Counsel, as quickly as possible. One, to
16 modify, confirm, and refer to you a modification of
17 this organizational chart.

18 But assuming they were to endorse this
19 completely, which I think is probably not likely, I
20 think you would want an Office of Communications
21 because you have a significant communications role.
22 So you need to hire someone in that position as
23 quickly as possible.

24 I'm not going to get in the administrative
25 staff to support these people. You're going to need

1 to start really defining your regs. I think your
2 Chief Counsel needs to get his attorney staff on
3 board as quickly as possible.

4 BOARD MEMBER CONABOY: Or her.

5 MR. STELLE: And we're envisioning at least
6 four deputies to your Chief Counsel. I think you
7 then are going to need Bureau heads, the Bureau Head
8 of Regulatory and Fiscal Compliance. I think there's
9 five very clearly defined operational units
10 underneath that person. Now --

11 BOARD MEMBER MARSHALL: I'm not disputing
12 any of this. I guess I just would feel more
13 comfortable if the top three or four people at least
14 have some input --

15 MR. STELLE: No question.

16 BOARD MEMBER MARSHALL: -- into -- and I
17 think it would be important to discuss that.

18 MR. STELLE: I agree.

19 BOARD MEMBER MARSHALL: To discuss this
20 with them.

21 MR. STELLE: I couldn't agree with you
22 more. Organizational charts, again, going back to my
23 experiences, there are certain things that are
24 standard in business.

25 You have some type of a fiscal control.

1 You have some type of an operating control. You have
2 an audits group that is involved. You have personnel
3 and administrative functions that are involved.

4 Those are standard. I don't care what
5 industry you go into. That is something they taught
6 is doing standard audits in Consulting 101 back in
7 the early days with an old company called Arthur
8 Anderson.

9 BOARD MEMBER MARSHALL: The problem though,
10 Lynn, is I would hate for somebody to go on our
11 website and see a want ad and misinterpret this as a
12 want ad. There's a lot of these positions that I
13 think need to get refined.

14 MR. STELLE: No question.

15 BOARD MEMBER CONABOY: And really, in
16 reviewing other Commissions' charts or organizational
17 charts, there are some Commissions that, in fact,
18 compact their work charts and have fewer categories.

19 For example, I think New Jersey basically
20 has a flow chart that consists of four major
21 categories.

22 And so there are -- I guess my point is,
23 since we are a work in progress and we all
24 acknowledge that and are very anxious for everyone to
25 accept that, that this chart that you're discussing

1 really will ebb and flow as we determine how the
2 Commission will function.

3 MR. STELLE: Absolutely. This is the first
4 step in a fairly long process. Again, this is just
5 proposed to help you understand what we thought from
6 talking to all of these individuals where the key
7 areas of employment that you're going to need help.

8 BOARD MEMBER MARSHALL: This is really a
9 function analysis.

10 MR. STELLE: That's right.

11 CHAIRMAN DECKER: And, Lynn, I presume
12 you've also looked at other states and that forms the
13 basis of some of your suggestions, correct?

14 MR. STELLE: Absolutely. This is a
15 combination of what standard business practices are,
16 reviewing with other jurisdictions, and this
17 continuum of change from the old days of gaming
18 regulation in Nevada and New Jersey to what the newer
19 states with Central Control Systems are utilizing.
20 So it's a combination of all of these aspects.

21 BOARD MEMBER MARSHALL: And you would be in
22 a position to help us as we sort of hire the first
23 three or four people and they have a differing view,
24 you can give some background so we test some of the
25 assumption?

1 MR. STELLE: Absolutely. These are all
2 hypothesis and all of these should be tested.

3 BOARD MEMBER CONABOY: Lynn, excuse me.
4 Just one other thing before you proceed. One of the
5 issues which you have identified and I guess which we
6 have all become aware of in reading the Act, for
7 instance, is the BIE and the Pennsylvania State
8 Police, am I right, in saying that the Act, as it
9 reads right now, the Legislation gives both of them
10 similar duties?

11 MR. STELLE: Absolutely.

12 BOARD MEMBER CONABOY: So that's going to
13 be one of the responsibilities here of the Board is
14 to separate the functions or the duties of the BIE
15 and the Pennsylvania State Police; is that accurate?

16 MR. STELLE: Absolutely. Many of these
17 functions as to audit, background investigation,
18 investigations generally are something the Board is
19 going to have to decide, how they want to divide the
20 work responsibilities.

21 SECRETARY FAJT: Lynn, if I could add one
22 more comment. This chart, this organization chart
23 was really compiled by Lynn and went through a couple
24 of different iterations, and really what it resulted
25 in was Lynn's 34 years of experience in communication

1 with other gaming jurisdictions to see what they were
2 doing, but also put into context of what other
3 organizations in Pennsylvania do.

4 So things like the communications director,
5 legislative liaison, those are things that are
6 particular to Pennsylvania that other states may or
7 may not have.

8 We tried to meld all of that information
9 together to come up with, as all of this is, a
10 working document, a breathing document; and it will
11 clearly change and ebb and flow as we move through
12 the process.

13 BOARD MEMBER RIVERS: Lynn?

14 BOARD MEMBER DiGIACOMO COLINS: Go on,
15 please. No, just briefly. I just was expressing
16 concerns because charts always look so official and
17 final, and so just so we all understand that this
18 conceptually is something we're considering and work
19 with as a basis.

20 CHAIRMAN DECKER: Sorry, Sandy. My fault.
21 Go ahead.

22 BOARD MEMBER RIVERS: What I would like to
23 see, I appreciate your time, effort, and energy; but
24 I think it would have been better on our parts if we
25 would have had an opportunity to look at several

1 different organizational structures and then allow us
2 the opportunity of picking and choosing.

3 I agree with what Commissioner Colins made
4 reference to and the fact that this is a very busy
5 chart.

6 I'm sure there are individuals who are
7 thinking that this is what Pennsylvania is going to
8 look like; but I think if we would have had three or
9 four different types of opportunities to look at, we
10 would be in a much -- we would feel more comfortable
11 up here as we talked about what we see.

12 So if you have some of that information
13 available that you used to develop this, I think it
14 would behoove you to provide us with that
15 information.

16 MR. STELLE: Sure.

17 CHAIRMAN DECKER: Lynn, just a -- look, we
18 all appreciate what you have done here. Each of
19 these spots, you know, is probably going to be
20 relevant to one place or another. We understand
21 that.

22 It's part of the things we are going to be
23 dealing with tomorrow in looking at how we move the
24 process forward.

25 I think your suggestions are fine. They're

1 taken as suggestions. We understand that. We'll use
2 this as a beginning and we're going to adjust it as
3 time goes on, which could be as soon as this
4 afternoon for all we know.

5 But we appreciate the effort that is going
6 in and giving us some samples, if you will, and we'll
7 get out samples of other departments also as we go.
8 Thank you.

9 MR. STELLE: Let me continue on this just
10 to finish it up. Yeah, the idea as we said in the
11 beginning, these are proposed and these are
12 compilations of many different ideas and no one
13 believes this will be the final outcome of what your
14 research or your decisions come to.

15 Okay. Licensing, as we've mentioned
16 earlier today, is going to be a significant part of
17 the responsibility of the Board. So we looked at how
18 to structure the licensing organization and we felt
19 that there should be, because of the nature and the
20 depth of research that has to be accomplished, four
21 different areas of licensing responsibility; one on
22 the 14 entities that have to be licensed, one on the
23 manufacturer and supplier and machine certification
24 unit that handles the initial manufacturer and
25 supplier responsibilities, the occupational licensing

1 and permit unit, which is a vast majority of the
2 staff that works in these units, and the collateral
3 licensing, which is something the Board has to really
4 review and determine.

5 We found in talking to other venues that
6 they go further than just licensing those
7 organizations that are involved in the gaming
8 activity. They actually license the folks that
9 deliver the laundry to the facilities, that deliver
10 the food to the facilities, the construction.

11 It's something that should be on your plate
12 to think about and decide if you want to license
13 those individuals as well.

14 As we mentioned earlier, also the Bureau of
15 Administration would handle the internal
16 administrative activity such as your own budget and
17 accounting issues, your procurement issues, human
18 resources, your management information system
19 functions, and your research, continuing research of
20 other venues and what is going on and what are common
21 practices in those areas as well.

22 And then the last area would be an Office
23 of Hearings and Appeals that would handle all of your
24 internal administrative hearings and appeal work.

25 BOARD MEMBER CONABOY: Lynn, just a quick

1 question. First of all, just again, it was an
2 excellent presentation. I appreciate the time you
3 have put into it. It's an excellent starting point,
4 I think, for us to look at.

5 It's interesting the idea of collateral
6 licensing and permitting unit. So are you saying in
7 other venues, it's actually the laundry provider, as
8 you said, the food provider, the construction people
9 that actually come under the scrutiny of Gaming
10 Boards?

11 MR. STELLE: That's right.

12 BOARD MEMBER CONABOY: And they're licensed
13 as an authorized provider for that particular --

14 MR. STELLE: New Jersey actually goes as
15 far as to review all of the disbursements; and when
16 they see any supplier of any goods or services rise
17 to the level of \$75,000, they require them to go
18 through the licensing process and be licensed.

19 Yes, they license everyone that is involved
20 at a financial level of \$75,000 with the casinos.
21 It's something for your review and consideration.

22 BOARD MEMBER MARSHALL: In that regard, how
23 do you read the statute in terms of how far or how
24 limited we may be?

25 MR. STELLE: I think you have the authority

1 to do this if you so choose through regulation. It's
2 not answered in the statute whether you should or
3 should not do it.

4 BOARD MEMBER MARSHALL: But there's clearly
5 a suggestion in the statute that we will license
6 beyond the actual applicants?

7 MR. STELLE: You can license -- you can
8 create regulations as you feel appropriate to the
9 management of this business.

10 BOARD MEMBER MARSHALL: And what is your
11 sense looking around the country? You've been in
12 this business a long time.

13 MR. STELLE: I think it's a door you should
14 shut as quickly as possible. I think New Jersey has
15 set a good example for the State of Pennsylvania by
16 requiring that everyone be scrutinized by the Board
17 to make sure that there is no question about the
18 level of integrity being demanded by this Board.

19 BOARD MEMBER McCABE: I agree with that.
20 I'll be pushing to get everybody licensed and to look
21 at. I have a question. Where do you see the PSP in
22 this?

23 CHAIRMAN DECKER: We're going to -- sorry.
24 We're going to have a full morning of that tomorrow.
25 Can I ask you to postpone that question, Ken? That's

1 going to be involved in detail, and the State Police
2 will make a presentation tomorrow to us on some of
3 these issues and others will be made to us later; but
4 clearly, it's an important role.

5 BOARD MEMBER MARSHALL: Lynn, you'll be
6 here tomorrow?

7 MR. STELLE: Yes.

8 BOARD MEMBER MARSHALL: We can subject you
9 to recall?

10 CHAIRMAN DECKER: You will be subject to
11 recall tomorrow.

12 BOARD MEMBER COY: Mr. Chairman?

13 CHAIRMAN DECKER: Please, go ahead.

14 BOARD MEMBER COY: One of the concepts
15 which I've thought about and I know a couple of us in
16 our briefing sessions have talked about and I think
17 it needs to be thoroughly examined and addressed and
18 it's the subject of Hearing Examiners.

19 I don't know whether this is the
20 appropriate time. I guess we could make it the
21 appropriate time. I think the Board will have to
22 make a determination at some point just how involved
23 in a licensing decision and at what stage it wants to
24 be.

25 One of the ways that other agencies of

1 State Government, like the Public Utility Commission
2 and the Liquor Control Board, have done is employ and
3 utilize Hearing Examiners to actually take testimony
4 and have hearings about them and ultimately make
5 recommendations to the Board.

6 So I guess if we could engage in that for a
7 moment, I would appreciate having other people's
8 thoughts or certainly yours, Lynn, on that subject.

9 CHAIRMAN DECKER: Jeff, could I ask you to
10 hold on one second. Mary had a question on the
11 organizational chart but I want to raise that. I
12 want to talk about that.

13 BOARD MEMBER DiGIACOMO COLINS: I just have
14 a quick follow-up comment about the issue of vendor
15 licensing and how it is done in New Jersey.

16 CHAIRMAN DECKER: Okay.

17 BOARD MEMBER DiGIACOMO COLINS: They do do
18 a very tight good job there, and the feelings that
19 the enforcement people on the Commission have in New
20 Jersey, I believe, is that if there's going to be a
21 place where organized crime infiltrates the gambling
22 industry in Pennsylvania, it will be through that
23 vendor area.

24 So when we go forward and determine whether
25 or not to get into licensing in that area, I think

1 it's something that we should very seriously consider
2 doing based on just my brief research into it.

3 CHAIRMAN DECKER: Right. In the -- in the
4 briefings that you've received individually, I think
5 we've all -- I mean, I can speak for, I think,
6 everybody here that we are very concerned about that
7 area.

8 I think the State Police have made
9 presentations in addition to Lynn about that
10 particular area and the concern we should have and
11 we're going to hear about that tomorrow, I think, in
12 great depth.

13 It's something -- in talking to you
14 individually, it's something we're going -- it's
15 obvious we're going to stress very strongly.

16 Anymore questions on that one point? I
17 think Jeff has raised a good issue. I don't know if
18 you're prepared to talk about that now, Lynn, or do
19 you want to do it right after lunch? It's up to you.

20 MR. STELLE: Well, I think I would like to
21 get some help on this because --

22 CHAIRMAN DECKER: Okay.

23 MR. STELLE: -- that's not my area of
24 expertise on here.

25 CHAIRMAN DECKER: It is an area we talked

1 about in one of the sessions. I think Jeff and maybe
2 Mary raised it as an opportunity to become far more
3 efficient because there are going to be situations
4 where we are going to want to have somebody take a
5 look at either a license revocation or, you know, a
6 denial or something else. Particularly, at the high
7 end levels, it will clearly be us.

8 At the -- at some of the less significant
9 employee issues, I think we're going to want to have
10 some help on that. Jeff, is that -- do you want to
11 go on that a little bit, Jeff?

12 BOARD MEMBER COY: Yeah. I think it's a
13 question of not what is more important. It's a
14 question of the first stages, the first hearings on
15 the issue, a public hearing in a certain area, or
16 questions like that might well be best let to a
17 Hearing Examiner type or it may not; but that's what
18 I want to hear about. I think it will be worthwhile
19 for the Board to look at.

20 BOARD MEMBER DiGIACOMO COLINS: Mr.
21 Chairman?

22 CHAIRMAN DECKER: Please, Mary.

23 BOARD MEMBER DiGIACOMO COLINS: The statute
24 -- the statute specifically provides that there will
25 be hearings afforded those affected by the actions of

1 the Commission pursuant to the Administrative
2 Procedures Act and it ties into that.

3 So Hearing Examiners -- and it also
4 provides that the Board may hire Hearing Officers to
5 conduct these hearings.

6 I think what the Board will have to review
7 probably is in our regulatory scheme, when do we --
8 when does the Board review something and make a
9 determination and then is there a hearing that -- a
10 right to a hearing that is activated by that initial
11 Board decision and then does a Hearing Officer
12 conduct the hearing; and then at that point, does the
13 Board then come back and review the Hearing Officer's
14 decision.

15 So there's a whole administrative law
16 scheme that I think our lawyers will have to
17 carefully look into that, and the Act does provide
18 for the involvement of Hearing Officers and all of
19 that.

20 CHAIRMAN DECKER: We will look into that.
21 Jeff, anything else on that point? We'll get -- at
22 one of our subsequent meetings, we'll have a detailed
23 presentation on what we can do and what we -- how we
24 should proceed on that.

25 Chip?

1 BOARD MEMBER MARSHALL: What might be
2 helpful not to create more work for you, Lynn, but
3 maybe a paragraph, sort of jurisdictional statement
4 of all of these functions as we begin to figure out
5 how we will carry out all of these tasks, how much
6 will be done administratively, how much we may choose
7 and at what point to put in an Office of Hearing --
8 and we may even have to -- as I have listened to
9 Commissioner Colins and Commissioner Coy, we may have
10 to divide the Office of Hearings and Appeals because
11 we may want to employ or deploy people to go out and
12 take testimony and garner facts.

13 We're going to have to have some process
14 where somebody, a slot parlor clerk, loses a license,
15 they can appeal. I would think just the volume would
16 overwhelm the Board if we don't have some process
17 together.

18 So at some point in the future, if we could
19 kind of -- the presentation was excellent in terms of
20 the function but, you know, we're going to start
21 banging heads and we're going to have to decide how
22 we separate those lines.

23 MR. STELLE: Absolutely.

24 CHAIRMAN DECKER: Lynn, is there anything
25 else on this point?

1 MR. STELLE: That is the organization
2 chart, as we see it. The one thing we tried to do
3 also is to put together an overview of staffing
4 levels just for no other reason than if you wanted to
5 create some kind of a business model to start with
6 and budgets to start with, you needed to have some
7 type of an --

8 CHAIRMAN DECKER: Lynn, maybe what we will
9 do, if it's okay, is ask you to come back after
10 lunch --

11 MR. STELLE: Sure.

12 CHAIRMAN DECKER: -- and cover that and
13 you're going to get into some budget and timing
14 issues. I don't know if you're going to do cash flow
15 projections, but we would like to see something about
16 that.

