

PENNSYLVANIA GAMING CONTROL BOARD

PUBLIC MEETING

THURSDAY, OCTOBER 23, 2008, 12:33 P.M.

STATE MUSEUM AUDITORIUM

HARRISBURG, PENNSYLVANIA

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN

RAYMOND S. ANGELI

JEFFREY COY

JAMES B. GINTY

KENNETH T. McCABE

SANFORD RIVERS

GARY A. SOJKA

KEITH WELKS, EX-OFFICIO MEMBER

HILLARY M. HAZLETT, REPORTER

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1 CHAIRMAN DiGIACOMO COLINS: Good afternoon,
2 everybody. Okay. I'm Mary Colins, Chairman of the
3 Pennsylvania Gaming Control Board.

4 We're all going to turn off our cell phones,
5 please, and BlackBerries and we will begin very shortly.

6 We have Keith Welks with us from the State
7 Treasurer's Office, and a quorum is present.

8 We'll begin with the Pledge of the Allegiance,
9 as we do every meeting.

10 (Pledge of Allegiance.)

11 CHAIRMAN DiGIACOMO COLINS: By way of
12 announcements, yesterday, the Board held a Category 3
13 Suitability Hearing for the Applicant Valley Forge
14 Convention Center Partners, L.P. today at 1:30 a second
15 Suitability Hearing will be held for the Bushkill Group,
16 Inc.

17 Now, we will proceed in this public meeting to
18 our first item on the agenda and I will turn it over to
19 the Chief Financial Officer, Eileen McNulty.

20 MS. McNULTY: Thank you, Chairman Colins and
21 Board members. The first item on agenda is the hiring
22 of agency staff, and the recommendation we have for you
23 this morning is the hiring of Claire Yantis recommended
24 candidate for Human Resources Director.

25 Claire is a graduate of Kings College with a BA

1 in government and a Senior Professional Human Resources
2 Certification. She has been employed for the past 12
3 years with the Pennsylvania Higher Education Assistance
4 Agency in progressively responsible human resource
5 positions including Labor Relations Manager and during
6 the last four years as the Human Resource Director.

7 Claire has completed the Gaming Control Board's
8 background investigation process and is recommended for
9 hire.

10 CHAIRMAN DiGIACOMO COLINS: Very good. May I
11 have a motion, please?

12 COMMISSIONER RIVERS: Yes. Madame Chairman, I
13 move that the Board approve the hiring of agency staff
14 on the basis that the employee has completed the
15 necessary background investigation and drug testing.

16 COMMISSIONER COY: Second.

17 CHAIRMAN DiGIACOMO COLINS: All in favor?

18 COMMISSIONERS: Aye.

19 CHAIRMAN DiGIACOMO COLINS: Opposed?

20 Motion carries.

21 Is Claire here?

22 MS. McNULTY: No, she is not here today.

23 CHAIRMAN DiGIACOMO COLINS: Very good. Thank
24 you.

25 MS. McNULTY: Next item on the agenda is the

1 2009-2010 budgets for the agencies that regulate gaming
2 in the Commonwealth. Section 1202(b)(29) of Title 4
3 charges the Board with the duty to prepare and through
4 the Governor submit annually to the General Assembly an
5 itemized budget including recommendations for the
6 Pennsylvania State Police, the Department of Revenue,
7 and the Attorney General as to the amount needed to meet
8 their obligations under the Act.

9 Dave Rhen, the Gaming Control Board's Budget
10 Manager will present the Gaming Control Board's budget
11 request and representatives of our sister agencies are
12 here today to present their budget requests to you.

13 If you approve these budget requests, the next
14 step would be forwarding them and the supporting detail
15 to the Governor's Budget Office for inclusion in the
16 Governor's request for the Legislature.

17 As you know, the most significant driver of the
18 budgetary requirements of the regulatory agencies is the
19 number of licensed locations to be regulated.

20 Seven licensed venues are currently open, four
21 new locations are expected to be opened during calendar
22 year 2009, a resort location and the Sands Bethworks
23 facility during the current fiscal year and the
24 Pittsburgh casino and another resort facility during the
25 budget year.

1 In addition to the opening of four new
2 locations, two of our existing licensees will be
3 relocating and expanding from temporary facilities to
4 permanent facilities during calendar year 2009.

5 The Meadows is expected to open their permanent
6 facility this spring, and Philadelphia Park will move to
7 their permanent facility in the budget year.

8 This anticipated opening schedule was used to
9 establish all of the regulatory agency budgets that are
10 before you today.

11 Our goal with this information is not to
12 establish timetables but rather to make explicit the
13 assumptions behind these budgets and to ensure that the
14 regulatory agency's budgets are based on consistent
15 assumptions.

16 As the budget process unfolds, we will make any
17 necessary adjustments as licensing decisions are made
18 and schedules evolve.

19 To provide an overview of the budget requests
20 that you are about to consider, we have provided a
21 summary of the four agency budget requests.

22 Together, the four agency budgets total \$66.7
23 million. This is an increase of 8 and a half million
24 dollars or 14.6 percent over the total appropriations of
25 \$58.2 million for the current fiscal year, supporting a

1 39.5 percent increase in gaming revenues anticipated
2 during the budget year.

