

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

TUESDAY, FEBRUARY 19, 2008, 9:00 A.M.

VOLUME I OF IV

PRESENTATION BY GAMING CONTROL BOARD

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN
HONORABLE STEPHEN E. BARRAR
HONORABLE STEVEN W. CAPPELLI
HONORABLE H. SCOTT CONKLIN
HONORABLE CRAIG A. DALLY
HONORABLE GORDON R. DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE DAN B. FRANKEL
HONORABLE JOHN T. GALLOWAY
HONORABLE WILLIAM F. KELLER
HONORABLE THADDEUS KIRKLAND
HONORABLE BRYAN R. LENTZ
HONORABLE TIM MAHONEY
HONORABLE KATHY M. MANDERINO
HONORABLE MICHAEL P. MCGEEHAN
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE SCOTT A. PETRI
HONORABLE SEAN M. RAMALEY
HONORABLE DAVE REED
HONORABLE DOUGLAS G. REICHLEY
HONORABLE DANTE SANTONI, JR.

1 BEFORE: (cont'd.)
2 HONORABLE MARIO M. SCAVELLO
3 HONORABLE JOHN SIPTROTH
4 HONORABLE KATIE TRUE
5 HONORABLE DON WALKO
6 HONORABLE JAKE WHEATLEY, JR.

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ALSO PRESENT:
MIRIAM FOX
EDWARD NOLAN

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN EVANS: I would like to convene the
2 Appropriations Committee and kick off with a little
3 statement and then kind of talk a little bit about
4 the housekeeping rules of the committee.

5 Earlier this month, Governor Rendell
6 presented the General Assembly with his spending
7 proposals for 2008 and 2009. This is a \$28.3
8 billion spending plan that protects the progress
9 Pennsylvania has made over the last five years and
10 prepares us for the future.

11 We are aware that the state of the national
12 economy is not good. Across the country, Governors
13 and State Legislatures face a budget season that is
14 severely short on funding. Some will have
15 billion-dollar deficits. Funding for education,
16 health care, economic development, and the
17 environment are in jeopardy in New York, New Jersey,
18 and Massachusetts.

19 But in Pennsylvania, we are moving forward.
20 We are investing in the people, in programs, and in
21 the policies that will keep our State strong.

22 With this budget, education spending will
23 increase by 6 percent, a 6-percent increase or an
24 additional \$291 million for all of our school
25 districts. This is based on one of the

1 recommendations of the costing-out study done on
2 education funding in Pennsylvania.

3 This budget renews a commitment to
4 affordable health care for all Pennsylvanians. This
5 budget continues with economic stimulus plans that
6 affect communities across the State. We will
7 redevelop old industrial sites; fix our roads,
8 bridges, and dams; invest in research; and help
9 budget our communities.

10 This budget continues to strive for energy
11 independence. Pennsylvania remains a national
12 leader in this effort.

13 This budget makes Pennsylvanians safer by
14 spending \$20 million on the Police on Patrol
15 program. This means 200 more officers on the
16 streets of communities where they are most needed.

17 This budget proposes to put \$130 million
18 into the pockets of 475,000 low-income working
19 families. That is up to \$400 for each working
20 family.

21 Today, we begin a three-week process
22 relating to our hearings. It is our attempt to
23 focus on the policies and the programs funded with
24 State tax dollars. It helps us to focus on our
25 spending priorities for 2008/2009.

1 Something will be new this year. At several
2 hearings, we will invite citizens and community
3 leaders to provide their perspectives relating to
4 how this budget impacts them.

5 What I would like to do is now begin, and I
6 would like to recognize the acting chair on the
7 Republican side, Representative Craig Dally. Craig.

8 REPRESENTATIVE DALLY: Thank you,
9 Mr. Chairman.

10 I'm sitting in this morning for our Chairman,
11 Mario Civera, who is detained back in his district
12 for a few hours this morning.

13 But we also look forward to an engaging
14 process here over the next three weeks and analyzing
15 the Governor's budget, looking at his spending
16 priorities, and also determining what programs are
17 working, what programs aren't, and a way that we can
18 achieve a zero-growth or a low-growth budget.

19 So that is certainly our goal, and hopefully
20 through this process we will have the opportunity,
21 our members on our side of the aisle, to ask the
22 questions that we feel are necessary to really dig
23 into the numbers of this budget and make sure that
24 we are doing our fiduciary duty to the people of
25 Pennsylvania by asking the right questions in order

1 to receive the responses we need to make informed
2 decisions as this budget process goes forward.

3 So thank you, Mr. Chairman, for the
4 opportunity to provide those comments, and we look
5 forward to an engaging process over the next three
6 weeks. Thanks.