17 MR. STELLE: Okay.

18 BOARD MEMBER MARSHALL: Could I go back to
19 the organizational chart --

20 MR. STELLE: Yes.

21 BOARD MEMBER MARSHALL: -- if somebody, you
22 know, like you were to look at this, would they say,
23 oh, they didn't have this, they didn't have that, is
24 this a deploying -- I think you used sort of the more
25 modern gaming regulation versus the -- what is the

1 counter -- if you were going to play the devil's
2 advocate, what would some of the likely arguments be?

3 MR. STELLE: I would hope that in looking
4 at this, most jurisdictions are going to say that we
5 have put belts and suspenders on with the
6 anticipation that we will eliminate some of the load
7 on this organization chart, not that we're missing
8 anything.

9 We tried to make sure that because this is
10 a start-up, we would rather decide on the side of
11 safety and have too many well-qualified people doing
12 too much and just define them functionally as best we
13 can than try to eliminate something in the thought
14 that we were gaining something through automation.

15 We do believe that automation is going to
16 eliminate some of the load on the Board and on the
17 staff, but we haven't eliminated the function at the
18 present time. It's redundant.

19 BOARD MEMBER MARSHALL: Well, I think it's
20 helpful for the public to understand that you have
21 taken this belts and suspenders approach. This is
22 maybe -- I don't want to call it overregulation but
23 comprehensive regulation. I think as a start-up, we
24 need to do that, Mr. Chairman.

25 MR. STELLE: Well, I think we are all on a

1 vertical learning curve right now. So we cited on
2 the idea of trying to get specialists in as many
3 areas that could come to the table and as you
4 suggested, give you this panorama of opportunities
5 and possible regulatory approaches. That's why there
6 are as many positions defined as they are, because I
7 think there's a huge amount that we will have to read
8 and evolve over time.

9 This organization chart, no one envisioned
10 it will look anything like this in six months, nine
11 months, or a year from now. It's strictly is a place
12 to start getting the expertise on Board to help you
13 make correct decisions or at least moment --
14 decisions in the moment.

15 BOARD MEMBER COY: Mr. Chairman, I also
16 would agree with Commissioner Marshall with regard to
17 allowing and encouraging a potential Executive
18 Director and Chief Counsel a real shot at this
19 organization chart.

20 While we absolutely appreciate the work
21 that has been done, I think it would only enhance the
22 quantity of candidates we would receive for those
23 positions if they knew they would be having input and
24 indeed advice into the creation of their organization
25 chart also.

1 MR. STELLE: I agree with you.

2 CHAIRMAN DECKER: I think that's right. At
3 the same time, we have to take a look at how long
4 this is going to take to get those people on Board.

5 MR. STELLE: And whoever you hire as your
6 Executive Director will take this as a starting point
7 and to modify it.

8 CHAIRMAN DECKER: Sure.

9 MR. STELLE: It just gives them a --

10 CHAIRMAN DECKER: This is nothing more than
11 a suggestion. In the interim even before we get
12 somebody on Board, we're going to do some work on our
13 own to take a look at other jurisdictions and get
14 some information from consultants as to, you know,
15 what is the best format. So this is going to be a
16 living document just like in any other organization.

17 MR. STELLE: Absolutely.

18 CHAIRMAN DECKER: I don't know of any
19 organization chart that doesn't get changed in any
20 organization I've been in --

21 MR. STELLE: That's exactly right.

22 CHAIRMAN DECKER: -- depending on
23 functioning and people. Okay.

24 Any other questions for Lynn? We're going
25 to have time. He's going to come back after lunch.

1 I see that I'm -- I actually have a motion on this
2 point but we're going to break for lunch. Can I have
3 a motion to do that? I'm not sure we need that but
4 that's --

5 BOARD MEMBER MARSHALL: I'll move it,
6 Mr. Chairman.

7 CHAIRMAN DECKER: Anyone on the Board want
8 to second that?

9 BOARD MEMBER McCABE: Second.

10 CHAIRMAN DECKER: Okay. We're going to be
11 adjourned until 1:15. Thank you, everyone.

12 (Lunch.)

13 CHAIRMAN DECKER: We're going to call the
14 meeting to order again. One of the first things I
15 wanted to mention is I probably misspoke before but
16 we are well aware that the Disclosure Act on -- the
17 Lobbying Disclosure Act has been ruled
18 unconstitutional.

19 We're also well aware that maybe something
20 is in the wings about -- that something might go
21 through the Legislature to pass new rules in that
22 regard; but we also understand that we're entitled to
23 pass our own rules sort of as -- as much as we would
24 be with our own Code of Conduct. We're going to take
25 a look at this and when and if we think we need to do

1 something in that regard, we will do that. I just
2 wanted to set the record straight on that point.

3 Okay. We were in the process, I believe,
4 of hearing from Lynn, right, Stelle? Lynn, you want
5 to come up and finish your presentation and go ahead
6 through it as you originally planned. Okay?

7 SECRETARY FAJT: Mr. Chairman?

8 CHAIRMAN DECKER: Yes, sir.

9 SECRETARY FAJT: Can I make one point? A
10 little housekeeping matter, I think we found a cell
11 phone.

12 CHAIRMAN DECKER: It was right here. I
13 don't know what happened to it. It was here before.
14 Did somebody find their cell phone? If not --

15 SECRETARY FAJT: Somebody got it? Okay.

16 CHAIRMAN DECKER: -- somebody stole the
17 cell phone. Thank you.

18 SECRETARY FAJT: Stole it back.

19 MR. STELLE: Okay. To go back to where we
20 were, just to recap, all of this is a statement of
21 where we are today; and certainly, it is all
22 proposed, none of this is in concrete, all of this is
23 to be just a place to start from, to start looking
24 and examining different hypotheses, ways to develop
25 and establish the Board.

1 So even though this looks like an orderly
2 presentation, it's just to open up questions for the
3 Board to review and to entertain.

4 So anyway, from this organization chart,
5 the next logical step was to man it with the proper
6 personnel levels and staffing requirements to do the
7 jobs as we perceive them to be in the Legislation.

8 So to do that, we created a manpower
9 requirements chart. Again, this is based on an
10 orderly flow of work through the Board. We certainly
11 know that probably won't be the case. There will be
12 all sorts of changes as we go along.

13 Basically, we've developed this very hard
14 to read, very small graph that shows that we will in
15 an orderly fashion grow from the seven Board Members
16 that are there today to a staff of approximately 150
17 members over the next two years.

18 And the idea here is that you're going to
19 need a fairly large executive staff of approximately
20 14 senior staff members. You're going to need
21 approximately 8 directors, about 22 managers, about
22 103 support staff and then the receptionist, of
23 course.

24 It's just to give you a ball park. The
25 reason we did this is because we know there's a fixed

1 allocation given to the Board, and we would like to
2 help the Board to see what their budget allocation
3 will be and how quickly we will utilize the resources
4 given to us to start-up activities and to make sure
5 that we do have sufficient resources to get through
6 the -- not only the licensing process but the
7 start-up of gaming as well.

8 So once we were able to determine this
9 staffing level, we did do some analysis of other
10 jurisdictions as far as what these types of positions
11 would pay and get an idea of what they paid similarly
12 in the Commonwealth; and from that, we created a
13 financial budget.

14 Again, the most significant part of the
15 Board's expenses is going to be the staffing expense.
16 So as you can see here, using the numbers that we
17 looked at previously as far as the growth in staff,
18 we were able to create job classification, job
19 categories, and each one of these has to be reviewed,
20 analyzed, and determined and was pointed out very
21 correctly.

22 Once you determine who your Executive
23 Director is and your Chief Counsel, then they will
24 have a lot to bear on what this finally looks like in
25 the end.

1 Using that organization chart, we
2 determined this level of staffing and, likewise, this
3 level of funding requirement to fund the activities
4 of the Board.

5 Most of the expenses, the general
6 administrative expenses are fairly standard for
7 Commissions of this sort. We're derived from an
8 analysis of the other Commissions in the state.

9 If there are any questions, I'll be happy
10 to answer any questions.

11 BOARD MEMBER McCABE: Mr. Chairman? This
12 is an estimate or a proposed?

13 MR. STELLE: Absolutely. These are
14 proposed estimates. I mean, these are on based on
15 very good --

16 BOARD MEMBER McCABE: Proposed estimates.

17 MR. STELLE: Yeah. There is -- the only
18 basis in this is to try and anticipate the functions
19 that are going to be required and then staffing those
20 functions based on the staffing levels in other
21 states.

22 For example, in licensing, we did look at
23 -- with licensing staff in other states to determine
24 the number of people you probably would need here
25 based on the number, and we'll talk about that more

1 when we talk about licensing.

2 BOARD MEMBER McCABE: Mr. Chairman, may I
3 make a suggestion? I know we said we were going to
4 put all of these PowerPoints up on our website. I
5 don't know if I would want to have this -- maybe --
6 this lesson plan or this PowerPoint put up on our
7 website.

8 People may believe that this is going to be
9 our organizational chart. People may go to the
10 website and see this is a budget and say, oh, okay.
11 This is their budget. This is what they're going to
12 be doing.

13 MR. STELLE: I understand. That's entirely
14 up to the Board.

15 BOARD MEMBER McCABE: That's just a
16 recommendation.

17 CHAIRMAN DECKER: Any comments on that?

18 BOARD MEMBER CONABOY: It may be as easy as
19 putting draft across it.

20 CHAIRMAN DECKER: It's out in the public by
21 reason. I think most of the people out in the
22 audience have this PowerPoint presentation. Maybe
23 it's better off marking it appropriately. I think
24 draft or Lynn's Wag.

25 MR. STELLE: That would be good, too.

1 SECRETARY FAJT: Mr. Chairman?

2 CHAIRMAN DECKER: Yes.

3 SECRETARY FAJT: Question on the budget.
4 Lynn, if you could maybe backup a little bit and tell
5 the public and also just remind everybody in the
6 audience, and I know all of the Board Members are
7 aware of this, but talk a little bit about the
8 appropriated budgets in the actual Bill for the
9 Gaming Board and then how your numbers relate to
10 those budgets and where the rest of the money would
11 be spent between what I'm seeing here, say, for the
12 fourth quarter of '04-'05 and fourth quarter of
13 '05-'06, which is, again, the end-of-year budget
14 versus what has been allocated in the Gaming Bill.

15 MR. STELLE: Right. What will have to
16 happen is there is going to have to be a
17 reapplication of the start-up speed based on the
18 allocation of the appropriation. The appropriation
19 of the Board is seven and a half million dollars
20 under the Act.

21 SECRETARY FAJT: Per year for the first two
22 years, correct?

23 MR. STELLE: I believe it's a total of
24 seven and a half million dollars.

25 SECRETARY FAJT: Okay.

1 MR. STELLE: Yeah, I don't think it's per
2 year. I think it's an allocation for two years.

3 MR. ZETTLEMOYER: Correct.

4 SECRETARY FAJT: Okay.

5 MR. STELLE: So we will have to make sure
6 in our hiring of staff and in our allocation of
7 resources that we stretch for resources to meet that.
8 That's why this is a budget that has to be reviewed
9 and gone over and analyzed in great detail to make
10 sure that our burn rate or utilization rate does not
11 outrun our start-up timetable.

12 So it's -- as has been said before, this is
13 the first step in a very long process of coming up
14 with a final budget, as well as the final staffing
15 plan, as well as the final ramp up of staff hirings,
16 etc., but it's a place to start.

17 It would be difficult under any
18 circumstance not to have some kind of a game plan in
19 which to start critiquing and evaluating the next
20 steps.

21 BOARD MEMBER MARSHALL: Lynn, just help me
22 with this. The print is a little fine. You have a
23 total estimated overhead of three and a half million
24 roughly in your budget over the two years?

25 MR. STELLE: Three and a half million? You

1 mean in the final quarter of the final year?

2 BOARD MEMBER MARSHALL: Yeah.

3 MR. STELLE: Yes.

4 CHAIRMAN DECKER: So that's the cost of
5 overhead --

6 MR. STELLE: When you're up to full speed.

7 CHAIRMAN DECKER: In full speed, per
8 quarter?

9 MR. STELLE: Yes.

10 SECRETARY FAJT: Lynn, I read it a little
11 different and I'm looking at the '04-'05 fourth
12 quarter column. I'll let you get to your --

13 MR. STELLE: Okay.

14 BOARD MEMBER MARSHALL: If you add all of
15 the quarters up, you're way over seven --

16 SECRETARY FAJT: But I think the way this
17 works, Commissioner, is that we look at the quarter
18 -- the fiscal year separately, so the '04-'05 fourth
19 quarter is the cumulative total for the four quarters
20 of the '04-'05 year. The budget for the '04-'05 year
21 I think --

22 MR. STELLE: No.

23 SECRETARY FAJT: Okay. Lynn, help me out.

24 MR. STELLE: These are the quarterly
25 budgets. The quarterly budgets are 75,000 in the

1 first quarter and then it goes to 897,000 in second
2 quarter of '04-'05. It goes up to million six, etc.

3 These are your quarterly budgets. So you
4 will utilize your resources sometime -- assuming this
5 staffing plan. Now, this staffing plan is going to
6 change this significantly.

7 Your burn rate will be such that you will
8 use up your appropriations sometime the end of the
9 first quarter '05-'06 unless we modify our -- now,
10 remember, once you do start gaming activity, you do
11 get reimbursed at a certain level from each of the
12 entities.

13 BOARD MEMBER MARSHALL: I guess to
14 Commissioner McCabe's -- I can understand putting the
15 staffing with a big draft. Even though this is not
16 entirely private, I think it leads people to draw
17 some conclusions. I wouldn't be comfortable this
18 early on into the process --

19 MR. STELLE: I don't disagree with you.

20 CHAIRMAN DECKER: Okay. Let's take -- is
21 everybody okay with taking it out of the website?

22 BOARD MEMBER MARSHALL: The budget?

23 CHAIRMAN DECKER: The budget. Does anybody
24 care? Okay.

25 BOARD MEMBER MARSHALL: It sort of puts a

1 target on us.

2 MR. STELLE: Well, I agree with you. I
3 think that's the -- not to put a target on you, but I
4 think the key task is to establish a staffing plan.

5 Every time you create a staffing plan, you
6 create a budget impact on the staffing plan. You
7 have to look at them both together. I'm just
8 suggesting weigh the two.

9 TREASURER HAFER: Mr. Chairman, I would
10 disagree. I think we should mark it as draft.
11 Everyone knows this is a beginning point and go from
12 there. I just don't think you can pull out a
13 document that has already been --

14 CHAIRMAN DECKER: It's already in the
15 public.

16 TREASURER HAFER: We're already looking at.
17 You will have more questions and criticisms. Put it
18 up there, it's a work in progress.

19 BOARD MEMBER COY: Mr. Chairman?

20 CHAIRMAN DECKER: Please.

21 BOARD MEMBER COY: Respectfully, people who
22 are witnessing today and otherwise can see it's a
23 draft. We're discussing it, openly, and coming to no
24 conclusion.

25 The bottom line is there's no sense in

1 saying it's not out there. It is out there. It
2 should be marked that way, that this is a draft, a
3 work in progress.

4 BOARD MEMBER MARSHALL: Look. I'm fine
5 with that, Commissioner Coy, Treasurer Hafer. I just
6 think it's important that we control or at least
7 clarify expectations.

8 I would hate for anybody to come to this
9 and say, this thing can't succeed because they're
10 going to run out of money long before.

11 So I have no problem with putting it with
12 the appropriate explanations or cautions or what have
13 you. I think just out here alone and you see seven
14 and a half million dollars and you draw a conclusion
15 of being unsuccessful and I'm not sure that that's --

16 MR. STELLE: Well, I think that's the whole
17 purpose of doing it this way, so that you actually
18 will manage it from a standpoint of the organization
19 chart looks comprehensive, is it affordable? You
20 will manage back to an affordable level to whatever
21 your expectations are and you'll establish that in
22 the coming weeks.

23 CHAIRMAN DECKER: Let's go ahead. It's
24 already out there, you know, and just mark it draft
25 and we'll deal with it and have appropriate

1 disclaimer on the front end that Lynn's wag.

2 MR. STELLE: That's fine. Okay.

3 CHAIRMAN DECKER: Okay. Lynn, what else on
4 this? But according to this schedule, I mean, the
5 most important part of this is to take a look at it
6 and say, we've got to manage our cash flow
7 appropriately.

8 MR. STELLE: That's right. We have limited
9 resources. We do have to manage them and the place
10 to manage them is in that staffing plan.

11 CHAIRMAN DECKER: Understood. Okay.

12 Any other questions on the budget or
13 organizational chart? Any other questions for Lynn
14 about why it was done a certain way or why a
15 suggestion is a certain way?

16 Okay. Hearing none, Lynn, thank you very
17 much. It was really very helpful. Thanks for all of
18 the hard work.

19 Along these lines, we have one action item
20 I would like to propose, and that is it's very clear
21 that we are going to have to have the right key
22 knowledgeable people in place as soon as possible.