3 Broken down by agency, the budgetary increases
4 over current year appropriations are 12.2 percent for
5 the Gaming Control Board, 28.5 percent for the
6 Pennsylvania State Police budget, 2.4 percent for the
7 Department of Revenue budget, and 17.6 percent for the
8 Attorney General's request.

9 The next slide provides a breakdown of the
10 total regulatory budgets by category of expense.
11 Personnel costs across the four agencies constitute 73
12 percent of the combined budgets.

13 Personnel costs reflect budgeting for 493
14 positions across the four agencies. Operating costs
15 total \$17.8 million or 27 percent of the combined
16 budget.

17 Now, I would like to introduce Dave Rhen, the
18 Gaming Control Board's Budget Manager to present our
19 agency budget request.

20 MR. RHEN: Good afternoon, Chairman Colins and
21 members of the Board.

22 As you know the Pittsburgh facility was
23 originally scheduled to open this fiscal year and has
24 been delayed until next fiscal year.

25 This delay and other steps we have taken to

1 contain costs have enabled us to meet the Governor's
2 request that we set aside 4.25 percent of our budget
3 this fiscal year.

4 Looking ahead to next year, we are again
5 requesting funding for the opening of Majestic Star and
6 additionally we expect to open another resort facility.

7 While the resorts have not yet been licensed,
8 we must request funding that will enable us to open any
9 facilities that the Board might license in order to
10 maximize the revenue for property tax relief and other
11 gaming funded activities.

12 In this context, the Gaming Board's fiscal year
13 2009-2010 budget request is \$37,388,000. This amount is
14 required not only to maximize revenues for the
15 Commonwealth but also to meet the strict regulatory
16 requirements of the Gaming Act.

17 Personnel costs are budgeted at 29.05 million
18 dollars or 78 percent of the Board's request, and
19 operating costs are budgeted at 8.34 million dollars or
20 22 percent of the overall request.

21 The operating budget includes 2 million dollars
22 for investigative expenses including fingerprints,
23 database searches, and investigative travel. These
24 expenditures would be reimbursed by license applicants.

25 Overall, the largest operating expense by

1 category is services, consisting of 27 percent of
2 operating expenses. This category includes vendor
3 assistance with Slotslink development, interagency
4 billings, including audits, comptroller services, and
5 payroll, and legal services.

6 The second largest category is 24 percent of
7 operating expenditures, is real estate. Finally, other
8 operating expenditures, which includes Board insurance,
9 database services and subscriptions to services such as
10 Westlaw and Standard and Poor's is the third largest
11 category at 17 percent.

12 To provide a context for consideration of this
13 budget request, we have collected performance statistics
14 to illustrate the volume of work that the agency has
15 handled and processed.

16 To date, the total number of applications
17 received is 18,534, including 8,276 in fiscal year
18 2007-'08.

19 As you are aware, the Board must annually renew
20 all licenses and occupational permits, so we would
21 anticipate that the volume of applications received and
22 investigated will increase above the figures shown as
23 new facilities come on board.

24 The next slide summarizes activity of
25 Enforcement Counsel, Gaming Operations, and Gaming Lab.

1 In fiscal year 2007-2008, the Bureau of Enforcement
2 Counsel took 98 regulatory actions. This includes
3 enforcement actions, warning letters, compliance
4 letters, and consent agreements with no enforcement
5 action. They reviewed 762 BIE reports of investigation,
6 scheduled 64 licensing hearings for applicants who were
7 recommended for denial and requested a hearing, and
8 received 43 industry petitions.

9 The Office of Gaming Operations reviewed and
10 approved 155 submissions of changes to internal controls
11 and 13 gaming floor modifications last fiscal year.

12 Finally, the Gaming Lab monitored 15,401 slot
13 machines, inspected 5,097 machines at properties and
14 conducted 4,934 reviews of programs and percentages and
15 192 reviews of hardware and software.

16 This concludes my presentation. I would be
17 happy to take any questions, if you have any.

18 MS. McNULTY: Thank you, Dave.

19 Next, I would like to introduce Scott
20 Frederick, Director of the Fiscal Division of the State
21 Police and Lieutenant John Evans, the Acting Director of
22 the Gaming Enforcement Office for the State Police to
23 present the Pennsylvania State Police budget request.

24 CHAIRMAN DiGIACOMO COLINS: Before we begin,
25 gentlemen, if you would for a moment, what was the

1 figure -- would you repeat again the figure of the
2 projected increase in gaming revenues for next year?

3 MS. McNULTY: 39 and a half percent.

4 CHAIRMAN DiGIACOMO COLINS: Okay. And so our
5 budget -- our budget for next year is based on the
6 projection of bringing additional revenues; and also,
7 from your performance measurements, we anticipate
8 additional demands on the agency; is that not correct?

9 MS. McNULTY: Absolutely correct.

10 CHAIRMAN DiGIACOMO COLINS: And the demands --
11 it is this agency's estimation that the demands are
12 occasioned by opening four more facilities in order to
13 bring this additional revenue in, correct?

14 MS. McNULTY: Well, two new facilities in the
15 budget year --

16 CHAIRMAN DiGIACOMO COLINS: Right.

17 MS. McNULTY: -- and four new facilities in
18 calendar year 2009. In addition to that, there will be
19 an expansion of the Philadelphia Park facility that will
20 incur some additional travel expenses but not additional
21 staffing expenses.