7 CHAIRMAN EVANS: Thank you very much.

8 What I would like to say to all of the
9 members on the committee, for those who have been on
10 the committee, I have tried to be more than liberal
11 relating to the questioning and the comments, but I
12 am going to ask members that they are going to have
13 to use self-discipline on themselves to ensure that
14 all members fully get to participate in this
15 process.

16 We have a lot of members and everybody wants
17 to ask questions, so I'm going to try to leave it up
18 to the members. If I don't feel that members are
19 adhering to what I am expressing, then I will become
20 even more aggressive about controlling how questions
21 are being asked. So I am asking the members to kind
22 of control themselves as we go through this process.

23 What I would like to do is, we don't ask for
24 any testimony from the witnesses that are before us,
25 but what I would like to do is get right into the

1 questioning of the people who are here before us.

2 So, Madam Chair, can you introduce yourself
3 and anybody else you want to introduce, and then I
4 can get into some questioning. You know, who the
5 board members are around you for the purpose of the
6 record.

7 MS. COLINS: Thank you, Mr. Chairman.

8 I'm Mary DiGiacomo Colins. I'm the Chairman
9 of the Pennsylvania Gaming Control Board.

10 To my left is board member Ray Angeli; to my
11 right is Eileen McNulty, our chief financial
12 officer; to Eileen's right is Gary Sojka, also a
13 board member; and to Gary's right is Jim Ginty, also
14 a board member.

15 And I want to thank you very much for the
16 opportunity to be here today, to come here to
17 respond as fully as possible to any of your
18 questions which you may have. I'm very grateful for
19 the opportunity to be here.

20 Thank you.

21 CHAIRMAN EVANS: Madam Chair, I would like
22 to start off with the first question.

23 As I look at, there is a sheet that you have
24 kind of put together here -- I think this is from
25 your shop -- where it talks about slots making a

1 difference, \$1.14 billion in tax revenue, slots
2 making a difference, and it shows how you have
3 collected a minimum, based on the State law, of \$50
4 million each for each casino and proposed casino,
5 and then it talks about where it goes. Can you talk
6 a little bit about the state of gaming in terms of
7 the State collecting revenue? Where are we in terms
8 of the benefits of it, and what has it meant?

9 MS. COLINS: Yes, I can. Thank you.

10 This chart that we developed and submitted
11 to the Legislature contains a snapshot of the
12 success that the Commonwealth has enjoyed as a
13 result of Act 71 and the Racehorse Development and
14 Gaming Act in terms of the generation of revenue.

15 When we conducted the licensing hearings and
16 we evaluated the applications, we received
17 projections from each of the applicants, and upon
18 issuing the licenses, we followed those projections
19 in terms of the revenue that would be generated.
20 And we are happy to say that at this point in time,
21 the actualization of the revenue generated exceeds
22 the projections by approximately 30 percent.

23 In addition to the \$50 million licensing
24 fees, the gross terminal revenues that have been
25 projected from the six slot machine facilities, and

1 that does not take into consideration Penn National,
2 which just opened last week and which has been very
3 successful just in its few short days of operation,
4 but these revenues are close to \$700 million,
5 approximately \$700 million. Those are the gross
6 terminal revenues from the slot machines themselves.
7 The 1.2 figure includes the \$50 million licensing
8 fees which were paid as well.

9 So the projections that we measured and the
10 projections that the licensees put forward are
11 below, in fact, what revenues have come into the
12 Commonwealth Gaming Fund at this point in time.

13 CHAIRMAN EVANS: Representative Sean
14 Ramaley.

15 REPRESENTATIVE RAMALEY: Thank you,
16 Mr. Chairman.

17 Good morning, Madam Chair.

18 MS. COLINS: Good morning, sir.

19 REPRESENTATIVE RAMALEY: Thank you all for
20 being here.

21 Obviously, based on your comments and based
22 on what we all know, more facilities mean more jobs,
23 more tax relief, more opportunities for those who
24 want to partake in gaming, and more benefits
25 certainly for the horse-racing industry.

1 My question then, and I don't mean to put
2 anybody on the spot here, but those of us in the
3 Beaver-Lawrence-Allegheny portion of southwestern
4 Pennsylvania are very curious about the time frame
5 on the Category 1 license for the previously
6 approved track in Lawrence County. Can you give any
7 kind of guidance on that?

8 MS. COLLINS: I can give you certainly some
9 general guidance as to what our expectations are at
10 this point in time.

11 We are in the beginning of the license
12 processing for that applicant. The application has
13 been received. The Licensing Bureau has that
14 application and is reviewing it and has requested
15 supplemental information, additional information.
16 That is a process that takes awhile.