23 I have discussed this with each of you
24 individually and separately, the need to hire a
25 nationally recognized search firm to help us identify

1 candidates for Executive Director, Director of the
2 Bureau of Investigations and Enforcement, and Chief
3 Counsel.

4 As a result, I recommend that we hire
5 Diversified Search, Inc., to assist us in finding an
6 Executive Director and Director of the Bureau of
7 Investigations; and I would further recommend that we
8 hire Coleman Legal Search to identify candidates for
9 Chief Counsel.

10 Both of these organizations are recognized
11 nationally as very qualified search firms in their
12 respective expertise. May I have a motion to do --
13 let me tell you -- may I have a motion to authorize
14 the Chair to seek an emergency procurement to
15 contract with Diversified Search to assist the Board
16 in finding an Executive Director, Director of Bureau
17 of Investigations and Enforcement and to contract
18 with Coleman Legal Search to identify candidates for
19 Chief Counsel.

20 BOARD MEMBER DiGIACOMO COLINS: I'll make
21 that motion.

22 BOARD MEMBER CONABOY: Second.

23 CHAIRMAN DECKER: Any discussion on this
24 part?

25 BOARD MEMBER McCABE: Mr. Chairman?

1 CHAIRMAN DECKER: Please, go ahead.

2 BOARD MEMBER McCABE: Could you please
3 explain the process you went through and why we're
4 picking this company?

5 CHAIRMAN DECKER: Sure. I would be happy
6 to. We have talked individually about the need to do
7 this in terms of hiring qualified groups. A number
8 of us have chatted about -- I've gotten
9 recommendations from various individuals about this.

10 We have gone out of our way to talk to and
11 consider and research various national firms that are
12 particularly located in the State of Pennsylvania who
13 could help us in this regard.

14 It became clearer and clearer the more I
15 talked to people, not only amongst our Board Members
16 but outside individuals who could make
17 recommendations to us who have no ax to grind and are
18 not involved in gaming or search that these firms,
19 you know, are very standout, terrific organizations.

20 That's the reason I'm suggesting to you
21 that we pick those. Again, but we have to seek an
22 appropriate declaration that this is an emergency.
23 We've got to move forward at an appropriate speed.

24 BOARD MEMBER McCABE: They have the
25 expertise and have done this before?

1 CHAIRMAN DECKER: There is probably nobody
2 in the state that has gone out and hired an
3 Executive Director for a gaming establishment.

4 However, on the legal side, Coleman Legal
5 Associates has hired a number of general counsels
6 across the state. In fact, I think they've been
7 retained, as I understand it from some individuals at
8 Coleman, that they have been retained to hire some
9 Chief Counsel already for the State of Pennsylvania
10 in various agencies. For example, economic
11 development is the most recent one.

12 BOARD MEMBER MARSHALL: Mr. Chairman?

13 CHAIRMAN DECKER: Yes.

14 BOARD MEMBER MARSHALL: I guess an
15 observation that based on what we have heard this
16 morning and this afternoon, I believe that time is
17 certainly of the essence.

18 I don't think we have the luxury of
19 waiting. I know Diversified by reputation, which is
20 very good. I know Coleman by reputation, which is
21 also very good. I think the issue is we need to get
22 up and running so I would endorse your motion.

23 BOARD MEMBER DiGIACOMO COLINS: I would --

24 CHAIRMAN DECKER: Personally, I've never
25 used Diversified for a search, but their reputation

1 is impeccable. Secondly, Coleman, I have used in my
2 former life with various companies. They do a
3 terrific job, and we've used others as well.

4 Commission Colins?

5 BOARD MEMBER DiGIACOMO COLINS:

6 Mr. Chairman, I would like to add with specific to
7 Diversified Search that it is a woman-owned,
8 nationally recognized search entity, search firm.

9 And in the spirit and the interest of the
10 diversity provisions of the statute, considering the
11 reputation and the expertise of Diversified, as well
12 as the fact that it is owned and operated by a woman,
13 I think that it's an excellent choice for us.

14 BOARD MEMBER COY: Mr. Chairman?

15 CHAIRMAN DECKER: Yes.

16 BOARD MEMBER COY: If I could attempt, just
17 through some questions --

18 CHAIRMAN DECKER: Sure.

19 BOARD MEMBER COY: -- on behalf of the
20 Board and the public to see where it is we go from
21 here. Assuming we contract with these agencies, what
22 would you anticipate the next step would be? They
23 would --

24 CHAIRMAN DECKER: We would enter into a
25 contract with them, Commissioner Coy, to start the

1 search.

2 BOARD MEMBER COY: Would the contract at
3 all bind the Board to selecting a candidate that they
4 recommend?

5 CHAIRMAN DECKER: No, no. Absolutely not.
6 I mean, that's something we're going to do. They're
7 going to present candidates to us for that selection
8 process.

9 BOARD MEMBER COY: Fine. And how many
10 candidates would you expect in the case of Executive
11 Director would be presented to the Board for
12 consideration?

13 CHAIRMAN DECKER: I'm guessing.

14 BOARD MEMBER COY: Yeah.

15 CHAIRMAN DECKER: I would think that there
16 would be at least two that we would probably get to
17 see. I mean, I would think they could find at least
18 two qualified people, I would hope maybe three; and
19 certainly, we would get a list of the other
20 candidates they talked to.

21 BOARD MEMBER McCABE: Mr. Chairman, who is
22 going to set the job qualifications? Are we going to
23 provide the job qualifications that we expect of our
24 Executive Director and Chief Counsel to them or are
25 they going to set us and tell us?

1 CHAIRMAN DECKER: No. I think you work
2 with them to try to develop that, but I think we will
3 have people here that can do that, you know, on staff
4 currently. We have some consultants that can help in
5 that regard.

6 I think some of us here have had that
7 experience before in terms of describing a position.
8 I think the Chief Counsel position is probably a
9 little easier than the Executive Director position in
10 terms of describing it.

11 Treasurer?

12 TREASURER HAFER: I have just gone through
13 two executive searches at the SERS, State Employees'
14 Retirement Fund, as well as the Pennsylvania School
15 Employees' Retirement Fund.

16 I would suggest that we ask these people to
17 individually talk to Board Members so that the
18 individual Board member can tell the search firm what
19 they expect and they then can help us develop a
20 protocol. I would suggest that they bring at least
21 two, if not three, qualified people before the Board.

22 CHAIRMAN DECKER: Absolutely. Right. I
23 would be disappointed if they only found one for each
24 of the positions.

25 TREASURER HAFER: And the Board should also

1 be able to -- if you have any names or people,
2 suggest them, give them to the firm --

3 CHAIRMAN DECKER: Absolutely.

4 TREASURER HAFER: -- that they should get
5 those people.

6 CHAIRMAN DECKER: I would suspect they
7 would welcome that. I suspect they're going to be
8 contacting a lot of people to get suggestions. It's
9 the smart thing to do.

10 TREASURER HAFER: But the Board, I think,
11 would give everybody a comfort level that they are
12 talking to.

13 CHAIRMAN DECKER: Right.

14 TREASURER HAFER: They can do it
15 telephonically and --

16 CHAIRMAN DECKER: Sure.

17 TREASURER HAFER: -- everybody can put
18 their two cents worth in.

19 CHAIRMAN DECKER: Great.

20 BOARD MEMBER MARSHALL: Mr. Chairman,
21 having gone through a great number of national, high
22 level searches, I think it's important to note that
23 these firms really don't get delegated the authority
24 to pick but they are invaluable in terms of process.

25 We have to publish appropriately. We want

1 to have -- we are going to truly do a national
2 search. We're going to need somebody to process
3 revenues and things like that in a way that will
4 facilitate the Board making a final decision.

5 And to the Treasurer's point, I think any
6 time you're in searches of this, the company there
7 doesn't want to tell you what to do. They want to
8 get out of you what it is we want. I think they will
9 be an invaluable resource in these very important
10 positions.

11 CHAIRMAN DECKER: Greg?

12 SECRETARY FAJT: Thank you, Mr. Chairman.
13 In response to Commissioner McCabe's comment, I think
14 you had asked about a sample job description or what
15 are we looking for.

16 In Tab 2 of our materials that we have, I
17 think Lynn Stelle developed, again, a sample, a rough
18 draft of both a Chief Counsel and Executive Director
19 job description.

20 Obviously, you know, we all should be free
21 to add to that, subtract from that, things that we
22 want to have the executive search firm look for, but
23 I think it's a good working document to go from.

24 CHAIRMAN DECKER: Thank you, Greg.

25 Any other questions on this?

1 Mary?

2 BOARD MEMBER DiGIACOMO COLINS: A reminder,
3 are we going to go back to the diversity plan, which
4 we had never --

5 CHAIRMAN DECKER: I think -- I want to make
6 sure that the Commissioners have an opportunity --

7 BOARD MEMBER McCABE: Could I have a little
8 more time?

9 CHAIRMAN DECKER: -- to read that. We need
10 some time to read it. I think some people didn't get
11 it until last night or today.

12 BOARD MEMBER DiGIACOMO COLINS: I didn't
13 know if you were taking that up after lunch.

14 CHAIRMAN DECKER: We'll take it up tomorrow
15 if that's okay.

16 BOARD MEMBER DiGIACOMO COLINS: Okay.
17 Thank you.

18 CHAIRMAN DECKER: Okay?

19 BOARD MEMBER McCABE: I just don't want to
20 vote on anything I'm familiar with or remember
21 reading.

22 CHAIRMAN DECKER: Okay. Let's see. With
23 that said, are there any other discussions on that
24 motion?

25 If not, all of those in favor, please

1 indicate by saying aye.

2 BOARD MEMBERS: Aye.

3 CHAIRMAN DECKER: Any opposed?

4 Thank you. It passes unanimously. And
5 we'll keep -- I'll make sure the Commissioners are
6 kept up to date on both the status of the retention
7 of these firms and also the progress they're making
8 in identifying candidates for us.

9 Our next presenter is -- I'm going to
10 mispronounce his name -- James Maida; is that
11 correct? Did I get it right?

12 MR. MAIDA: That is correct.

13 CHAIRMAN DECKER: Thank you. President of
14 Gaming Labs International. Jim is a former gaming
15 device testing engineer at the New Jersey Division of
16 Gaming and Enforcement. He holds a computer science
17 engineering degree from Lehigh University and a law
18 degree from Rutgers.

19 He co-founded GLI, which is today
20 recognized as the industry expert in gaming
21 technology.

22 Jim is going to talk -- sorry -- speak with
23 us about the evolution of gaming regulation from
24 systems that were strictly manpower based to those
25 that are leveraging computer technology to improve

1 efficiency and effectiveness. Thank you. Thanks for
2 being with us today.

3 MR. MAIDA: Thank you very much,
4 Mr. Chairman, other members of the Board, Secretary
5 Fajt, Secretary Wolff, and Treasurer Hafer. I
6 appreciate the opportunity to come before you today.

7 It is your first day sitting as a Board and
8 the only thing that must be more difficult than
9 sitting through two days getting up to speed is
10 dealing with technology right after lunch, but we're
11 going to try to make this interesting for you today.

12 I can tell you -- I congratulate all of you
13 on all of your appointments. I know that -- I can
14 almost guarantee that it will be exciting and
15 difficult and challenging, but I want to try to go
16 today and talk a little bit about technology, how it
17 might impact the Central Computer System devices that
18 will be eventually installed in the state. It's some
19 of the things you need to talk about as you go on
20 this journey.

21 I must tell you, I hate to come to a place
22 where I'm at a distinct disadvantage. I'm at a major
23 disadvantage today because I read all of your resumes
24 and I know a little bit about each of you, but I
25 don't know the level of technology that each of you

1 have ever dealt with.

2 Some of you are probably very highly
3 technical, some of you moderate, some of you might
4 say -- I heard before -- technology challenged.

5 I can tell you that I'm going to go slowly
6 through this presentation today. I don't want to
7 just do a speech. I want to have you interrupt me at
8 times, raise your hand, just interrupt me, dive right
9 in and ask me questions so that if I go too fast or
10 you don't understand what I'm saying, everything I
11 talk about builds on things later and I want to make
12 sure everybody is with me and understanding.

13 I want to also say that I am a computer
14 engineer from Lehigh University, Bethlehem,
15 Pennsylvania. I spend about 20 percent of my week --
16 most people don't realize this -- not only do I run a
17 company with 325 people and 9 offices around the
18 world, but I spend 20 percent of my time with new
19 technology and new technology issues with my staff.

20 This week, for instance, we dealt with
21 security of SQL servers as they relate back to office
22 systems, very much like you're looking at today.
23 Also we're dealing with wireless issues. Is wireless
24 communication safe and when should you use wireless
25 in a casino or outside a casino?

1 So with that in mind, let me begin on my
2 journey today to talk to you a little bit about
3 technology.

4 I think it's really helpful just to sort of
5 give you my -- where we come from, our perspective.
6 First of all, we provide technical consultation and
7 testing services of gaming equipment and systems but
8 we don't make anything. We don't make devices. We
9 don't make systems. We don't buy devices and we
10 don't buy systems.

11 Our only clients are Gaming Control Boards,
12 Gaming Commissions, lotteries, and pari-mutuel
13 agencies.

14 We serve as technical advisor on current
15 technology and what is to come. I think that's one
16 of the main points I'm going to talk about today is
17 that wherever you are today is not where you are a
18 year from now.

19 Everybody knows from one Christmas to the
20 next, your children, your family want the next
21 high-tech thing.

22 So we can talk about where we are today,
23 but it's also good to talk about what is down the
24 road. And many people will tell you, I'm sure, over
25 the last six months and when you're preparing for

1 this job that you can't have everything you want.

2 Last week, I gave a speech in Tucson,
3 Arizona, where I'm here to tell you that 2005 is an
4 exciting year because it is the first time that I
5 think you can have a Central Control System and you
6 can every game you ever wanted and you can have both
7 at the same time. You might hear you can't have and
8 we'll talk a little bit about that later today as
9 well.

10 We also meet with Gaming Boards and
11 regulators twice a year to talk about what is in new
12 technology. So when the new technology shows up, you
13 have the appropriate rules, the appropriate
14 regulations, and you have the appropriate dock
15 crosses in place to deal with it rather than getting
16 caught behind.

17 BOARD MEMBER McCABE: I just have a
18 question. On the first point, provides technical
19 consultation and testing services of the gaming
20 equipment and systems. Who pays you? Who contracts
21 with you? Is it the Gaming Control Board, the state,
22 or is it the manufacturers and the casinos that pay
23 you?

24 MR. MAIDA: That's a great question. The
25 answer is, is that we're contacted by the regulatory

1 body. It might be a lottery. We work for almost all
2 of the lotteries. In fact, we do have a contract
3 with your lottery here to do some small testing
4 items.

5 Gaming Control Boards, pari-mutuel agencies
6 and whatnot, so we are contracted by the Board. Some
7 Boards choose to pay us. Other Boards choose to
8 approve our Bills and pass it onto the industry
9 because of budget constraints as a pass through, but
10 our allegiance and our contract is with the Board.

11 We assist regulators through compliance
12 testing of thousands of gaming equipment submissions.
13 Here we're talking -- I've read numbers about 61,000
14 machines.

15 The only other jurisdiction with 61,000 in
16 the United States is the state of California. Nevada
17 has more, 175,000. Then comes 61,000, which would be
18 here or 51 or whatever the number is and then
19 California would be next. New Jersey has slightly
20 less than 50,000 when you add up all of the devices.

21 Today we're going to talk about layman's
22 view of past, present, and future approaches on how
23 gaming is regulated with emphasis on the role played
24 by the Central Monitoring System.

25 We're going to talk a bit about how

1 jurisdictions operate their control systems and their
2 approach to high-tech monitoring.

3 Policy decisions. It's important to know
4 we're made based on the technology at the time that
5 the Gaming Board was put in place.

6 That's very important because when people
7 get up and talk about New Jersey or Nevada or
8 Delaware, you need to send yourself back to 1976,
9 1992 when Delaware started or 1996 when New Mexico.

10 I can tell you that while we can compare
11 technologies, I can be certain that those
12 jurisdictions did take the best technology at the
13 time when they were created.

14 That's why it's so exciting that you guys
15 are in 2005 and you actually get the best of the
16 choice and the best of the litter going forward.

17 Yes, sir.

18 CHAIRMAN DECKER: Why is it that some of
19 those states don't go back and adopt this new
20 technology?

21 MR. MAIDA: It really has to do --

22 CHAIRMAN DECKER: Businesses look -- I
23 mean, in the corporate world, businesses look at
24 stuff all of the time and change systems when new
25 things come up that make things more efficient and

1 more cost effective. I don't understand.

2 MR. MAIDA: Mr. Chairman, sometimes when
3 you adopt a system in certain -- we'll talk about
4 protocols.

5 CHAIRMAN DECKER: Right.

6 MR. MAIDA: I don't want to get too
7 technical, but for those of you who don't know what
8 the word protocol means, think of the word of
9 protocol as English -- as a language and then we have
10 things like SAS, BOB, BES, Super SAS. Those are like
11 German, Dutch, Italian, French.

12 So if you have -- if you have 61,000
13 machines that were on a proprietary language that is
14 only spoken, let's maybe call it Mandarin and it's
15 only spoken in one area, how hard would it be to take
16 61,000 Mandarin things and make them into 61,000
17 German things.