22 CHAIRMAN DiGIACOMO COLINS: Okay. In addition,
23 does this budget encompass ramping up of enforcement
24 activities?

25 MS. McNULTY: Yes, it does.

1 CHAIRMAN DiGIACOMO COLINS: Okay. Thank you.

2 Sorry.

3 Why don't you give us your name and proceed.

4 MR. FREDERICK: Good afternoon, Chairman Colins

5 and members of the Board. My name is Scott Frederick.

6 I'm the Fiscal Director for the Pennsylvania State

7 Police.

8 I'm here today to present to you the

9 Pennsylvania State Police's Gaming Enforcement Offices

10 fiscal year 2009-2010 budget.

11 The Gaming Enforcement Office projected

12 personnel costs are budgeted at \$17,222,000 and our

13 operating and fixed costs are budgeted at 1.5 -- or I'm

14 sorry \$1,000,059 for a total budget of \$18,000,281.

15 In accordance with the September 16th, 2008

16 memo from Eileen McNulty, this budget supports the

17 operation of a headquarters unit and 11 casino sites.

18 At this time, we continue to staff each casino

19 at the reduced level of troopers agreed upon by the

20 Governor's Office, members of the Legislature, and

21 Gaming Control Board.

22 Because of these reductions, the Pennsylvania

23 State Police Gaming Enforcement Office is only able to

24 provide less than 24/7 coverage at each casino.

25 However, it should be noted that additional

1 coverage is also provided to the casino by a local State
2 Police barracks in order to cover lapses caused in the
3 reduction of Gaming Enforcement Personnel. These
4 additional costs are not included in our budget
5 requests.

6 We are also asking the Gaming Control Board
7 endorse our request for an enlisted complement increase
8 of 22 troopers to cover the additional casinos scheduled
9 to open during the 2009-2010 fiscal year. This would
10 increase the State Police gaming complement to 159
11 troopers.

12 The budget request that was submitted in
13 writing and approved reflected an additional 19 troopers
14 bringing the PSP gaming complement request to 129
15 positions. Of that, 9 positions were shown in the
16 request as being civilian positions.

17 I thank you for your time and consideration of
18 our request, and I'm available to answer any questions
19 you may have.

20 CHAIRMAN DiGIACOMO COLINS: Are there any
21 questions?

22 COMMISSIONER McCABE: I do. On these
23 headquarter people that you talk about, you have your
24 own headquarters, a Gaming Unit?

25 MR. FREDERICK: That is correct, sir.

1 COMMISSIONER McCABE: Do any of those people
2 perform other duties for other areas or divisions within
3 the State Police?

4 MR. EVANS: Lieutenant John Evans, E-v-a-n-s.
5 No, sir. They perform -- their normal course of
6 activity, their normal duties, their specific assignment
7 is to the Gaming Enforcement. However, just like any
8 other trooper should there be a certain emergency in the
9 Commonwealth, they would be called to duty. Their
10 normal duty assignment includes gaming enforcement.

11 COMMISSIONER McCABE: Thank you.

12 CHAIRMAN DiGIACOMO COLINS: Any other
13 questions?

14 COMMISSIONER GINTY: I have a couple.

15 CHAIRMAN DiGIACOMO COLINS: Very good.

16 COMMISSIONER GINTY: Have you seen any increase
17 in crime as a result of the casinos being there? It is
18 always an issue when we seek to open a casino in some
19 area that we are bringing in a crime-ridden facility.
20 Has that been your experience at all with the casino
21 that's are open?

22 MR. EVANS: That's an interesting question. It
23 is a question that we receive in the Gaming Enforcement
24 Office quite often also.

25 One of the difficulties is that we are still in

1 an initial phase as far as analyzing crime trends,
2 opening up two casinos in 2006 and four in 2007 and more
3 recently just one in 2008. That doesn't give us a large
4 database to look at as far as crime trends. They are
5 usually looked at over several years.

6 So in terms of the areas that the Pennsylvania
7 State Police covered before the casinos were in
8 operation, so therefore, we covered the area around --
9 surrounding those casinos, generally, we have not seen
10 an increase in time.

11 I can't speak to the local police departments
12 within where the casinos operate. I would have to let
13 them address those questions.

14 COMMISSIONER GINTY: You know, I think it would
15 be helpful whether it is State Police or local
16 enforcement or a combination of both to begin in
17 gathering that data and, you know, compare it.

18 If you open a shopping center somewhere, you
19 are probably going to have some increase in crime as
20 just as result of people being in a certain area. It
21 certainly would help us allay the fears, concerns that
22 neighbors might have.

23 The other thing that might be helpful not just
24 for the State Police but to the Gaming Board as well in
25 justifying manpower requirements. So, do you keep

1 statistics on incidents that occur?

2 MR. EVANS: Yes. I have some statistics here
3 that I can provide to you. Whether that is an increase
4 in crime in the general community or overall, I will go
5 back to my first answer.

6 Just in terms of your information for the
7 calendar year 2008, the offenses reported to the Gaming
8 Enforcement Office were 1,426 approximately. That is
9 over the seven sites.