18 And if you know the differences between
19 language, not only are the words different but the
20 punctuation is different and the sentence structure
21 is different.

22 I took German in high school and the only
23 thing I know now is you put all of the verbs at the
24 end; but in the English language, you start with
25 subject and verb and then you go on.

1 So the short answer to the question is you
2 have to do a major upgrade and you have to ask the
3 suppliers to go back and change all of their games
4 and all of the software in their games. That's an
5 overhead cost, Mr. Chairman, to the casinos.

6 Lotteries do this every day of the week.
7 Every year, lotteries go out for a new central system
8 contracts over time.

9 What happens is usually lotteries have to
10 get rid of a lot of their equipment and start all
11 over again.

12 Again, the good news is because technology
13 changes, some devices and systems and peripherals
14 were not upgradable leading to more policy choices
15 and regulators were forced with choices later. Do I
16 upgrade? Do I let it continue? Do I add additional
17 cost to the industry? What do I do?

18 The good news is you're starting in 2005 or
19 later. I don't want to be presumptuous and tell you
20 when you're going to start. At least we know now
21 that the technology is good going forward.

22 I believe today you're not faced with these
23 choices because newly devised network technology that
24 we have just introduced the industry has and we've
25 tested in states like New Mexico and Delaware are

1 picking up on will allow you to do much more than you
2 used to do. We'll get into that a little later.

3 I always like to define terms and I
4 apologize if some of my terms that I defined are not
5 exactly out of your statute but I came here to try
6 and break it down into English and I will be as
7 technical as you need to be; but really a Central
8 Control System is a central system under the control
9 of the state where the accounting data, security,
10 exception reports, and software verification can be
11 initiated. We're going to break that down a little
12 bit later.

13 Basically, the accounting data, the
14 exception reports are door opens, bill jams, software
15 has been changed, somebody went into the machine that
16 wasn't authorized. Those are the kinds of things
17 that are exceptions.

18 Software verification, we will get into
19 this much more and more in detail. This is how do I
20 know that the right program is in every machine?

21 I can tell you today that in no state other
22 than West Virginia, New Mexico, Delaware, Rhode
23 Island and I'm sure I'm missing a few, the operator
24 cannot push a button and know what software is in
25 what machine. The only way to find out is by walking

1 around and opening every door.

2 I don't know how many of you maybe have
3 dealt in your life with counterfeit bill technology
4 where you might sell things and people might try to
5 counterfeit.

6 Right now, when we have a counterfeit in
7 any state, we have to upgrade the bill validators
8 because if you don't, what is going to happen?
9 People are going to come and beat the machines.

10 We're now able -- we're not able in most
11 states to say, I wonder what software of bill
12 validator is on each machine and I wonder if that can
13 be beat by the new \$100 counterfeit.

14 With central system technology and
15 downloadable software, we can hit a button, like on
16 your PC, you can find out what printer driver you
17 have and what types of things you have then download
18 the patch or download the fix. That's where we're
19 going to. That's not what was available in the early
20 1990s, through, again, no fault of my other clients
21 that had to buy what they had to buy to get up and
22 running.

23 It includes ability to automatically
24 disable gaming devices based on automatic triggers or
25 upon an event.

1 I'll give you an example of this and we'll
2 see it later on. Somebody opens a logic door, that's
3 a door where the main board is, where all of the
4 software programming is, when someone opens that
5 door, the game must disable. Why? Because we don't
6 want people to change that because if you can change
7 that, you can change the outcome of the game.

8 So when the logic door is put back in place
9 and locked, the machine knows my logic door was open,
10 the game will not be reenabled unless I check that
11 software.

12 Once the software check passes, the game is
13 reenabled. That's an example of an automatic
14 trigger.

15 Let me give you a manual trigger. You find
16 out that XYZ supplier is supposed to have a 92
17 percent game in the field. It's really paying 72
18 because you find out there's a software bug.

19 What do we have to do today in most
20 jurisdictions? I have to send the jurisdiction a
21 letter. They have to say, great. There's a problem.
22 They have to send out a letter to all of the casinos.
23 They have to go find all of the software on the floor
24 that has a problem.

25 Again, they can't do it electronically.

1 They have to do it manually. What you can do under a
2 Central Control System is you know what pieces of
3 software are running in which machines.

4 You hit one command in from the Central
5 Control System that is under the state and a message,
6 a broadcast message is sent out to all 61,000
7 machines.

8 What happens? The machines that are found
9 that have the problem, they are automatically
10 disabled and they wait to be reenabled. That's sort
11 of what the technology buys you. Lastly, CCS is
12 required under Pennsylvania law.

13 Slot machines, gaming devices, video
14 lottery devices, all the same meaning. Now, in
15 certain states, they all have different meanings; but
16 where I use slot machine, gaming device, or video
17 lottery device, please understand today that means
18 all of the same in this context.

19 But if you are in New York, you would use
20 the word video lottery terminal because that's the
21 law. If you use the slot machine, you would probably
22 more likely use that in New Jersey and Nevada or Iowa
23 or Missouri. And if you were in Delaware or Rhode
24 Island, you would probably use the word video lottery
25 device.

1 The main thing is, these are all gambling
2 devices. A device where a player plays by wagering
3 something of value. He plays the game by the use of
4 skill or chance or both. Poker, for instance, is
5 both skill and chance based for those of you don't
6 know and pulling a handle on a slot machine and
7 spinning three reels is a game of chance that may
8 entitle the player to something in return.

9 Now, notice I didn't say money and I didn't
10 say coins because today we don't just have coins. We
11 have bills that can come out of the machine.

12 We have tickets. I don't know how many of
13 you have ever played in a game where you actually
14 when you cash out, you get a ticket. We're going to
15 get to that later.

16 Or you can do cashless wagering where you
17 get an account based card much like your one pass
18 frequent flyer if you're a Continental and you stick
19 it in the machine and you can play off the count
20 based. We're going to get to that a little bit
21 later. So any of those things are considered
22 rewards.

23 Today's slot machines at their heart are
24 computers. The rest is window dressing. I don't
25 want to shock anybody. When you put your money in a

1 machine and pull the handle today, within
2 nanoseconds, milliseconds, the machine has already
3 determined if you won or lost and it has also already
4 determined how much you've won and how much you've
5 lost. All the rest you see, the spinning of the
6 reels, all of the visual displays, the sounds are all
7 for entertainment value.

8 The only exception to that is video poker
9 because you have a chance to throw away cards and
10 make a choice, meaningful choice half way through the
11 game.

12 So they have video screens, plastic
13 spinning reels, they have top box displays, they have
14 electronic machines, mechanical machines,
15 electromechanical display types.

16 For instance, there are games that you can
17 place on electronic terminals and in the center is a
18 big mechanical roulette wheel under glass. That
19 roulette wheel is a mechanical RNG but nonetheless it
20 is a mechanical RNG.

21 We have new games now where players can
22 play against each other. I'm sure most of you go on
23 -- my child is 14. He loves sitting down and
24 watching this ESPN poker thing all day long and say,
25 dad, why can't I play like them?

1 I can tell you that you can now play
2 against other people on the slot machines and on
3 gambling equipment as well.

4 For today, it doesn't matter what the theme
5 or the object of the play is except that the games
6 are all microprocessor controlled, the data from the
7 game play are sent immediately to the on-line
8 accounting system and it's all electronic. It's all
9 software based and that's why there is a premium on
10 testing.

11 There's a premium on the Gaming Control
12 Board knowing what -- how the game is played and what
13 their features are so that you can make intelligent
14 decisions going forward.

15 It is no longer pull the handle and have
16 three drums click into place and something read it.
17 That was out in 1983, '82, '81, somewhere in that
18 time frame.

19 I am -- let me just do a few more
20 definitions. You might have heard TITO or ticket in
21 ticket out. That is the ability to receive a voucher
22 from a machine, take the voucher in your hand, and
23 walk to another machine and stick it into another
24 machine's bill validator. The voucher is read and
25 the credits are put on the machine. It's called

1 ticket in ticket out.

2 It's revolutionary. It came out about four
3 or five years ago. It is that reason that central
4 systems are so important because we don't let you
5 validate a ticket that you can't -- you can't get
6 money for a ticket that you don't validate, much like
7 the lottery.

8 When you get a ticket and you go to
9 validate it, you don't get paid until they actually
10 validate your ticket on the central system. Same
11 idea.

12 A progressive machine, I don't know, is
13 this too basic? But a progressive are machines that
14 are linked to a single jackpot. A portion of every
15 dollar that is bet is placed on a pool and the pool
16 goes up until somebody hits the top of the award.
17 That's what you see in a lot of casinos where you see
18 the meter going up and up. That's pool play.

19 What's a wide area of progressive? It's
20 basically machines in multiple locations all hooked
21 together via external computer system.

22 Bonusing. Bonusing is the ability of a
23 system to actually give the player money based on
24 what happens at the machine.

25 A great example of that would be where I

1 run a promotion at a casino where I want to pay
2 double jackpots from 12:00 to 1:00 on Wednesday
3 afternoons.

4 The machine doesn't have to be
5 re-programed. The system knows that every time
6 certain machines win between 12:00 and 1:00, it sees
7 that win and it actually credits the machine, again,
8 using system technology going forward.

9 Professional award is like giving people
10 vouchers. It's like giving people bus tickets. It's
11 giving gift cards like you might give for presents.
12 You get a gift card when you walk in. You stick into
13 the machine. You get \$35 of credit; but what you
14 don't know is you can't cash that credit out in most
15 states. You have to play it.

16 You can win -- whatever you win off of
17 that, you can take home; but you're not allowed to
18 just stick the card and cash out. There are some
19 states that have that, you have to allow the person
20 to cash out.

21 I am going to show some pictures of slot
22 machines here. I want to just do a disclaimer. One,
23 we're not professional photographers. B, the
24 photographs that we have here were taken at our world
25 headquarters in Lakewood, New Jersey and do not

1 represent that we're not endorsing any of these
2 brands.

3 We've done our best not to let people see
4 what the brands they were. I needed to show you
5 something today.

6 The upper left of this first slide is the
7 first ever machine at a racetrack that not only lets
8 you play a gaming device but also lets you bet on the
9 horse race at the same time.

10 When you bet on a horse race, when the
11 horse time came on the Simulcast system, it would go
12 picture in picture. Can see the horse while you're
13 playing the game.

14 If you won the horse race, you could
15 actually cash out and put it on your game and keep
16 playing. It was one of those -- it's a tote system
17 and a gaming machine all in one.

18 The center picture is a company that has
19 the first video lottery devices in South Dakota.
20 It's a picture of that. It doesn't look too
21 attractive. Back in the late 1980s and early 1990s,
22 it was really meant to look like an ATM.

23 On your right of the first screen is a
24 three-reel spinning slot machine that you would see
25 70 percent of the time in casinos. That's what I

1 call first generation.

2 Second generation on the left is now we've
3 added top boxes. You see now the game is not only on
4 the bottom but when you win on the bottom, you get to
5 go up top and play as well. We call it extended game
6 or make it more fun.

7 The middle is a roulette wheel theme called
8 Monte Carlo. On the right, it's hard to say; but
9 it's a video display of one on top of the other.
10 That's what we call second generation.

11 Third generation is where we now have two
12 monitors or a game with both spinning reels and a
13 monitor on top and on bottom.

14 Now, we have multi-media type things where
15 we have more than one display, more than one thing
16 going on.

17 Fourth generation is what we call branding.
18 This is very big now where machines take on
19 personalities or movies. On the left you have a
20 Clint Eastwood game. Clint Eastwood, favorite actor,
21 has lent his name to a game.

22 You'll see here you're playing Clint
23 Eastwood. In the middle, it looks like one of those
24 shooting things that you would have at an amusement
25 thing and they're round disks that spine around.

1 On the top you can see the numbers. That
2 is a progressive link. That's what I was talking to
3 you about before where the numbers go up as the game
4 is played.

5 And on the right is a game called Men in
6 Black. Men in Black is, I think, a Will Smith movie,
7 I believe.

8 This is featured off of Men in Black. You
9 can see they have a dog hanging off the front there.
10 I guess there's a dog in the Men in Black show and it
11 is what it is.

12 Let me go back and talk about choices --
13 oh, is there any questions? I don't mean to sort of
14 -- any questions?

15 CHAIRMAN DECKER: Great.

16 SECRETARY FAJT: James?

17 MR. MAIDA: Yes, sir.

18 SECRETARY FAJT: On definitions, I have
19 heard the term and have some familiarity with the
20 term Central Determinant System versus Central
21 Computer System.

22 Some of the Board Members have also heard
23 those terms, and I was wondering before we get too
24 far removed from the definitions if you could try to
25 put that in laymen's language for us and what the

1 differences are?

2 MR. MAIDA: Mr. Secretary, the Central
3 Determination System really means that the random
4 number generation or the outcome -- the determination
5 of the outcome of the game is no longer on the game.
6 It has been removed to a black box server that is
7 serving game outcomes to the machine.

8 Remember, I said before when you put money
9 in the machine and pull a handle, the random number
10 generated on a machine determines if it's a winner or
11 a loser and how much you're going to get paid.

12 Well, in Central Determination Systems,
13 that determination is made via secure interface
14 somewhere else where there's a pool of already game
15 outcomes.

16 Let's call it a win of 60, a win of 80, a
17 win of 400, and a win of zero is in a pool. When the
18 player pulls the handle, one of those outcomes is
19 pulled out of a pool, much like you would pull a
20 scratch ticket out of a lottery.

21 That outcome is sent to the machine and the
22 machine does what? It displays something on its face
23 to show the 80 outcome, maybe by spinning reels or
24 dealing up certain cards. So it is like an instant
25 scratch ticket lottery.

1 Now, it also could be used for slot
2 machines where the slot machine just asks for random
3 number generation from an exterior source.

4 Now a lot of people talk about that, an
5 exterior source meaning that there's a box that is
6 maybe servicing 100 machines, a black box sitting
7 maybe behind a curtain or up the courtroom room.

8 Many people ask where does that term come
9 from? Central Determination System is very large in
10 areas where we are mimicking instant scratch tickets
11 or instant pull tabs and that would be in the state
12 of Washington where slot machines are not legal under
13 their laws and Indian tribes had to put this Central
14 Determination System and have done very well.

15 In New York, we have a Central
16 Determination System. Why do we have it in New York?
17 Because the New York Constitution requires that slot
18 machines are by definition illegal and not allowed to
19 be used and it must have been a lottery.

20 So in the lottery group and the Legislators
21 got together, they wrote a statute that required
22 Central Determination so it could mimic a scratch
23 ticket game. That was recently found constitutional
24 by the New York Court of Appeals. What was maybe not
25 so constitutional that they're working out is whether

1 or not the distribution of the horseman was legal.

2 The concept of Central Determination's
3 feeding outcomes is what was required in New York so
4 that we could have a legal game. Because if we had
5 just put slot machines in, it would have been found
6 illegal by the Court.

7 BOARD MEMBER DiGIACOMO COLINS: May I ask?

8 CHAIRMAN DECKER: Yes.

9 BOARD MEMBER DiGIACOMO COLINS: I was going
10 to say, what are some of the advantages of that type
11 of Central Determination System?

12 MR. MAIDA: Well, one advantage clearly is
13 if you could not have traditional slot machine
14 gaming, you would --

15 BOARD MEMBER DiGIACOMO COLINS: From the
16 definition problem.

17 MR. MAIDA: To the player, there is no real
18 benefit to the player.

19 BOARD MEMBER DiGIACOMO COLINS: Is there a
20 detriment?

21 MR. MAIDA: There's no detriment to the
22 player. Other than some people have suggested
23 possibly will players accept gaming devices if they
24 don't know that the random number generation is
25 happening at the machine versus somewhere else. We

1 don't have any data on that. I could not tell you
2 the data on that.

3 But how many people hear stories about, I
4 was playing for three hours. I went to go get
5 something to eat, I came back, someone else was
6 playing and they took my money. I mean, we hear that
7 all of the time.

8 People sometimes feel better that they know
9 the machine. From a technology standpoint of view,
10 there is no difference. It could be served from the
11 back in a box.

12 BOARD MEMBER DIGIACOMO COLINS: So it could
13 just -- it could be a marketplace perception
14 difference?

15 MR. MAIDA: That is one. The other thing
16 is, is that if you have 61,000 machines depending on
17 how you serve the outcomes, you have to worry about
18 how quick the network is.

19 I can tell you and we'll talk about this
20 later, networks can do anything as long as you have
21 enough, the band width, enough to put the stuff
22 through. It has been implemented.

23 In New York State, we've implemented
24 Central Determination Systems machines at tracks
25 across the state with very little problem, but there

1 it was required -- getting back to the original
2 question -- because the State Constitution requires
3 to do so.

4 All right. Let me sort of -- I don't want
5 to run out of time so we want to move a little bit
6 forward.

7 The traditional approach to gaming
8 regulation is surround it, lock it, and view it.
9 On-line systems, in some cases, were not permitted to
10 be hooked even outside the casino.

11 Software upgrades had to be done on-site.
12 So if you had a problem with your central system, you
13 actually had to run the update out to the casino and
14 install it there.

15 Slot machine software on a stand alone
16 system has to be hand validated. In New Jersey, for
17 instance, every machine is opened, the EPROM is
18 removed, it's stuck into a box called a cobotron,
19 which is a box that gives us a digital signature of
20 the software.

21 If it matches, what is the master, it's put
22 back into the machine and the State Police use
23 sealing tape to seal it back into place. So it's a
24 labor intensive issue.

25 The official count, most casino

1 jurisdictions that don't have Central Monitoring
2 Systems, the count rooms are locked and sealed during
3 the count and manned obviously. Security systems are
4 used as a check against the actual hard count, but
5 people pay taxes in most states based on what they
6 count, not what the systems say they make. That's a
7 difference.

8 Any machine allowed because the protocol
9 connecting to the monitoring computer is not always
10 required. In Nevada, it is not required to hook
11 every machine to a Central Accounting System.

12 In New Jersey, it is not required but
13 people do it especially if you have ticket in, ticket
14 out, it is now required.

15 So there -- we are moving that way in New
16 Jersey. Other states, it is required. In Iowa and
17 Illinois and Indiana and Missouri, and I could go
18 down the list and every Indian reservation in the
19 United States, you have to have every machine hooked
20 to a Central Monitoring System but the very
21 traditional, the beginning, we didn't even require
22 that.

23 Traditional casinos have now gone to
24 ticketing, cash less wagering, and other system
25 driven events, bonusing, progressive, nationwide

1 player tracking.

2 So if you're playing an ABC operator and he
3 has a property in New Jersey, Nevada, and here in
4 Pennsylvania, you can get frequent flyer points or
5 whatever you call the difference by playing at any
6 one of those properties.

7 However, these items have been somewhat
8 delayed coming into the market. Why? Because
9 central systems were not required and protocols were
10 not required and they were not required to be
11 implemented because there was no requirement. It was
12 like a market thing for them to do.

13 So that the issue is now that we have
14 ticketing and cashless wagering, we need to have
15 better systems. I will get to that a little bit
16 later and why.

17 Regulations and monitoring of machines was
18 property based. Systems were not required by
19 regulation. We already covered that. Systems were
20 put into existence by operators because floors were
21 too large to handle and for marketing reasons. That
22 was the first reason why anybody in Atlantic City or
23 Nevada actual systems in because they couldn't
24 physically -- couldn't get around to counting the
25 money.

1 By the time you got done counting on day
2 one, it was already day three and you were still back
3 on day two. You had people behind you.

4 Foxwoods in Connecticut, many of you may
5 have heard that, 7500 machines soon to be 9,000 or
6 8500. Could you imagine taking all that money out of
7 those machines and counting it all by hand and
8 getting a number to anybody by the end of the day?
9 It's very difficult to do.

10 New Jersey has a system in place for a few
11 years and Nevada has still not required every machine
12 to be hooked to a system because they have a route
13 operation. They have machines out and around in
14 places where they are not.

15 Now, I can tell you that large casinos all
16 have systems in Nevada because they could never
17 manage their business if they didn't.

18 Casino systems are now in virtually every
19 major casino in North America. Central Systems at
20 each location produce reports. The tax revenue and
21 statistics are based on the actual count in the
22 courtrooms and reports are reviewed by Commissions.

23 Works -- this is a very key point. These
24 work very well when there's something to count. You
25 know what we do is take all of the money out of the

1 machine and we take it to the count room.

2 We separate the coins and separate the
3 bills and now we separate the tickets. We count --
4 hard count is coin. Soft count is tickets and bills.

5 So if you ever hear the term hard count,
6 think of hard metal. Soft count is because dollar
7 bills are soft and you can bend them.

8 Now, the issue here is what happens when we
9 start going to electronic credits? You walk in, you
10 put \$200 on account and you start playing with
11 electronic money much like -- I'm not suggesting you
12 would have an ATM but much like you go to an ATM and
13 you get money out of your bank account, that's what
14 is now going to start happening.

15 Bank examiners and banking systems have to
16 be so good you have to count money. It's not just in
17 the vault. It's in the wire transfer system.
18 There's lots of places where money shows up. I would
19 suggest even in the latest rules by the Treasury
20 Department, not here in Pennsylvania but the Federal
21 Government, they almost consider casinos as banking
22 institutions. They have to follow the same rules and
23 require additional on-site checks.

24 On-site oversight is required all the time,
25 but it requires additional on-site oversight,

1 auditing and relies heavily on internal controls and
2 tracking of money where you have to count it and
3 things like that also requires on-site verifications.

4 I already talked about manually sealing.
5 Older view of regulated casino technology. Central
6 computer systems did not exist at the time. Reliance
7 on manpower because there was no other choice.

8 There was no central system available or
9 casino system available when they started a casino.
10 It required armies of manpower to check the machines,
11 follow the money, ensure state receiving appropriate
12 revenue, and carry out security and surveillance.

13 I'm not suggesting you don't do any of
14 this. You need a difference between high tech, less
15 people and low tech or more people, but neither side
16 has millions of people or no people.

17 That's the public policy that you face as a
18 Board, putting everybody on and meeting everybody
19 halfway. How many people do you need and when can
20 you rely on technology to help actually delete the
21 technology?

22 Okay. So now we have all of these casinos
23 around and they are -- and they are worried about all
24 having them separate. So let's learn them.

25 Some regulatory agencies have requested

1 automated data to cut down on reports and get timely
2 information. Allows faster tax and revenue
3 collection.

4 The model gives the state a snapshot of
5 each system at each casino, because the data in the
6 computer is asking the system what is your most
7 recent data.

8 It is the first good attempt to get more
9 data quickly. We're doing it in Louisiana and
10 Wisconsin where all of the Indian tribes, the tribal
11 state contract agreed not to have the state retrieve
12 information electronically.

13 The central computer linked to each venue's
14 central computer to request and receive reports daily
15 or even quicker. It's not necessarily in real time.
16 I guess I better talk about what real time is.

17 Maybe all of you know what real time is.
18 I'll just give you a quick definition. Real time is
19 an event that is sent back to the computer in the
20 time which is extremely close to when it happens, 2
21 seconds, 3 seconds, 4 seconds, maybe 8 seconds.

22 When you buy a Pennsylvania lottery ticket,
23 it's transacted back to Harrisburg in real time.
24 Batches, what we used to do in South Dakota because
25 we have no other alternative and got all of the

1 events and all of the amounts of money and if someone
2 opened the door at 1:00, we didn't know until 8:00.
3 That's the difference between real time and batch.

4 Currently does not remotely control/shut
5 down devices. Requires machines to be manually
6 inspected.

7 Central Control Systems were started 1989
8 in South Dakota because they said they could, the
9 state said we want to set up 7300 machines around the
10 state of South Dakota. If you know how big the state
11 of South Dakota is, it could take a day to drive
12 across the state.

13 It was a dial up. It was a back system,
14 but we could turn on and turn off the machines when
15 we wanted to. We could remotely check everything.
16 We have inspectors driving around the state. We
17 didn't have one on every corner, 7,009 people, that
18 is two times the size of Pennsylvania.

19 Oregon in 1995 was the first state to go
20 on-line, but then it wasn't until Oregon's Governor
21 came in and wanted a video lottery and said we want
22 every machine to be hooked up at all times in real
23 time. We did that.

24 Monitoring and live data received and
25 lottery moves to run the entire system themselves

1 including buying and repairing machines. I'm not
2 saying you should buy and repair machines. They ran
3 the whole thing themselves. Canadian provinces add
4 dial-up capabilities.

5 Central systems today. West Virginia, they
6 have on-line track venues and dial-up local
7 facilities, local systems as well.

8 In Rhode Island, it's on-line player
9 tracking system also at the track. Delaware, on-line
10 but local system as well. New Mexico, on-line but
11 local system as well. Maine, on-line but local
12 system as well.

13 Local system as well, what that means is
14 that means that the state is getting their data, the
15 local track could have their own computer.

16 It's kind of like cable TV coming into your
17 house and it gets split at the wall and I choose to
18 watch channel 9 and you watch channel 12.

19 If I want to split the data, it goes up in
20 two different systems. One system looks at all of
21 the data and maybe other system looks at other data.

22 It Australia, where we have an office, we
23 oversee a link of 110,000 machines in New South
24 Wales, you would know that as Sydney, Australia.
25 They have 110,000. Italy will have 200,000 machines

1 when that is complete and Sweden has about 25,000.

2 Most early systems came from lottery or
3 revenue departments. Why? Because the lottery was
4 very accustomed to accountability and manpower but
5 not security.

6 Video lottery systems became the precursor
7 to what we have today. Lotteries always had much
8 more experience in running central systems than
9 gaming companies because lotteries had to do it right
10 down to the penny where casino companies didn't have
11 to because they couldn't and pay tax on what they
12 were counting.

13 Telecommunications infrastructure was
14 already much better in a lottery. Lotteries are
15 familiar with remote checking of software over the
16 wire. Basically speaking, most lottery can check all
17 of the voice termination. I'm sure you can do that
18 here in Pennsylvania. So --

19 CHAIRMAN DECKER: Can I ask you a question?

20 MR. MAIDA: Yes, sir.

21 CHAIRMAN DECKER: I'm sorry to interrupt
22 you. Maybe I missed this or I'm confused. If you
23 had a central system, why would you have a local as
24 well?

25 MR. MAIDA: Great question. Great

1 question. The reason you would do that,
2 Mr. Chairman, is data coming out of the slot machines
3 is not only the accounting data of who won, how much,
4 how much the machine won but it also has player data.

5 James Maida walked up and he played \$50 and
6 lost 30 or lost 40. The state is also getting raw
7 data. All they're interested in how much each
8 machine won and how much the tax is so you could
9 figure out.

10 Do you know what the casinos are wanting to
11 know. Are my nickels better than my dimes and are my
12 dimes better than our 50 cents better at 3:00 in the
13 afternoon or 4 p.m. at night, but the central
14 computer system bought by the state would never hear
15 the data part.

16 I'm not sure the State of Pennsylvania
17 might want individual player data. I don't know what
18 your freedom of information act is.

19 CHAIRMAN DECKER: I'm sure we wouldn't want
20 to do that.

21 MR. MAIDA: Lottery is expert in designing
22 better, bulletproof systems that were accurate,
23 accountable, and auditable dating back to
24 multi-jurisdictional lotteries like Powerball and
25 wide on-line sales.

1 Lotteries are interested in finding
2 technological solutions to manpower costs. They were
3 the first to implement the ticketing validation.

4 Let's talk about what the disadvantages was
5 in the 1990s and that goes back to the Chairman's
6 first question he asked me.

7 Machines by definition had to use
8 proprietary protocols. Therefore, the machines were
9 limited because not all new machines installed in
10 Nevada and New Jersey could hook up to this.

11 Special software has to be made in Delaware
12 and West Virginia and other places so that the
13 machines could talk. What did that cost? That cost
14 machines that cost more money.

15 So you would buy machines and you have to
16 wait for them to be produced by the supplier. They
17 were great machines but then you couldn't upgrade the
18 central system because the protocol was that one off
19 Mandarin when everybody else in the world was
20 speaking English and Japanese -- English and German
21 and whatnot.

22 However, that has now gone away. The
23 lotteries are moved to something called SAS. SAS is
24 95 percent of all machines in the United States speak
25 SAS.

1 So if you hear the word SAS, think of it as
2 the word English. English is a language. That's
3 what it is. 95 percent of the machines speak it and
4 now in New Mexico as of November 15th, the machines
5 in New Mexico are now beginning to speak SAS, so that
6 every machine that you see in Nevada or New Jersey or
7 on a river boat or in Louisiana or on any Indian
8 reservation can be taken out to New Mexico and it
9 speaks the same language as SAS so it can go right
10 on. There is no special development no longer needed
11 for lotteries.

12 Obviously, if you have specialized
13 protocols or proprietary protocols, that leads to not
14 all machines being available in your market and leads
15 to decreased revenue. The operator doesn't make the
16 money the operator wants to make and the taxes
17 assessment -- or your tax revenue goes down.

18 Futures of Central Control Monitoring
19 System, I'll try to go through these but stop me if
20 you have questions.

21 Monitors all doors, coin and bill jams,
22 hopper or printer errors. Coin and bills, doors, and
23 hopper or printers is where you have the most
24 cheating. That's why they are most important.

25 Every coin acceptor, every bill acceptor

1 can be compromised. Every door can be ripped open.
2 There's no door that can be impermeable. It is being
3 ripped open. A lock is only as good as the lock.

4 We also can figure out there's
5 communication failures, when the machine stops
6 communicating for up to a certain amount of period.
7 We shut the machine down because you know what, if we
8 can't talk to it, it can't talk to us and we don't
9 know if someone is tampering with it.

10 We also monitor internal game failure.
11 EPROM signature, EPROM is a fancy word for chip. If
12 you see the word EPROM, just think computer chip and
13 signature is -- that's where we're checking the stuff
14 to make sure that the right software is there and
15 it's not the wrong thing.

16 Ability to set specific security levels and
17 actions. The machine access rights are controlled by
18 the state, so only state employees or the Board or
19 whoever you designate can shut machines down. They
20 just can't be shut down by anybody who shows up with
21 a laptop and starts typing in whatever they want.

22 System access and functions are restricted
23 and controlled by the state. Security breach or
24 significant event notification is controlled by the
25 state with automatic real time system response.

1 Ability to track and monitor both routine
2 repair maintenance operations and potential security
3 breeches or potential cheating. That's what we get
4 from the Central Monitoring System.

5 Accountability, complete meter information
6 in real time from every machine. I know how much
7 money went in, how much money went out, how many
8 credits were played, and how many were won, jackpots
9 and paid bonuses, the number of games won, the number
10 of games played, and the number of times the door was
11 opened.

12 By the way we only listed ten. The SAS
13 protocol is more than 300 events and you get all of
14 those set up to you. Then when the data comes up,
15 you decide what you want to do with it. I want to
16 look at this data. I don't want to look at this
17 data. I don't want to look at the player tracking
18 data. Whatever you want to look at, you look at.
19 The best thing is you take all of the data and put it
20 in a data warehouse. If anybody doesn't know what
21 that is, that's a separate computer where you take
22 all of the data and you do queries off line. So you
23 don't slow down.

24 Data warehousing you use a Structure
25 Security Language Tool. You can go in and ask how

1 many machines made this much money after this amount
2 of time, you know, on Saturday between 8 and 11 on
3 any particular cart.

4 Audit trail of all financial
5 reconciliations and the alibility to produce
6 individual invoices should the state want to produce
7 invoices to the operators before they are taxed to an
8 EFT transfer, the central system does that.

9 Internal reconciliation and meter integrity
10 checking. Basically, if somebody gets too many
11 credits, it will shut down and notify the console
12 that the machine is shut down.

13 Integrity. Remote validation of all gaming
14 machines connected to the system. No machines can be
15 played prior to enrollment and integrity
16 verification.

17 It has to go through a complete integrity
18 of the chips and the software and the hardware.
19 Every time the door is open, the logic door is open,
20 you can set the computer to recheck it again. So you
21 can set when you want to check it.

22 Most states check every machine overnight.
23 If they are a 24-hour, they send the machines out
24 when the machines respond usually in about 25 to 30
25 seconds and then there's a running log. That data is

1 available at the track. It's available at the
2 central computer. It can be available at the Board
3 office. It can be available at the State Police
4 headquarters, anywhere you have a terminal where you
5 have the --

6 CHAIRMAN DECKER: Can I monitor my
7 children? I'm sorry. Joking. I'm saying, can I
8 monitor --

9 MR. MAIDA: My son wants to know if I'm
10 looking at his e-mail, which I tell him no.

11 BOARD MEMBER MARSHALL: Are you telling him
12 the truth?

13 MR. MAIDA: I will say that I'm not
14 suggesting that all of the data is reviewed all of
15 the time by people sitting in a computer room, but
16 I'm saying that you can set up any filter on any of
17 these systems and look at what you want to look at.

18 The best thing is before you had to drive
19 to the lottery headquarters and sit at their
20 terminal. Now, with the Internet and TCIP, which is
21 Internet protocol, you can sit anywhere and log into
22 a system and get the report.

23 If you want to have it in your office,
24 Mr. Chairman, and Secretary Fajt wants to have it at
25 his office or every track, you only get to see the

1 data that you're supposed to see.

2 If you don't want to see player transaction
3 data, you won't see it. If you don't want to see
4 what the EPROM signatures are, they won't see it
5 either.

6 Daily reports, log files showing all
7 configuration changes or data warehousing, I already
8 covered that.

9 Late 1990s, we already talked about the
10 lottery world and the gaming world. Today, through a
11 process of five years the worlds are the same.

12 The late 1990s track already started. It's
13 a land base as well. Tracks expanded from a few
14 number of machines to more than 2,000.

15 Tracks introduce their own central system
16 for progressives, bonusing, promotions, player
17 tracking systems, and analytical marketing.

18 Before the state was the only one that had
19 a system and the track didn't do any marketing. They
20 had no idea what was good and what was bad. Tracks
21 want the latest games available in Nevada and New
22 Jersey, and they're free to do so.

23 Lotteries drop the idea of video in video
24 lottery. When you go to Delaware, what you see is a
25 spinning wheel slot machine, so video and video

1 lottery.