10 We have made 354 physical arrests at the casino
11 sites. In addition to that, we have conducted
12 fingerprinting. As far as manpower justifications, we
13 have conducted fingerprinting to over 6,500 individuals.
14 That is year-to-date 2008 not fiscal year.

15 In terms of incidents which would cover all of
16 those criminal incidents which you were interested in
17 and also would cover the fingerprinting and also would
18 cover any type of report or just a particular report
19 that we filed, we filed over 15,000 reports for our
20 daily activities at the casino. So those are some
21 numbers that are for 2008 year-to-date, ten months.

22 COMMISSIONER GINTY: Thank you.

23 COMMISSIONER McCABE: I have two more questions
24 based on what you just brought up. Of those 354
25 arrests, how many convictions did you get?

1 MR. EVANS: As a matter of policing, we
2 generally don't keep statistics as far as convictions.
3 The definition of conviction can vary among -- depends
4 on what your definition of conviction is.

5 COMMISSIONER McCABE: Background --

6 MR. EVANS: Yes, sir. As you are well aware,
7 that would be something a prosecutor's office would
8 maintain and keep track of.

9 I can tell you as a general percentage the
10 State Police have easily over an 80 to 85 percent
11 successful prosecution rate. That is how I term it,
12 because for terms of convictions, some of your
13 alternative programs, ARD, for instance, some of the
14 offenses that occur at the casino are first offenses so
15 those people go on ARD. That is not considered a
16 conviction against their record. However, I view that
17 as a successful prosecution.

18 I don't have statistics for that. Generally,
19 our clearance rate is way above the norm for police
20 operations. It is over 70 percent for our clearance
21 rates of incidents.

22 Just generally speaking, I think, we have
23 between 80 and 85 percent conviction rate, if you want
24 to term it that way.

25 COMMISSIONER McCABE: What is the percentage of

1 these 354 arrests that get prosecuted?

2 MR. EVANS: Of those 354 arrests, we proceeded
3 to either the District Justice, they were either summary
4 offense or misdemeanor criminal arrests. They proceeded
5 to Court. Now, whether they made it to the second stage
6 of Court, I don't have the statistics for you today.

7 COMMISSIONER McCABE: That is a follow-on
8 question then. What is your procedures for the officers
9 that make these arrests and they have to go to Court?
10 Do they go on their normal work schedule, or are they
11 going on overtime? Have you included that number in the
12 budget of overtime and with your budget numbers?

13 MR. EVANS: That is a contract-related
14 question, as far as how that is taken care of. During
15 the normal course of business, the troopers who file
16 charges in the Gaming Enforcement Office handle that
17 just like as if they were in the troops.

18 Normally, the Court time is scheduled on duty
19 and they proceed to Court as if they are on just regular
20 pay. However, depending on the Court schedule and the
21 contract situation, there are times when they receive
22 overtime to attend those Court procedures. So, it
23 varies.

24 COMMISSIONER COY: I have a couple of
25 questions.

1 CHAIRMAN DiGIACOMO COLINS: Sure.

2 COMMISSIONER COY: Thank you, Madame Chair.

3 Lieutenant, with regard to statistics of the
4 types of crimes that you are making arrests for, can you
5 give us a little, like, in simple terms, I don't have my
6 colleague's background, so I mean, is it -- what is the
7 worst thing that you have arrested for and what is the
8 -- what are most of the things -- does that make sense?

9 MR. EVANS: Yes, sir. In terms of the
10 incidents reported to us and arrests made for
11 year-to-date 2008, I would encourage you that those
12 statistics are available to the public on the Uniform
13 Crime Statistic website and so those -- the breakdown,
14 anything further, is available for the public to look
15 at.

16 Just for example to answer your question,
17 year-to-date 2008, we have 878 thefts reported to us.
18 We had 227 counterfeit bills reported to us. Overall,
19 we had, like I stated, 1,426 crimes reported to us.

20 If you are interested in the rest of the
21 statistics, we made 75 arrests for theft. We have had
22 four aggravated assault arrests.

23 COMMISSIONER COY: Usually, associated with
24 alcohol?

25 MR. EVANS: I would hesitate to make that

1 comparison, but I could give you statistics that we made
2 39 arrests for public drunkenness. We made 61 arrests
3 for disorderly conduct. That may go to the nature of
4 your question, but I can't speak to specifics.

5 COMMISSIONER COY: Earlier you referenced the
6 amount of fingerprinting you do, and we do know that you
7 do it. Would you say -- is it a fair statement to say
8 that the fingerprinting task is your largest task at the
9 casinos?

10 MR. EVANS: That is difficult to state that in
11 those terms. I would say it is a major part of what we
12 do in the casinos with those kind of numbers, over 6,500
13 fingerprints done there at the casino, that takes quite
14 a bit of time.

15 As far as the major tasks, I think our major
16 task is safety, public safety, and investigation of
17 crimes that occur at the casino.

18 So in terms of time, I don't have a breakdown
19 as far as man-hours that that takes; but it does take
20 quite a bit of time.

21 COMMISSIONER COY: One last question. Where
22 does your territory for which you have responsibility at
23 the casinos end? For example, obviously anything that
24 happens in the casino, right?

25 MR. EVANS: Yes and no. On the -- each casino

1 has its -- we have a Memorandum of Understanding with
2 the local police or the local State Police barracks in
3 regards to the coverage for each site.

4 For all of the casinos, everything that occurs
5 on the gaming floor is our primary responsibility and we
6 take care of that.

7 COMMISSIONER COY: What about other places like
8 restaurants and shops and bars and so on in the casino?

9 MR. EVANS: Again, within the casino, we have
10 Memorandums of Understanding for logistical and layout
11 of each casino that are different.

12 For instance, if a restaurant is only
13 accessible with the gaming floor, we may have an
14 agreement with the local police that we control that
15 there.

16 COMMISSIONER COY: What about the parking lot?

17 MR. EVANS: For a vast majority, the parking
18 lot will be covered by the local police and local troop.
19 We are available; and when incidents do occur, we
20 respond.

21 Depending on the circumstances of the incident,
22 the local police respond; and if it is handled by our
23 presence, we handle that.

24 COMMISSIONER COY: Certainly, if there was
25 something that happened and it was critical in nature,

1 you would respond.

2 MR. EVANS: Yes, we are there. During the
3 times we are physically present at the casino, we are
4 available to respond to any part of the casino including
5 the parking lot, the parking garages, and the grounds.

6 COMMISSIONER COY: Thank you.

7 CHAIRMAN DiGIACOMO COLINS: Thank you very
8 much.

9 Thank you, gentlemen.

10 MS. McNULTY: Thank you. And here to present
11 the Department of Revenue's budget request are Dave
12 Barish, the Executive Deputy Secretary of Revenue, and
13 Stacie Amsler, the Director of the Office of Fiscal
14 Management of the Department of Revenue.

15 CHAIRMAN DiGIACOMO COLINS: Good afternoon.

16 MR. BARISH: Good afternoon. I had to check my
17 watch to see if we were morning or afternoon. I'm here
18 with Stacie Amsler, our fiscal controls person. She is
19 going to make the presentation. Thank you.

20 MS. AMSLER: Good afternoon, Chairman Colins,
21 members of the Board. I'm Stacie Amsler. I'm the
22 Fiscal Officer for the Department of Revenue. Thank you
23 for allowing me to present the Department's budget
24 request for the fiscal year 2009-2010.

25 As you know under Act 71, the Department is

1 tasked with the procurement and operation of the Central
2 Control System, as well as the collection and
3 distribution of the taxes and assessments imposed by the
4 Act.

5 Additionally, we perform audits of the venues
6 and provide the Board with tax clearance checks during
7 the licensing procedures.

8 In order to complete these tasks, we are
9 requesting total funding for fiscal year '09-'10 of just
10 under 10 million dollars. Our funding is distributed as
11 follows: \$1,826,000 to fund salary and benefits for 25
12 people, and \$8,161,000 for operating costs.

13 The decrease shown from prior year of the
14 personnel cost is related to the reduction of planned
15 personnel. Originally, we had planned for ten auditors.
16 With half of the venues open, we now think we only need
17 five to provide the auditing necessary to fulfill our
18 requirements under the Act.

19 Please note that when we first presented our
20 budget to you three years ago, we had a total complement
21 of 37 that we were requesting.

22 Now, we are down to 25. Now that we have half
23 of the venues open and we have a better handle of what
24 we are going to need.

25 Our operating costs include costs for the

1 Central Control System, which totals \$6.3 million and an
2 additional \$1.4 million for change orders to the system.

3 We have also included \$300,000 for audit costs
4 for audits performed by our Comptroller, Auditor
5 General, and interagency billings that we receive.
6 Travel, bank fees, and supplies make up the additional
7 \$161,000.

8 That is all I have, and thank you for allowing
9 us to speak. I would be happy to answer any questions.

10 CHAIRMAN DiGIACOMO COLINS: Any questions?

11 COMMISSIONER SOJKA: You mentioned the Central
12 Control System and you have budgeted some funds there
13 and there have been some issues there.

14 Have some funds been set aside specifically for
15 some minor enhancements and --

16 MS. AMSLER: Yes.

17 COMMISSIONER SOJKA: -- adjustments so that at
18 least things we have learned from the past can be
19 eliminated?

20 MS. AMSLER: That is the \$1.4 million for
21 change orders.

22 COMMISSIONER SOJKA: That is where that is
23 going?

24 MS. AMSLER: Yes.

25 COMMISSIONER McCABE: I just have a question on

1 the audit function. What, in fact, are you auditing?

2 MS. AMSLER: We do a complete financial audit
3 of the venues two times a year. We go out four
4 additional times and do spot checks to make sure that
5 the machines are communicating with the Central Control
6 System properly.

7 CHAIRMAN DiGIACOMO COLINS: Very good. Thank
8 you.

9 COMMISSIONER ANGELI: Just a follow-up.

10 CHAIRMAN DiGIACOMO COLINS: I'm sorry. Please.

11 COMMISSIONER ANGELI: Just as it relates to the
12 1401 account, I'm just curious, how do you -- how do you
13 -- what is your time period for invoicing those accounts
14 and how do you know how much money to draw from those
15 accounts?

16 MS. AMSLER: We invoice the venues once a week
17 every Tuesday. They pay us on Wednesdays. Currently,
18 we are taking one and a half percent of gross terminal
19 revenue and adding the promotions back into it. That is
20 our fee base for that.