2 Casinos want to meet the lottery world.
3 Casinos bite the bullet. They need this. Why?
4 Because system uptime is now mandatory because
5 cashless and TITO is implemented and if any player is
6 putting in -- how many people go up to a Coke machine
7 -- I don't want to be -- or a Pepsi machine -- a
8 vending machine and you can't get the dollar in and
9 you keep putting it in, how angry do you get?

10 Can you imagine if that was a \$50 ticket
11 and you couldn't get it redeemed? The operator said,
12 we need to make sure these systems are always on and
13 always perfect.

14 If they're not always on and not always
15 perfect, cashless wagering, how can you get your
16 account balance? Come back tomorrow, come back next
17 week. What happens is a player wants to know how
18 much is in my account and how do I get in there?

19 Casinos had to rethink deployment for
20 manual functions. So as the lottery gets all of this
21 functionality of remote control casinos and casino
22 regulators, some of this automatic stuff is pretty
23 good.

24 Regulators are relying on local systems
25 because certain revenue can't be seen touched and

1 counted. I talked about that before. As things
2 can't be seen touched and counted, we need to get
3 smarter or better.

4 Casinos begin to merge causing companies to
5 have casinos in the far reaches of the world, MGM
6 Mirage is merging to Caesars and Harrods is merging.
7 When you go to any one of those, you go to the same
8 system. You need a bullet proof system.

9 Racinos are more likely to be owned and
10 operated solely by large casino operators instead of
11 states. Operators understand the need for state
12 regulators to centrally monitor and have control over
13 the gaming devices.

14 State regulators understand that the
15 proprietary protocols may not be the best way to go
16 since it limits the sharing of data and the types of
17 machines that casinos have.

18 State regulators understand that the
19 operators have the expertise to know what their
20 players want and to meet those goals without
21 unnecessary regulation.

22 The operators agree that the time has come
23 that they use the required heightened technology so
24 that the regulators from the lotteries do their job
25 most effectively and efficiently.

1 Both sides said we should get together and
2 stop fighting. We should have our own system as well
3 so we can do our marketing and check the state if
4 that's what they want to do. They can have the same
5 system if they talk the same data and you can get the
6 same machines.

7 Operators want to make sure the state
8 system is accurate, computed directly from the data
9 and the state's count is the official count now
10 subject to audit.

11 Operators want to cater to customers and
12 give them the full experience. Operators want to be
13 the first line of defense against cheating, tampering
14 and illegal activity but recognize regulators role in
15 monitoring.

16 The operators must agree to strict
17 adherence to internal controls and operators also
18 agree to have united people to over oversee audits
19 and accounts and whatever that would be.

20 Operators also want to analyze data in the
21 data warehouse for marketing purposes and analyze how
22 they can be more profitable and the regulators now
23 want to do this as well to help in regulation who
24 don't want certain information.

25 Midnight floor changes became the norm

1 because of electronic signatures. No longer do
2 regulators have to get up in the middle of the night
3 and change out 100 EPROMs between 2 and 5 a.m. and
4 guess what, every operator doesn't want to have their
5 games changed out when everybody is on the floor on
6 Saturday night. So it necessarily requires off time.

7 Central system uses wide open protocols so
8 that the future system changes and upgrades are
9 easier. It goes back to the Chairman's first
10 question.

11 New approach will allow for any type games
12 to be added now and the future. It will all be for a
13 central point of statewide accounting. It will be
14 regulators in controlling approved versus
15 non-approved gaming devices and components.

16 It will give state regulators an accurate
17 picture of accounting and security statewide on a
18 real time basis.

19 Now, those are the slides. I know I went
20 through those pretty quickly. I just want to finish
21 by saying a few things.

22 Camera coverage. Cameras can be hooked to
23 the on-line system at the casino. I'm going to go
24 through these charts in just a second.

25 When a door opens, the data from that door

1 opening event is sent to the camera and the camera
2 can actually pan and tilt on that machine.

3 We're not only using the data from the
4 machine for accounting and security and for
5 marketing, but we're also able to do it for security
6 purposes as well.

7 I am going to show you two slides here at
8 the end. I'm not sure how this is put together. So
9 just give me a moment. I'm going to try this again.

10 The first drawing is some stick network to
11 -- apology. I'm not going to make network experts
12 out of everybody.

13 It shows you what I was talking about, how
14 the two worlds have met. It's drawing right now for
15 you.

16 On the left side is the Central
17 Pennsylvania Control Board server. Down at the
18 bottom of the drawings are little -- are my ideas of
19 slot machines.

20 As it draws here, this is what we call a
21 two-wire approach or two-port approach. The left
22 side is the Pennsylvania system. All of the machines
23 are hooked to a collector. There might be 32 or 50
24 or 82 machines to a collector.

25 They communicate over the red line, which

1 is probably a SAS-type protocol, an open type of
2 protocol that everybody knows and expects or Bob or
3 something that the GSA group is coming up with to
4 standardized.

5 From the collector on up, it is your
6 central systems vendors, whoever is chosen. It's
7 their system. So the data is sent back in a
8 proprietary way, first to a server usually at the
9 site and then is sent over Internet or leased lines
10 in an encrypted matter so that no one can read it and
11 it comes into the Pennsylvania Control Board server.
12 All of those messages that I told you comes
13 streaming, and you would produce the left side of
14 this on every track or every venue that you have.
15 Again, we don't want to store all of the data and all
16 of the transactions because if you did, that you
17 would really need a big computer. We off-load the
18 data so we don't net grade our performance.

19 On the right side is what I call the
20 vendors or the operator, the casino's data is sent
21 over to collectors, an accounting server. He's doing
22 promotions. He's doing player tracking. He's doing
23 bonus. He's also doing surveillance. So all of the
24 data goes two places.

25 The right side is duplicate data that

1 wasn't on the left side so the state still has it,
2 but on the right we have all of the other things that
3 the state is really interested in, bonusing,
4 promotion, and things like that.

5 Look at the top, all of the data can go out
6 over systems and lease lines and goes to the major
7 corporations headquarters so they can push a button
8 every morning and know how their facility did in
9 Pennsylvania, how did their facility do in Illinois,
10 how did it do on the Nevada strip, and how did they
11 do in New Jersey and so forth and so on.

12 I'm going to attempt to go forward. This
13 is going to be the same drawing. I know it's drawing
14 slowly for the people out in the audience. This is
15 going to be the same drawing with a little bit of a
16 change.

17 Same boxes except for there's only one wire
18 and one port coming out of the machine. Why is that?
19 Because once the data gets to that computer server
20 that you see in the middle of the right-hand side, it
21 implements with STS type protocol.

22 I don't want to bore you with the technical
23 details, but it is a protocol that allows it speak
24 together. It is an open protocol. So instead of
25 wiring to two systems, I send all of the data into

1 the main -- it's like that cable TV things I
2 explained. The data goes one way, the data goes the
3 other, and it's equal data and shared equally.

4 If the state wants to filter if you get the
5 data, you have to disclose it. The state can only
6 choose to have certain data sent up to it and through
7 the cloud as we call the Internet lease lines.

8 So here it's one wire, one port to every
9 machine. Everybody gets the data. Everybody should
10 be happy.

11 At the bottom, you see these red lines,
12 again, the SAS protocol. We can take machines off
13 the floor in any casino and it's no longer
14 proprietary that special machines have to be made.

15 My last was slide and then I'll continue
16 with some final remarks. New Mexico Gaming Board
17 adds SAS protocol support so that any device can now
18 be approved and attached. New Mexico also allows for
19 casinos to have their on system.

20 The Atlantic Lottery Corporation will be
21 announcing that they will be moving towards an SAS
22 protocol. Atlantic Lottery Corporation for those of
23 you who don't know where that is, that's the four
24 eastern provinces in Canada; Prince Edwards Island,
25 Newfoundland, New Brunswick and Prince Edwards

1 Island.

2 West Virginia begins to talk about moving
3 to open protocol so that machines do not become
4 outdated and can be upgraded.

5 Maine right now is in a procurement process
6 which we're the advisor to, but we're not scoring to
7 allow for statewide central system to be operated by
8 vendor with a local track having their system and
9 RFP.

10 And the law requires -- the law in Maine
11 says you shall not put a machine -- the state may not
12 buy a central system that restricts which machines
13 can go on it. That's the law in Maine so that
14 requires an open protocol so that everybody can
15 participate.

16 Delaware allows casinos to have their own
17 system for accounting and player tracking and they
18 are now testing implementation of SAS as well.

19 This year, you'll see the introduction of
20 something called BOB and super SAS. I don't want to
21 bore you with the details.

22 Those wires I saw on the diagram are serial
23 communications. Now, we are going to be plugging
24 Ethernet ports into every device. So we talk out of
25 a gaming device just like you talk out of the back of

1 each of your PCs.

2 Right now, we can only talk serial about
3 19,200 BOD. You want to know how fast that is.
4 That's about as -- one quarter as a commercial modem
5 -- 25 percent as fast as a commercial modem that you
6 can go out and buy.

7 So we are now going to have Ethernet
8 installed on all of the machines and we're going to
9 be able to talk very fast and get a lot of data out
10 of the machines.

11 I will just end by saying two things that I
12 just want to give you final thoughts and I heard
13 people talk this morning.

14 Two things they thought. We Lehigh -- I'm
15 a Lehigh engineer and I guess they're now called
16 Mountain Hawk and we'll get over that, but I can tell
17 you there are really two actions that they taught me
18 at Lehigh when I graduated in 1985.

19 First, virtually, everything is possible.
20 If someone says to you, we can't do this or that
21 can't be done or that can't happen, it might not be
22 able to be done today but wait six months and it will
23 probably be able to be done. Technology, any
24 solution is possible you just have to work at it.

25 The second thing that they taught us at

1 Lehigh is nothing is easy because if someone comes to
2 you and says, I have a real easy solution for you,
3 what they taught us is, that if it's easy, it
4 probably won't work well in every situation.

5 The Gaming Board and the Department of
6 Revenue can't take a chance that is not going to work
7 well in certain circumstances. It has to be on 99.99
8 percent of the time, and it has to be bullet proof.

9 So again, people might come to you and say,
10 you should pick my product because that can't be
11 done, pick my product. I say everything can be done;
12 and second, nothing is easy because if it was, it
13 probably won't work right.

14 With that, I will take any questions that
15 you have. I apologize for speaking fast but I know
16 I'm over time.

17 If you have questions about Central System
18 Technology or what we're doing in other states, I'm
19 available to answer any questions that you might
20 have.

21 CHAIRMAN DECKER: Questions from anyone?
22 Does that mean he understands it fully or we don't
23 understand anything?

24 MR. MAIDA: It means it's your first day on
25 the job, Mr. Chairman, and you just had lunch just

1 before I did this.

2 CHAIRMAN DECKER: Go ahead, Mr. Marshall.

3 BOARD MEMBER MARSHALL: James, from your
4 perspective, what does the world look like five years
5 from now?

6 MR. MAIDA: You know, they always ask me
7 that question. Let me just tell you how we see it
8 going.

9 We see that every machine -- we see open
10 protocol five years from now. We see that this SAS
11 business moving towards this BOB is very -- going to
12 happen.

13 We see that we're going to be using a
14 language called XML. For those of you who don't know
15 it, it's like HTML, web page type of language; but
16 it's open and easy and it looks like English, and
17 everybody can communicate with XML so there will be
18 no barriers to entry between communications.

19 We see every machine will be hooked by an
20 Ethernet cord. It doesn't matter where you are as a
21 Gaming Control Board Member, you'll be able to plug
22 your laptop in and get on a secure tunnel, log in,
23 and be able to see what you need to see.

24 We do through -- a lot of people might say
25 that all of the machines will look the same and will

1 use a Central Determination System or we'll download
2 new games.

3 And yes, while downloading of games is
4 coming, the problem with downloading that still needs
5 to be overcome, that everybody is working hard on
6 both the regulators and the suppliers; one, the
7 regulators are concerned about if you can download
8 games, we need to make sure it's secured so people
9 can't change games in the middle. Can you imagine a
10 patron thinking he was winning and then a game
11 changed? That's the first thing.

12 The second thing is when you start
13 downloading games, all of the machines start looking
14 the same because you don't know what you're going to
15 download in the future on the game.

16 If you've ever been to a casino, so much of
17 the casino is about the decoration and the signage
18 and the colors and Men in Black.

19 You can't put a red, white, and blue game
20 on Men in Black. With all that, the dog and the Will
21 Smith thing, it won't make any sense.

22 So while the downloadable games is coming,
23 we don't quite know what that's going to look like.
24 What I would suggest is that you buy an open system,
25 that the protocols are open, that the operators can

1 get the same data stream that the casino can get so
2 that the casinos can't complain. The regulators
3 can't complain. I think they're entitled to all of
4 the best games in the world and not a small set of
5 proprietary games.

6 BOARD MEMBER MARSHALL: In healthcare, we
7 went from sort of a world where overnight it went
8 from the future in a Jules Vern novel and everything
9 is in place. It's how you deploy it.

10 What I wrestle with is the real technology
11 or the ultimate technology, is our issue one of
12 waiting or is our issue one of deploying it and does
13 it exist right now?

14 MR. MAIDA: I believe in the last two
15 years, we have come so far I would have no
16 reservations. My client, the state of Maine, the
17 Gaming Control Board just like you is implementing
18 it. Everybody is moving towards the SAS, the BOB,
19 the open protocol that's changing that front piece.

20 If you wait for the perfect storm or the
21 perfect cloud, you know, it's like buying an MP-3
22 player, my child doesn't want it anymore. He wants
23 an Ipod.

24 So if we wait forever, we might wait
25 forever. I think we're in a pretty good spot right

1 now.

2 If you were three or four years ago, I
3 would probably have to tell you, you got to head your
4 bet, you have to buy something but you really got to
5 upgrade but where we are today is a much better spot,
6 I think.

7 Again, I can't set your time frame but in
8 the next six months, I think you'll even see better
9 stuff coming down the line.

10 BOARD MEMBER COY: Mr. Chairman? Let me
11 ask a non-SAS and a non-BOB question.

12 MR. MAIDA: No problem.

13 BOARD MEMBER COY: Just a plain comment on
14 what the market is dictating today. I hear different
15 versions of this.

16 Are players looking to play more with coins
17 or are they looking to play with a cashless system?
18 Can you talk about that a little bit?

19 MR. MAIDA: Member Coy, I think that's a
20 good question. Really, the answer to that question
21 is, and I don't mean to answer your question with a
22 question, that would be disrespectful. But I think
23 it depends on where you are.

24 If you go to Nevada and go to New Jersey,
25 people have been playing with coins forever. So the

1 ticketing is not a big deal for them but there are
2 people that never -- the idea of a slot machine and
3 you can see my picture, it's a square box with a
4 handle that you put coins in and coins come out.

5 My grandmother -- my wife's grandmother
6 lives in Northampton, Pennsylvania. That's what she
7 plays. She doesn't know what all the -- I don't know
8 about this ticket thing. What's going to happen when
9 I get a ticket.

10 So I think the question is, as we move
11 along, people get used to technology. Younger people
12 will play and they will say, no problem. I buy stuff
13 over the Internet.

14 I remember people said, they'll never buy
15 it over the Internet. They buy it over the Internet.
16 It's about making people feel comfortable.

17 I will say that going forward, machines
18 will have coin acceptors, bill acceptors, ticket
19 acceptors. They have it all because they're just
20 little slots.

21 If you've bought an HP printer lately, you
22 can plug in six ways of your memory card from your
23 camera and get it to print out. They don't just give
24 you one adapter. They give you six ways of doing it.
25 That's how I think the progress will be going until

1 there's a clear winner. I don't know where that
2 clear winner is.

3 BOARD MEMBER COY: Do you think it's moving
4 in the direction of cashless?

5 MR. MAIDA: Yes, and I'll tell you why.
6 It's too hard to touch it, feel it, circle it, count
7 it, and store it. And people are going away from
8 coins.

9 I'm not suggesting that you will here in
10 Pennsylvania because coins are dirty. Coins are
11 heavy. Coins are hard to count. Coins are hard to
12 store.

13 Bills are easier. Cashless wagering,
14 electronic transactions, I can tell you and I don't
15 know the lottery -- I do some work here for the
16 lottery, but I bet they balance that system right
17 down to the penny every night.

18 Okay. You can do that. You know how you
19 count coins, you either count them through a counter
20 or you weigh them. There are associated errors with
21 that.

22 But with a transaction that is encrypted,
23 with triple encryption on both sides and a signature
24 of that transaction if it gets lost, it gets resent,
25 is 99.9999 repeating. That's where I think we're

1 going. It's too hard to count and circle and touch
2 and store it.

3 BOARD MEMBER RIVERS: Mr. Chairman?

4 CHAIRMAN DECKER: Please.

5 BOARD MEMBER RIVERS: Jim, would you talk
6 about the fire walls and the extent of just how
7 secure are the systems themselves, because I know
8 there are a lot of people that will be concerned
9 about information. I would just like to hear some of
10 those --

11 MR. MAIDA: Member Rivers, I think that one
12 of the questions -- first of all, I would feel
13 uncomfortable telling you all of the security put in
14 place because that's part of the security.

15 I can say that the fire walls that are in
16 place, we use things like Sha 1, which is a private
17 key, public key encryption between two points where
18 the key is never shared over the line that that data
19 passes.

20 Most people get hacked, it's because the
21 key, the encryption key like WEP encryption, if you
22 guys have wireless systems at home, they use a WEP
23 encryption.

24 The problem with WEP is that the encryption
25 key is part of the packet. If you can dissect the

1 packet and figure out the encryption key, you can
2 work backwards and break the system. If you have the
3 keys on either side and they're locked down, then you
4 can't beat the system.

5 Security of the data, I don't worry about
6 because we have fire walls in place. That's part of
7 what you'll test. That's part of what the DOR will
8 test to make sure all of those are -- and as viruses
9 come up and fire wall penetrations happen, we have to
10 stay on top of it.

11 Our new cheater is not the guy walking on
12 the floor trying to figure out how to get \$5 bill out
13 of a machine. It's some slot attendant or somebody
14 on the casino floor that is trying to figure out how
15 to empty your account and put it from his account so
16 you can get it later.

17 Password control, password protection,
18 password encryption, and watching who has the
19 passwords and following, the most important thing,
20 internal controls and I'm sure you'll hear a lot
21 about internal controls as you go down your path that
22 you're on today, but internal controls is the whole
23 ball game. If you don't have them, you're going to
24 have a security problem.

25 CHAIRMAN DECKER: We're going to hear more

1 about that.

2 MR. MAIDA: I know.

3 CHAIRMAN DECKER: I'm curious. How do you
4 surveil that? I mean, you're saying you have to
5 watch for this sophisticated computer expert now.

6 MR. MAIDA: You have to do two things.
7 That's why you do need people on the ground and feet
8 on the ground and look at cameras and see who is
9 going into the computer room. Have you done a
10 background investigation of everybody in the computer
11 room?

12 Have you -- if you have an open Ethernet
13 jack on the wall behind a plant in the casino, is
14 that live? We have basically in the last three
15 weeks, we have walked into the casino at the casino's
16 request, plugged into the wall, and hacked onto their
17 system because somebody left a port open on the wall.

18 These are kinds of surveillance.
19 Surveillance is still needed. It's not just machine
20 surveillance. It's the surveillance -- the whole
21 property surveillance.

22 BOARD MEMBER MARSHALL: There are many
23 things expected of us under the Act and we have to
24 certainly deal -- put together a system that is
25 credible, secure, and appropriate, all of those

1 things.

2 But one of the clear expectations is to
3 generate funds ultimately for the Commonwealth. How
4 do we make sure that we have the proper advice with
5 respect to the technology that will be the most, I
6 guess, attractive to the consumer?

7 At the end of the day, I think our
8 expectations are around a billion dollars. So we
9 have to make sure these things work and we get our
10 share of the business. Is that you?

11 MR. MAIDA: What I think what you need to
12 do is -- I know the Department of Revenue, I believe,
13 under the Act, I'm not a legal expert. I'm a lawyer
14 but not here in that capacity today.

15 I think the Department of Revenue and the
16 Gaming Board have to be very comfortable that their
17 system will do everything it can. We also have to
18 make sure on that diagram that that first level of
19 protocol is open and fair and everybody can compete.

20 Then I think the operators need to be the
21 ones that buy the machines because where a Gaming
22 Board tells an operator, you can only have nickels,
23 you can only have quarters, and you can only have \$5
24 games on Saturday night, I think what happens is the
25 operators are so much smarter -- I don't mean -- at

1 running casinos than me or any Gaming Board member I
2 ever met.

3 They've looked at the data. They have
4 whole teams of people that crunch data and tell them
5 what is good and what is not good.

6 What I would do if I were here is I would
7 say open protocol, open central system, allow any
8 machine to hook to it as long as you background to
9 that vendor and you did all of those things.

10 Everything needs to be properly tested.
11 Everything needs to be properly secured. I will say
12 that we now no longer -- the emphasis is up front.
13 You have to test the central system. You have to
14 test the equipment and have to make sure everything
15 is 100 percent perfect.

16 If you skip up front, you'll have problems
17 on the back end because it's high tech now. It's not
18 low tech with guys with wires and strings.

19 BOARD MEMBER MARSHALL: Thank you.

20 MR. MAIDA: But let the operators make
21 their choice on what they want to buy. Let the
22 computer system be receptive.

23 BOARD MEMBER MARSHALL: Thank you.

24 MR. MAIDA: Thank you.

25 CHAIRMAN DECKER: Thank you.

1 Any other questions?

2 Thank you.

3 MR. MAIDA: Thank you for allowing me to go
4 on.

5 CHAIRMAN DECKER: Thank you very much.
6 That was a terrific review. It really was a start in
7 the right direction for us up here.

8 MR. MAIDA: Thank you.

9 CHAIRMAN DECKER: I think it's a good time
10 to take a break. I don't know if we need a motion
11 but I'll consider it done and passed. Thank you.

12 (Break.)

13 CHAIRMAN DECKER: The meeting is called to
14 order. Let's see. Our next presenter is Curt
15 Haines, Deputy Secretary of Information Technology at
16 the DOR.

17 Curt spoke earlier to us. Curt, could you
18 come up and talk about the Central Control Computer,
19 please, and testing and certification of slot
20 machines? Thank you.

21 MR. HAINES: Thank you. Hello, again.
22 Obviously, James Maida, I think, did an excellent job
23 of explaining where the technology on slot gamings is
24 in 2004 and the details of what a Central Control
25 System can do.

1 What I would like to do is take my
2 presentation and explain to the Board and to the
3 public what the Department of Revenue has done over
4 the past few months to meet our obligations under Act
5 711, the Gaming Law, as well as supporting the Board
6 and ultimately support of the operators once they get
7 licensed and want to be in business.

8 Act 71 mandates the Department of Revenue
9 acquire and manage the Central Control Computer
10 System for slots operations in the state.

11 While this Gaming Law was debated for many
12 months in the Legislature, we, in Revenue, probably
13 saw 40 different drafts of the Legislation and were
14 asked to comment on them.

15 One thing that remained consistent in every
16 single draft we looked at was the intent of the
17 Legislature, and clearly supported by the Governor,
18 that Pennsylvania would be what is called a Central
19 Control State, that Pennsylvania would use modern
20 technology to help ensure the integrity of gaming in
21 Pennsylvania.

22 And while many other issues in that Bill
23 over those months changed and went back and forth,
24 every single draft that I looked at contained this
25 requirement that Pennsylvania would be a Central

1 Control State.

2 I'm going to get into a discussion later to
3 indicate just exactly what we have done over the past
4 few months.

5 These next few slides are verbatim what we
6 had told interested vendors who could indeed propose
7 and implement and help us manage a Central Control
8 System of this magnitude.

9 This is a cut and paste, if you would,
10 literally, from the documents that we provided to the
11 vendor who expressed an interest in this.

12 The system selected has to have the
13 capacity to support up to the maximum number of slot
14 machines allowed under the law, which as you heard
15 many times today is 61,000.

16 Well before that number would be reached,
17 Pennsylvania's Central Control System will be the
18 largest Central Control System in the world. That's
19 the magnitude of the volume and the complexities and
20 the challenges that lay ahead of implementing the
21 Central Control System.

22 We have to assure that all transactional
23 data from all operational slot machines is captured
24 and secured. James Maida, once again, did an
25 excellent job of detailing the up to 300 different

1 events that can and will occur at those slot
2 machines.

3 We have to be able to capture every one of
4 these events, if you would, to prove, disprove, and
5 do accurate accounting for the Commonwealth and all
6 of the funds that are dependent on this gaming
7 revenue.

8 You've also heard James talk about the use
9 of industry protocols and we have told the vendors
10 that we expect to utilize a very widely accepted
11 gaming industry protocol to facilitate the ability of
12 slot machine manufacturers to do business in
13 Pennsylvania.

14 We need to position the Board to ultimately
15 certify as wide of machines over the number of
16 manufacturers and types of machines as possible, and
17 we also by you doing that would permit the operators
18 to do their marketing, to maintain a competitive
19 advantage, or at least to remain competitive with
20 competing jurisdictions on slot machines. So that is
21 one of the most critical issues in our acquiring of
22 the Central Control System.

23 It has to have the ability to support
24 in-house and wide area progressive slot machines as
25 approved by the Board.

1 Obviously, these games are very popular,
2 increasing in popularity. The jurisdictions that we
3 had looked at all support it. So Pennsylvania has to
4 be able to support that concept and the Central
5 Computer System has to be able to support it.

6 The Central Computer System that we select
7 has to permit slot machine licensees to install
8 independent player tracking systems and cashless
9 technology sub-systems to support their operations.

10 Something that is extremely important is
11 that Act 71 actually prohibits the State Central
12 Control System from maintaining and acquiring and
13 collecting player tracking data.

14 So the operators obviously need this data
15 to determine, as James said, what machines are doing
16 well, what machines are doing poorly, who is playing
17 their machines, as far as performed customers and
18 bonus and incentives that they have with their
19 customers, but the state under the law is prohibited
20 from having that player tracking data.

21 We get all of the accounting data and
22 transaction data, but we are not permitted to know
23 who is playing that in any form of identification.
24 That is one of the things we are emphasizing to the
25 vendors proposed.

1 The Board sets those. Some of those are
2 set in the law in the floor payout schedules. The
3 Central Control System cannot alter that at all. It
4 can just record, monitor, and ultimately control
5 on/off of the machines, etc.

6 One of the biggest challenges to a system
7 of this magnitude is to provide near complete as
8 possible redundancy, so that each component of the
9 network will be capable of operating independently if
10 any one component of the system or the network fails,
11 including the central computer.

12 This is very similar to a banking ATM
13 network. At any one point in time at 14 sites, there
14 could be thousands of people playing slot machines.
15 If we would have a single point of failure in
16 anything on the state side, we obviously do not want
17 the operators to be out of business until we address
18 and get back on-line.

19 There's a couple of lines of defense to
20 prevent -- to guard against that. Also, even if the
21 central system would go down, integrity of gaming
22 operations has to be maintained.

23 The system will be extremely redundant. We
24 have emphasized that in our request for information
25 to the vendors. If a component of it, the system,

1 fails through a hardware failure, there has to be a
2 redundant hardware component that immediately kicks
3 in and continues the operation of the Central Control
4 System.

5 An interesting analogy here is if we elect
6 to go with the least lines to each of these 14
7 venues, redundancy says you have to have at least two
8 data communication circuits into each one of those
9 venues. If case one circuit goes down, you have the
10 other one to continuously give information to the
11 state.

12 Not only do you have to have that, you have
13 to track the routing of those data circuits, because
14 if those data circuits, for instance, originate at a
15 track in Erie and they take despaired routes through
16 the state but they come in through the same hub or
17 building in Harrisburg, that represents a single
18 point of failure that can be permitted.

19 So down to the individual data circuit
20 routes, we will be working with a vendor to make
21 certain that there are no single points of failure.

22 We learned -- I learned long ago in IT to
23 never say the word never. The systems will be
24 certified. You've heard the term before 99.99
25 percent availability.

1 If indeed they would fail, we don't want to
2 put the operator out of business; but we have to
3 maintain data integrity.

4 The ultimate solutions will be the slot
5 machines will continue to be operating, the data will
6 continue to be collected; and when we recover the
7 central system, all of the data that would have come
8 to the central system from that site would then be
9 uploaded to the system so that no loss of an
10 integrity occurred.

11 Once again, this is not reinventing any big
12 wheel in IT. It's just a very sophisticated network
13 with very sophisticated redundancy built into it that
14 has to be part of this Central Control System
15 deployment.

16 There's going to have to be a wide variety
17 of reports generated from the Central Control System.
18 We have identified a number of them. Obviously, the
19 accounting reports are very important to the state to
20 know how much of the gross revenues were on a
21 particular day, at a particular machine, so that the
22 state can accurately get the revenues that are
23 entitled to it under the Gaming Law.

24 Not only that, there is, I think, James had
25 indicated, there's also a wide variety of operational

1 reports, alert reports, violation reports.

2 If a machine gets opened, it's immediately
3 disabled but there's also a reporting technique or an
4 alert technique that somebody has to be notified to
5 take action.

6 So there are in most of these systems a
7 wide variety of what I will call canned management
8 reports that not only the Department of Revenue but
9 clearly, based on the content of those reports, the
10 Gaming Board employees, as you designate and permit
11 access to that, as well as the State Police for their
12 enforcement duties will have to have on-line access
13 and secure access to their specific reports that they
14 need.

15 Also, through the data warehousing
16 technique, what we call in IT ad hoc reports, if the
17 Board needs any information on activity at any one
18 site or any region, that data minding capability will
19 permit Revenue and the Board to extract -- and the
20 State Police to extract that information.

21 There's canned reports and ad hoc reports,
22 very important in this type of environment. The
23 caveat is it must address other requirements as
24 determined by the Department in consultation with the
25 Board.

1 We're certain that once we get up and
2 running, the Board is going to want to have issues,
3 we're going to want to see things, and we would hope
4 that the vendor needs to be flexible and help us
5 achieve goals of successful gaming in Pennsylvania.

6 One of the more unique aspects of the
7 Gaming Law is that it exempts the Department of
8 Revenue from what I would call the regular
9 Commonwealth procurement practice -- process for the
10 system.

11 The thinking there is on occasion, the
12 Commonwealth Procurement System can be very lengthy.
13 It appears the Legislature, and supported by the
14 Governor, did not want to jeopardize the successful
15 start-up of gaming in Pennsylvania, nor want to put
16 any time limitations or handcuffs, if you would, on
17 the Board for moving forward with gaming in
18 Pennsylvania.

19 So it expressly exempts the Department from
20 those normal Commonwealth procurement laws. At the
21 time, there was a lot of discussion as to what that
22 meant.

23 We heard rumors that Revenue has already
24 decided what company is going to get this. It's a
25 lock, etc. Nothing could be further from the truth.

1 In the years we've been researching these,
2 we had come to the conclusion that there are a number
3 of companies who can provide this system and manage
4 it for the Department and do it successfully.

5 Because of that, we decided in Revenue this
6 has to be a competitive process but a somewhat
7 streamline process, so we have at acquisition of the
8 system, if you would, out in front of the Board's
9 licensing determinations and the operators wanting to
10 be in business, because there will be obviously a
11 lead time from the time we select a system until they
12 can network it with the operators' environment and
13 get it functional.

14 So the whole effort of the Department has
15 been we have got to make this competitive, and we
16 have to keep it out in front of the Board's time
17 frame.

18 So what have we done? In early August, we
19 issued what we're calling a request for information.
20 We had up until that point received about 60
21 inquiries from companies who said, hey, I got a
22 system or I would like to participate in this as a
23 subcontractor. I have an interest in this, etc.

24 What we were doing up until the passage of
25 the Act was simply taking names and addresses and

1 e-mail accounts. We then decided that we were going
2 to go out into the marketplace and state that we
3 obviously are faced with this task. Is your company
4 in a position to help us solve this problem?

5 That's hence we call it a request for
6 information. We posted that announcement on the
7 Department's website. We also sent individual
8 e-mails to those 60 companies that had contacted us.

9 We got that information to the number of
10 lobbyists in town and Legislative staff, etc.,
11 basically saying, look to the Department's website.
12 We started this process.

13 We posted the original 27, 28 questions on
14 the website, posted what the process we're going to
15 use on the website so everyone in the public knows
16 that this is not wired to any particular vendor, that
17 it is indeed a competitive process within the
18 Department of Revenue.

19 We asked for initial responses in
20 mid-September. We got numerous vendors responded to
21 that initial request for information. They have been
22 responded -- I'm sorry. They have been evaluated by
23 a team of Revenue managers.

24 We decided that we needed another round of
25 information gathering. We went out with a second

1 request for detailed information back in early
2 November; and the second response including things
3 like cost proposals and analysis of their commitment
4 to the state's disadvantage business program in the
5 Commonwealth, those were due back by yesterday.

6 All of the companies that originally
7 responded did indeed respond to this second round.
8 If there's one thing, I think, that the executives of
9 the Department of Revenue want to convey to both the
10 Board and the public is that this is truly a
11 competitive process.

12 I have been, as I said earlier today, for a
13 lot of years in some major acquisitions of IT systems
14 in the Commonwealth.

15 We know based on the year of our research
16 that this is a fiercely competitive business for this
17 Central Control System.

18 We know there's a lot of interest in it.
19 We have done -- and I can assure the Board both
20 professionally and personally -- everything possible
21 to make certain that this process is above Board; and
22 in particular, no one vendor gets any additional
23 information that they all aren't privy to.

24 Shortly after the law passed, we
25 implemented, for lack of a better term, kind of a

1 cone of silence in the Department.

2 We basically stopped the dialogue with the
3 vendors and said, we're going to be entering this
4 process. It will be formal. You will get to ask
5 questions. They did. We posted them on the website,
6 and we have really, really been cautious more so than
7 any other acquisition that I have been involved in,
8 because if we even encounter a speed bump in this
9 process, it could impact the actions of the Board and
10 ultimately the operators in getting gaming up and
11 running in Pennsylvania.