21 COMMISSIONER ANGELI: Okay. I guess as an
22 experience factor, that works out as far as the amount
23 of money that you need to be able to replace the fund?

24 MS. AMSLER: Yes. Again, we will work with the
25 Board, the Budget Office in the future to adjust that if

1 necessary or when it is necessary.

2 COMMISSIONER ANGELI: Do you have a priority as
3 to who you begin to fund out of that account?

4 MS. AMSLER: We give the funding to the
5 Attorney General first and then Revenue receives their
6 share and then the State Police receives theirs. That
7 has been working for us. We could divide it out evenly
8 each week.

9 COMMISSIONER ANGELI: What is the percentage
10 right now that you -- do you draw down a certain
11 percentage automatically?

12 MS. AMSLER: One and a half percent.

13 COMMISSIONER ANGELI: That is enough, and that
14 has been enough to replace the initial \$5 million
15 everybody puts into these things?

16 MS. AMSLER: We take that every Tuesday from
17 the five million; and Wednesday, they replenish that
18 five million, whatever that amount was that we took from
19 them.

20 COMMISSIONER ANGELI: Do you do that by casino
21 or do you do it as an overall fund?

22 MS. AMSLER: It is individually, but it is
23 based on gross terminal revenue.

24 COMMISSIONER ANGELI: Okay. Thank you.

25 COMMISSIONER COY: Madame Chair?

1 The cost of promotions are taken out?

2 MS. AMSLER: Put back in.

3 COMMISSIONER COY: Said another way, right?

4 MS. AMSLER: Right.

5 COMMISSIONER COY: And do you audit those?

6 MS. AMSLER: Do we audit the promotions?

7 COMMISSIONER COY: Right.

8 MS. AMSLER: When the auditors are out there
9 and when they are testing the machines, they make sure
10 that what they played would -- is showing up in the
11 system.

12 COMMISSIONER COY: Okay.

13 COMMISSIONER GINTY: We had a presentation the
14 other day by our compliance group; and as you know, we
15 have recently completed an audit of Philadelphia Park.

16 I'm pleased to hear that there is good
17 cooperation between our compliance folks and your audit
18 folks at least from their perspective. I would like to
19 hear your perspective as well.

20 MS. AMSLER: We seem to get along well. We
21 meet every Monday with Eileen and some of the Gaming
22 Operations people. We have a very good working
23 relationship with the employees of the Board.

24 COMMISSIONER GINTY: We are all operating with
25 limited funding, limited staff, and are responsible for

1 protecting the public and most of it is where the money
2 goes. So we want to be cooperating with all of that.
3 So thank you.

4 CHAIRMAN DiGIACOMO COLINS: I guess to follow
5 up on that for -- just a minute. Do you see a benefit
6 to these weekly meetings and these weekly exchanges of
7 information?

8 MS. AMSLER: Yes.

9 COMMISSIONER McCABE: I have one other
10 question. Of the people assigned to your Gaming Unit is
11 100 percent of their time assigned to working in the
12 gaming or are they assigned other responsibilities?

13 MS. AMSLER: Some of my people on my staff,
14 they are half funded for Revenue and half funded for
15 Gaming.

16 I spend half of my time on Gaming, but I am
17 funded to Revenue. We try real hard to make up the
18 administrative people for what we do. We don't have six
19 people working on Gaming and only half of them, you
20 know, really working on Gaming. We are cautious of
21 that.

22 CHAIRMAN DiGIACOMO COLINS: Okay. Thanks very
23 much.

24 MS. McNULTY: Thank you very much.

25 And finally, here to present the Attorney

1 General's budget request is Richard Sheetz, Executive
2 Attorney General for Criminal Law, Sherri Phillips,
3 Director of Management Service and Erik Olsen, Chief
4 Deputy Attorney General.

5 CHAIRMAN DiGIACOMO COLINS: Good afternoon.

6 MR. SHEETZ: Good afternoon, Madame Chair,
7 members of the Board and Mr. Welks, you also. Thank you
8 for allowing us to present our '09-'10 budget request
9 for the Office of Attorney General and specifically, our
10 Gaming Unit.

11 In this budget, we are requesting the amount of
12 \$1,075,000. This represents a 17.6 increase. In
13 addition to personnel contract costs, which would be
14 factored into this, this main increase is because we
15 have requested to add an additional agent to this unit.

16 We currently have four agents assigned, and we
17 are up to full complement there. We would like to add
18 another one, particularly out in the western part of the
19 state with all of the other casinos that will be coming
20 online.

21 Over the past year, we have established a
22 working relationship with BIE and the State Police at
23 all of the current casino locations.

24 In addition, we have developed a relationship
25 with all of the local law enforcement and the locals DAs

1 wherever the casinos are present.

2 In addition, we have been working very closely
3 with the New Jersey authority, specifically the New
4 Jersey State Police and the security personnel from most
5 of the Atlantic City casinos.

6 We have set up a process where we attend
7 bimonthly meetings where we share information with the
8 New Jersey authorities on any developing criminal
9 activity with respect to our gaming industries.

10 We have begun several criminal investigations,
11 and I will say they are all in the early stages. We
12 continue to see our role as concentrating on the more
13 complex and longer term investigations.

14 We will do this while working very closely with
15 BIE, Pennsylvania State Police, and the local District
16 Attorneys in our state.

17 We will continue to act as the watchdog and to
18 guard against possible criminal infiltration and the
19 potential corruption of the Pennsylvania gaming
20 industry.

21 I thank you. With that, we will be glad to
22 answer any questions that you would have of us. Chief
23 Deputy Attorney General Erik Olsen is in charge. He
24 supervises all of the gaming activities of our Gaming
25 Unit. Thank you.

1 CHAIRMAN DiGIACOMO COLINS: Thank you. Are
2 your meetings in New Jersey with the Division of Gaming
3 Enforcement or are they with the Criminal Division of
4 the Attorney General's office?

5 MR. OLSEN: Well, we also meet with the New
6 Jersey State Police. They have a casino division, and
7 that is who we like to work closely with.

8 CHAIRMAN DiGIACOMO COLINS: Right. But do you
9 meet with the Division of Gaming Enforcement? Are they
10 part of those meetings.

11 MR. OLSEN: It is more on an investigative
12 nature.

13 CHAIRMAN DiGIACOMO COLINS: It is basically
14 criminal investigations?

15 MR. OLSEN: Exactly.

16 CHAIRMAN DiGIACOMO COLINS: Thank you very
17 much.

18 Any other questions?

19 COMMISSIONER RIVERS: Yes, Madame Chair.

20 You made reference to the fact that you work
21 with our BIE agency. Can you talk about the scope and
22 depth of that involvement.

23 MR. SHEETZ: Those will be all of the BIE
24 agents assigned to the casino locations because the
25 agents, the ones in the west and the ones in the east

1 would go and introduce themselves and develop a working
2 relationship with them. Erik, I will let you continue
3 on with that.

4 MR. OLSEN: Well, if there -- to start a
5 long-term case, first of all, our agents are tasked with
6 getting out there and introducing themselves and
7 integrating themselves with the personnel that is in
8 place at the casinos.

9 If there is any potential criminal infiltration
10 into any of these casinos, that sort of information
11 starts from the ground up and our agents have to be
12 there, coordinating their efforts with gaming agents
13 with the State Police.

14 Without -- to be less hypothetical, I'll give
15 you -- these cases can start --

16 CHAIRMAN DiGIACOMO COLINS: Are you aware --
17 are you aware that in the casinos, the Gaming Board
18 employees are compliance -- regulatory compliance people
19 not BIE people?

20 MR. OLSEN: Most of our liaison is with the
21 State Police. The best resource that we have is
22 coordination with the State Police BCI.

23 Within the State Police, they would be better
24 situated to address this; however, they have a source
25 within PSP. Any sort of intelligence information that

1 might be developed on the floor is passed on through PSP
2 and eventually, sooner rather than later, it gets out to
3 the investigative troopers.

4 Our agents work closely PSP BCI; and for
5 example, if an informant is developed off an arrest on
6 the floor, somehow that information has to get passed
7 around to agencies that can do something with that
8 information. PSP has done a nice job internally in
9 doing that and have worked closely with that.

10 CHAIRMAN DiGIACOMO COLINS: And are you
11 satisfied with the interaction and the feedback you are
12 getting from BIE, because, obviously, our role is to do
13 whatever we can to enhance the integrity of gaming? Is
14 that relationship good right now?

15 MR. OLSEN: From what I have seen, it is
16 excellent.

17 CHAIRMAN DiGIACOMO COLINS: Good. Thank you
18 very much.

19 COMMISSIONER GINTY: I would like to pursue
20 that a little bit. If you develop intelligence that
21 suggests one of our licensees, we should consider taking
22 action to revoke that license, would we know about it?

23 CHAIRMAN DiGIACOMO COLINS: BIE would.

24 COMMISSIONER GINTY: Oh. Would BIE know about
25 it?

1 MR. SHEETZ: Yes, if it doesn't compromise a
2 criminal investigation that we are doing, obviously, we
3 will do that.

4 COMMISSIONER GINTY: Why don't we get into that
5 a little bit? Because quite frankly, we send you
6 regular correspondence, you know, asking if you have any
7 information with respect to licensed people that are
8 going under licensing proceedings and we never hear
9 anything back. Why is that?

10 MR. SHEETZ: I'm not sure this is the
11 appropriate setting for this.

12 COMMISSIONER GINTY: Why not?

13 MR. SHEETZ: I mean, we have indicated -- are
14 you getting into a specific situation because --

15 COMMISSIONER GINTY: No. General question.

16 MR. SHEETZ: -- I'm only aware of one
17 situation.

18 CHAIRMAN DiGIACOMO COLINS: Let's not get
19 specific, just in general.

20 MR. SHEETZ: I don't think we want to.

21 CHAIRMAN DiGIACOMO COLINS: No. In general.

22 COMMISSIONER GINTY: In general, we send you a
23 letter requesting whether you have information with
24 respect to a pending licensee, do you respond to that?

25 MR. SHEETZ: Well, it goes to the office

1 generally; and if we have any information, which we
2 would be allowed to disclose, like the disposition of
3 any criminal prosecution, we will respond and we will
4 tell you about that.

5 In addition, information is -- we do query the
6 names with our other divisions, primarily the Civil
7 Division to see whether there has been any civil
8 litigation with respect to any of these applicants or
9 key employees and they respond to those.