12 To that end, we have -- and we've had a
13 couple of very innocent inquiries, how many bids did
14 you get? Who were they from, industry people, from
15 lobbyists?

16 We have stated, you know, it's in the
17 formal process. We are adhering to extreme
18 confidentiality. We have told them that we're not
19 going to discuss any information and they have been
20 very receptive to that because if, as I said, the big
21 fear is one of these competing vendors gets
22 information that somebody else doesn't have, could
23 give them the competitive advantage and nobody wants
24 or needs that.

25 As far as the future time line, our plan is

1 an aggressive one based on the literally yard of
2 paper now sitting on my desk in proposals.

3 Myself and the other Revenue evaluators,
4 there's a team of Revenue managers have been educated
5 in these matters and are assisting in the evaluation,
6 which will lead to a formal recommendation to
7 Secretary Fajt.

8 It's aggressive, but we're still hoping to
9 get a recommendation to the Secretary by the end of
10 January, that we have evaluated these proposals, that
11 we have concurrence among the group that there is a
12 strong technical leader, as well as cost, as well as
13 commitment to the disadvantaged business environment
14 in Pennsylvania.

15 At that point, we would enter into formal
16 contract negotiations with that indicated vendor; and
17 as a veteran of these, they sometimes go very well.
18 They sometimes drag out. So we won't know what we're
19 getting into timewise there until we actually sit
20 down and begin that contract negotiations.

21 What we will know and what is good to know
22 is that both sides of that negotiating table will
23 know that we have to get this done to support the
24 Gaming Board and the operators.

25 We can't elongate this. There will be

1 common interest at that negotiating table to get the
2 contract bracket up, so that we are in a position to
3 support the Board when you get into your licensing of
4 operators and also begin working with those operators
5 who do get licensed for slots in Pennsylvania.

6 In this effort, there's been some major
7 issues that even though the Gaming Law indicates that
8 the Department can go out and choose this, we realize
9 we can't do it in a vacuum without consultation and
10 input with the board.

11 Classic example is this whole issue of
12 cashless or will the Board permit a hybrid of cash,
13 ticket in ticket out, smart cards.

14 Ultimately, we're going to have to select a
15 system and work with a vendor to make certain that
16 your regulatory philosophy is implemented in that
17 system, as well as that system is capable of
18 implementing the regulatory philosophy that the Board
19 would want to pursue.

20 The big issue as you have heard from James
21 Maida is the selection of the communication protocol.
22 You know by now that it's an electronic language used
23 to communicate transaction and event history from the
24 individual machines in the central system.

25 You know by now that historically most slot

1 manufacturers develop their own language and that
2 made up roadblocks for these manufacturers to
3 deploying their system in the widest number of
4 casinos as possible.

5 The industry saw this as a problem several
6 years ago and have been working in consortiums and
7 the Gaming Standards Association to develop an
8 industry standard protocol.

9 Like everything else in this business, it's
10 very competitive and has been at times contentious,
11 and Revenue has been educating itself and on the
12 fringes of that very interesting development of
13 industry standards.

14 James had indicated that the year 2005 will
15 be a very interesting year, and we based on our
16 research agree with that; but we don't know when in
17 2005 the industry may evolve into a true common
18 standard.

19 We don't know -- we can't guarantee that it
20 will in 2005, although I think everybody at this
21 point is encouraged that it will.

22 So what we have to do to deploy --
23 initially deploy a protocol that will permit the
24 Board to certify, as I said earlier, the widest
25 variety of slot manufacturers as you deem necessary.

1 There are protocols on the market now that
2 will go a long way to permitting that. We are asking
3 the vendors in this last iteration of questions if we
4 choose one of those industry standards now, we will
5 commit -- I'm sorry -- not industry standard, a
6 proprietary protocol now because we will probably
7 have to. Nonetheless, it will still give a wide
8 variety of machines to the operators.

9 When we ultimately decide to go to an
10 industry standard when it gets here, we are seeking
11 information from the vendors to assure us that that
12 transition will be possible and that it won't
13 negatively impact the operators nor the operation of
14 the Central Control System. And believe me, I'm not
15 saying we wish it would; but if this process were a
16 year down the road, I think we would be in a position
17 to mandate an industry standard. I think James would
18 probably agree to that; but right at this point,
19 we're not in the position to mandate.

20 There will probably be a transition from a
21 widely accepted one to the industry standard when it
22 is available. That's one of the challenges that we,
23 in Revenue, and a successful vendor will have to
24 manage.

25 Also Act 71 because the protocol issue is

1 so big, Act 71 also mandates that the Department
2 establish a protocol comment period whereby industry
3 leaders and operators can comment. Once we announce
4 the selected vendor and once we announce what the
5 protocol will be, they will have a formal period of
6 time where they can offer comments to make sure we
7 haven't looked over anything and that we haven't made
8 a mistake.

9 We may or may not agree with what their
10 comment is but nonetheless, we will establish that
11 formal comment period with all of the interested
12 vendors.

13 So that's where we are relative to the
14 acquisition. We're hoping, once again, by the end of
15 January to be comfortable in one of these vendors
16 moving forward in the contract negotiations.

17 The last thing -- any questions on the
18 process, where we're at?

19 BOARD MEMBER CONABOY: Curt, so the
20 selection in the final awarding of the contract,
21 that's totally within the Department of Revenue's
22 jurisdiction?

23 MR. HAINES: Under the Act, yes. And what
24 the evaluation team will do is get to the point where
25 we will make the formal recommendation to Secretary

1 Fajt; and knowing him as I do, we will get a lot of
2 questions and assure him that it was a good business
3 decision and it was competitive.

4 We are documenting everything we're doing
5 as an evaluation committee so that he could be
6 comfortable, and ultimately the Board could be
7 comfortable that this information is -- that it was
8 -- the decision was above reproach.

9 Now, that said, I can't imagine that -- of
10 course, I'm speaking now for the Secretary, but I
11 can't imagine as a member of the Board that that
12 issue will not be discussed with Board Members.

13 It's too big an issue, I think, to just
14 announce it. As I said earlier, we will need some of
15 your philosophy and make certain the system selected
16 will indeed satisfy the direction you want to take
17 gaming.

18 BOARD MEMBER COY: Curt, I have a question
19 about the technology of the computer in general and
20 ask the question in terms of whether this is an
21 industry wide and whether every sort of computer has
22 this capability and whether certain ones do; and that
23 is, in terms of tracking unpaid or unclaimed winnings
24 in particular with the cashless system.

25 MR. HAINES: Okay. Very interesting

1 question. We kind of got an education on that in our
2 research. It was never an issue with cash.

3 Okay. But with the advent of ticket in
4 ticket out, there were instances where a player would
5 get a 20, 30, \$40 ticket out, leave the premises, not
6 return to the casino, vanish, die, whatever, and
7 there is a credit there and the issue that came up
8 state by state is who owns that?

9 Is it the property of the casino? Is it
10 under the state's Escheats Act ultimately turned over
11 to the state as an unclaimed property? That's one of
12 the issues, I believe, the management team of Revenue
13 has identified to the Board as an issue that needs to
14 be resolved.

15 Some states it remains the property of the
16 operator. Some believe -- we believe it goes to the
17 Escheats provision of their state statute.

18 We have been advised it's a surprising
19 amount of money of ticket in ticket out. Even if
20 it's a dollar here, \$2 there, it adds up with the
21 volume of play. It can end up being a substantial
22 amount of money. That's one of the issues we feel
23 the Board is going to have to tackle.

24 BOARD MEMBER COY: And unless there's a way
25 to track it, it would certainly adversely affect the

1 bottom line to the Commonwealth?

2 MR. HAINES: Well, it will -- using that
3 scenario, that ticket in ticket out, the central
4 system will say, okay. We paid a \$20 winner here and
5 the initial counting of that is still accurate.

6 It will not initially affect the state's
7 bottom line but there's still this issue of the
8 central system thinks \$20 was paid and it was; but in
9 essence, it's still very much a live credit.

10 And as I said, our researchers indicate
11 that it's enough money that it should and probably
12 will be a Board issue as to how you wish to resolve
13 that issue.

14 BOARD MEMBER COY: I look forward to
15 hearing more about that.

16 MR. HAINES: Anything else on the central
17 system?

18 BOARD MEMBER DiGIACOMO COLINS: I have a
19 question, if I could. The answer is probably
20 obvious, but I'm assuming that you have looked at
21 other states that have Centralized Computer Systems
22 and examined their experience with it and the
23 pitfalls, the problems to look for, etc.; and if you
24 have done that, just in general can you highlight
25 what you found out?

1 MR. HAINES: We have looked at a lot of
2 states and other jurisdictions. Yes, these systems
3 are A to Z. We have looked at a lot of them. I
4 think the overwhelming advice we got was something
5 that Secretary Fajt had said earlier.

6 When you initially implement the system,
7 set that bar high. Try to capture as many of those
8 300 transaction events as you can.

9 You may only be interested six months down
10 the road in 130 of them for security and integrity
11 purposes but do that out of the gate. Get everybody
12 thinking that, you know, the Central Control System
13 is in control of the slots environment, not the
14 marketing issues, not the management of the slots
15 floor but everybody basically said get it right out
16 of the gate.

17 Within that, every one of these systems
18 works differently. They really do. There's a
19 benefit of one. One is stronger in one area. One is
20 weaker in that same area, but that same
21 strength/weakness reverses in another area so it's --
22 there's no absolute perfect system from what we have
23 seen so far.

24 There are clearly systems that will work.
25 There are clearly systems that will meet the aspect

1 or meet the demands of the Act and support the Board
2 and the operators once they're functioning.

3 We have indeed done a lot of homework on
4 this and talked to a lot of people before the RFI
5 process started, including the vendors. Before that
6 process started, you know, the vendor community was
7 one of our big educators. Once the formal process
8 started, then the discussion was over.

9 Anything else?

10 CHAIRMAN DECKER: Any other questions for
11 Curt?

12 Thank you, Curt. I know you have another
13 piece. Go ahead.

14 MR. HAINES: Okay. One of the other big
15 issues in the slots gaming, as James had indicated,
16 is the testing and certification of the slot
17 machines, as well as the central system.

18 It's absolutely crucial in maintaining the
19 integrity of slots operations. The public has to
20 know that the payout schedule is approved by the
21 Board and the law, that the randomness of the game
22 they are playing is indeed intact. They are tested
23 and proven prior to being placed in operations.

24 Every gaming jurisdiction we have talked to
25 does it in some capacity. It is that important. The

1 vast majority of those jurisdictions engage third
2 parties to conduct the actual testing and the
3 certification of the machines for a couple of
4 reasons; and that is, it is a very, very unique job.

5 Most of these third parties who do this
6 engage senior degreed mathematicians, as well as very
7 technical skill sets on the hardware side of it.
8 Quite frankly, that skill set doesn't exist in many
9 state jurisdictions, it is that unique; and because
10 it is so unique, those folks are in a position to
11 demand a little better salaries than generally the
12 public sector is affording.

13 Not every state has engaged a third party.
14 Some have set up their labs and are doing it. We've
15 talked to a couple who are migrating from their own
16 to the -- what I would call the outsourcing of this
17 because it is a very difficult task.

18 Act 71 empowers the Board to initially up
19 through July 2007 accept the testing and
20 certification standards of any other gaming
21 jurisdiction.

22 If the Board will be comfortable that State
23 A does a really good job at certifications until such
24 time as you would have your own facility or contract
25 in place that you could accept those state's

1 standards.

2 So that will allow the Board and the
3 Commonwealth to move forward, if you achieve a
4 comfort level, with another jurisdiction
5 certification process; but the Act also mandates that
6 the Board establish and maintain an independent slot
7 machine testing and certification facility by July of
8 2007. So there are a couple of years that can go by
9 until that mandate would have to be met.

10 That July 2007 date also just triggered
11 something I should have said in the Central Control
12 System. Even though the Department is exempt from
13 the Commonwealth procurement laws, that's only good
14 for the first five years of gaming.

15 The Act maintains that the end of the
16 five-year process, the Department of Revenue must
17 then competitively rebid the Central Control System
18 using existing Commonwealth procurement activities.
19 That's so the -- it's not a blank check to just keep
20 this process continuing.

21 CHAIRMAN DECKER: When you say rebid after
22 five years, what does that entail? I mean, if it's
23 working perfectly well, you mean you're going to take
24 it out just to rebid it again?

25 MR. HAINES: That's what the law demands.

1 CHAIRMAN DECKER: So if the thing is
2 working perfectly, you have to scrap it and do
3 another one?

4 MR. HAINES: In many instances, we face --

5 CHAIRMAN DECKER: So we're going to spend
6 -- the state is going to spend it over again even if
7 it's working fine? I know the useful life of
8 computers is another issue.

9 MR. HAINES: We have to do it a lot in the
10 state environment. We get a system that is working
11 well, there are procurement laws that put limits to
12 how long that contract can be awarded; and at the end
13 of that contract, the process may be rebid.

14 CHAIRMAN DECKER: What is the useful life
15 on a computer like this?

16 MR. HAINES: Well, as James indicated, wait
17 six months -- it's not six months.

18 CHAIRMAN DECKER: All right.

19 MR. HAINES: At the end of that five
20 year --

21 CHAIRMAN DECKER: The thought is it's going
22 to be time to move on.

23 MR. HAINES: In my opinion, I think it's a
24 better question for James, it will be time to rebid
25 this --

1 CHAIRMAN DECKER: Okay. Fine.

2 MR. HAINES: -- or look at where technology
3 is going.

4 CHAIRMAN DECKER: Fine. It sounds like
5 you're going to do it anyway so it doesn't make any
6 difference.

7 MR. HAINES: Any other questions? Okay. I
8 thank you.

9 CHAIRMAN DECKER: That was very good, Curt.
10 Thanks for the overview. It really is very helpful.

11 We have a couple housekeeping items before
12 -- I don't want to call them just housekeeping. A
13 couple are housekeeping and others are not.

14 As many have asked the question today, we
15 have been named as Defendant in a couple of lawsuits.
16 As a result of that, I think it may be necessary for
17 us to hire outside counsel at least to initially
18 determine where we go, whether we can participate in
19 a defense group or whether we're going to do it on
20 our own and at what level we have to respond.

21 Certainly, some of the litigation calls for
22 responses in two weeks. Whether that means
23 continuance or otherwise, we will have to see.

24 In any event, I would like to have a motion
25 of the Board to authorize me to retain outside

1 counsel to represent our interest in this litigation.

2 BOARD MEMBER McCABE: Mr. Chairman, I'll
3 move that.

4 CHAIRMAN DECKER: Thank you.

5 BOARD MEMBER DiGIACOMO COLINS: Second.

6 CHAIRMAN DECKER: All in favor?

7 BOARD MEMBERS: Aye.

8 CHAIRMAN DECKER: I should say any
9 discussion? All in favor?

10 BOARD MEMBERS: Aye.

11 CHAIRMAN DECKER: Okay. Thank you very
12 much. One other one in case anybody else wants to
13 sue us along those lines. We now have an official
14 address. It's -- for the public and I guess it will
15 be on the website; is that correct, Neil?

16 Okay. Pennsylvania Gaming Control Board,
17 Post Office Box -- although we don't have an office,
18 we have an address -- Post Office Box 69060,
19 Harrisburg, PA 17106-9060.

20 We also have a website address which is
21 www.pgcb.state.pa.us. Okay. It's now a little bit
22 before 4:00. Do you want to deal with anything on
23 the other agenda today? It's up to you.

24 We have that issue about proxy, non-proxy
25 voting and -- we can do it tomorrow. It's not going

1 to take long.

2 Since we've gone the full distance, so to
3 speak, and gotten most of the stuff we wanted to
4 accomplish today, I would entertain a motion -- is
5 there anything else you want to bring up today, Board
6 Members?

7 BOARD MEMBER McCABE: I'm still confused
8 over when the lobbying and our Code of Conduct, have
9 we adopted one?

10 CHAIRMAN DECKER: We did adopt a Code of
11 Conduct today. It's the State Ethics Act is our Code
12 of Conduct today, correct, and we can add or subtract
13 from that as we choose as time goes on.

14 BOARD MEMBER McCABE: Okay. I may want to
15 add some things.

16 CHAIRMAN DECKER: Sure. We certainly will
17 entertain any proposal you have in mind.

18 BOARD MEMBER McCABE: We're going to live
19 by the State's Code of Conduct.

20 CHAIRMAN DECKER: Correct. And we can --
21 like I said, we can add or do something less than
22 that or more. I don't think we would want to do
23 anything less than that.

24 If we want to add to that, you know, I
25 think we can do that as time goes on and as our

1 circumstances fit what we're trying to do.

2 Is there anything else before we -- we'll
3 entertain a motion for adjournment.

4 BOARD MEMBER MARSHALL: So moved.

5 BOARD MEMBER DiGIACOMO COLINS: Seconded.

6 CHAIRMAN DECKER: Everybody says aye?

7 BOARD MEMBERS: Aye.

8 CHAIRMAN DECKER: Anybody against? Okay.

9 We're adjourned. Thank you very much. Thank you for
10 coming.

11 Just for the record, we'll be meeting again
12 tomorrow starting at 9:00 here.

13 (The meeting concluded at 3:56 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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