10 COMMISSIONER GINTY: Okay.

11 CHAIRMAN DiGIACOMO COLINS: Okay. Anything
12 else?

13 COMMISSIONER McCABE: I'm going to ask you the
14 same question that I asked the other two so you don't
15 feel left out. Are the people who are assigned to the
16 gaming responsibilities, are they assigned 100 percent
17 of their time to gaming enforcement or are they assigned
18 other responsibilities?

19 MR. SHEETZ: All of the agents are assigned 100
20 percent of their time to gaming. Erik has been
21 supervising that until we decided we were to a point to
22 fill the position with a Deputy Attorney General, an
23 attorney who would be a line attorney who would be
24 involved in shepherding the investigations and
25 prosecuting any offenses.

1 We may reach that point this year. Erik keeps
2 track of whatever time he uses in the -- on the Gaming
3 Unit. Erik is the Chief of the Organized Crime Section
4 and has other responsibilities.

5 COMMISSIONER McCABE: Thank you.

6 COMMISSIONER COY: Madame Chair?

7 CHAIRMAN DiGIACOMO COLINS: Yes.

8 COMMISSIONER COY: Just as a follow-up and
9 without getting specific, if the Board were to write to
10 the Attorney General and ask if there were
11 information -- was information concerning a licensee
12 that we should be aware of and the Board did not get a
13 response, may the Board infer that there is no such
14 information?

15 MR. SHEETZ: I think we have answered this
16 several times before that if we have information that we
17 would be prohibited from sharing with you because of the
18 Criminal History Record Information Act in Pennsylvania
19 and the CFR regulations with the Federal Government,
20 then we would not be able to share that information with
21 you.

22 So if it is that information, we would not be
23 able to tell you that we can't share with you. We also
24 would not be able to tell you it exists because then we
25 would be indirectly confirming that there is that

1 information. I mean, that is what the law is, sir.

2 CHAIRMAN DiGIACOMO COLINS: Okay.

3 MR. SHEETZ: If it is not protected
4 information, we, of course, will share that with you.

5 COMMISSIONER COY: Thank you.

6 CHAIRMAN DiGIACOMO COLINS: One more, and then
7 we'll get off of this.

8 MR. SHEETZ: I feel like I'm at a Gaming
9 Enforcement Task Force meeting.

10 CHAIRMAN DiGIACOMO COLINS: I know. I can't
11 help it. Would you share that with any regulatory body?

12 MR. SHEETZ: No.

13 CHAIRMAN DiGIACOMO COLINS: All right. Thank
14 you, and we appreciate your offerings today.

15 COMMISSIONER COY: Thank you very much.

16 MR. SHEETZ: Thank you.

17 MS. McNULTY: Chairman Colins, that concludes
18 the presentations of the budget. You might now want to
19 consider motions on the budgets.

20 CHAIRMAN DiGIACOMO COLINS: Thank you very
21 much.

22 May I have a motion now to approve the PGCB
23 2009-2010 budget as it was presented.

24 COMMISSIONER COY: So moved, Madame Chairman.

25 COMMISSIONER ANGELI: Second.

1 CHAIRMAN DiGIACOMO COLINS: All in favor?

2 COMMISSIONERS: Aye.

3 CHAIRMAN DiGIACOMO COLINS: Opposed?

4 Motion carries.

5 Now, may I have a motion to approve the
6 2009-2010 budget for the Pennsylvania State Police?

7 COMMISSIONER ANGELI: So moved.

8 CHAIRMAN DiGIACOMO COLINS: Is there a second?

9 COMMISSIONER GINTY: Second.

10 CHAIRMAN DiGIACOMO COLINS: All in favor?

11 COMMISSIONERS: Aye.

12 CHAIRMAN DiGIACOMO COLINS: Opposed?

13 Motion carries.

14 May I have a motion to approve the 2009-2010
15 budget for Department of Revenue.

16 COMMISSIONER GINTY: So moved.

17 COMMISSIONER McCABE: Second.

18 CHAIRMAN DiGIACOMO COLINS: All in favor?

19 COMMISSIONERS: Aye.

20 CHAIRMAN DiGIACOMO COLINS: Opposed?

21 That motion carries.

22 May I have a motion to approve the 2009-2010
23 for the Attorney General's Office?

24 COMMISSIONER McCABE: So moved.

25 COMMISSIONER SOJKA: Second.

1 CHAIRMAN DiGIACOMO COLINS: All in favor?

2 COMMISSIONERS: Aye.

3 CHAIRMAN DiGIACOMO COLINS: Opposed?

4 Motion carries. Thank you.

5 Very good. That concludes the meeting. May I
6 have a motion for adjournment?

7 COMMISSIONER COY: So moved.

8 CHAIRMAN DiGIACOMO COLINS: Second?

9 COMMISSIONER GINTY: Second.

10 CHAIRMAN DiGIACOMO COLINS: All right. All in
11 favor?

12 COMMISSIONERS: Aye.

13 CHAIRMAN DiGIACOMO COLINS: That concludes the
14 public meeting. Before we adjourn, our next meeting
15 will be November 13th at the PUC Keystone Building,
16 Hearing Room 1, Harrisburg. Thank you.

17 (The meeting concluded at 1:24 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the notes
3 taken by me on the within proceedings and that this is a
4 correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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