17 The information, I am told from our Director
18 of the Bureau of Licensing, that we are requesting
19 is coming in. Their counsel, I bumped into the
20 other day, has advised me that they are complying;
21 they are submitting the requested information. And
22 once Licensing has amassed everything that it
23 requires, licensing will then turn that over to the
24 Bureau of Investigations to begin the background
25 investigations.

1 We will then conduct a public input hearing
2 in the locality, and that will probably occur
3 sometime, we are hoping in the summer, and we are
4 anticipating suitability hearings in the fall and
5 hopefully being able to award the license in
6 November or December.

7 So that's as detailed a timeline as I can
8 give you at this point, barring any fluctuations or
9 changes, sir.

10 REPRESENTATIVE RAMALEY: Sure. Thank you
11 very much.

12 MS. COLINS: You are welcome.

13 REPRESENTATIVE RAMALEY: Thank you, Mr.
14 Chairman.

15 CHAIRMAN EVANS: Representative Craig Dally.

16 REPRESENTATIVE DALLY: Thank you, Mr.
17 Chairman.

18 Good morning.

19 MS. COLINS: Good morning, sir.

20 REPRESENTATIVE DALLY: Madam Chairwoman, you
21 mentioned in your remarks about achieving revenue
22 greater than was expected when Act 1, Special
23 Session Act 1, was passed. In the Governor's
24 budget, there are estimates for property tax relief,
25 which at first blush seem to be overly optimistic.

1 As you are aware, section 503(a) of the act provides
2 that the Secretary shall only certify an amount that
3 is sustainable in subsequent years for property tax
4 relief. And on page H-70 of the budget, the
5 Governor anticipates the 34-percent tax on gross
6 terminal revenues to generate \$441.32 million in
7 fiscal year '07-08 and \$575 million in fiscal year
8 '08-09, yet at the same time, as presented on page
9 A-3.14 of his budget, it provides for property tax
10 relief totaling \$853.8 million in 2008-09 and \$887
11 million in '09-10.

12 So what I'm having trouble understanding, in
13 your projections you are showing that the 34-percent
14 revenue or tax should generate \$575.28 million in
15 revenue. So I am wondering how \$575 million can
16 result in property tax relief of \$853 million, if
17 you could explain those differences.

18 MS. COLINS: Well, you know--- Would you
19 like to address that?

20 MS. McNULTY: That's fine.

21 MS. COLINS: I am going to ask our resident
22 expert, our Chief Financial Officer, to address your
23 question. I think she will give you a much more
24 coherent answer and a clearer answer than I would.

25 CHAIRMAN EVANS: Eileen, can you just

1 introduce yourself for the record, please?

2 MS. McNULTY: Yes. My name is Eileen
3 McNulty, and I'm the Chief Financial Officer for the
4 Gaming Control Board.

5 I think the answer to your question is that
6 license fees have been collected as well, \$550
7 million in license fees, and those fees can be
8 spread over the next couple of years. In fact, \$200
9 million of the license fees have already been
10 transferred to the Lottery Fund to support the
11 expanded property tax relief through the Lottery
12 Fund.

13 So it is the combination of the 34-percent
14 tax revenue and the license fees that is going to
15 support the property tax relief figures that you
16 mentioned.

17 REPRESENTATIVE DALLY: The license fees are
18 one-time payments, correct?

19 MS. McNULTY: Yes.

20 REPRESENTATIVE DALLY: Okay. So in the
21 Governor's proposal of property tax relief, what
22 portion of that \$853 million is license fees for
23 that fiscal year?

24 MS. McNULTY: Well, on page H-70 where you
25 were mentioning the figure of 441.3, if you look

1 right above that, there's \$315 million in license
2 fees in '07-08. There were \$300 million in the
3 previous year in '06-07, \$200 million of which has
4 been sent to the Lottery Fund to pay for the
5 expanded property tax and rent rebate program, but
6 \$100 million of which is still available for
7 property tax relief.

8 REPRESENTATIVE DALLY: Okay. So basically
9 the Governor's budget is using \$300 million in
10 licensing fees plus the 34-percent tax to generate
11 the property tax relief that he is suggesting?

12 MS. McNULTY: To the extent that you are
13 quoting the figures of 854 and 888, yes.

14 REPRESENTATIVE DALLY: Then I guess my next
15 question is, how is that sustainable when a
16 34-percent tax is expected to only generate 575?
17 How can we have sustainable property tax relief of
18 \$900 million a year when the one-time license fees
19 then will be exhausted?

20 MS. McNULTY: Well, we anticipate more
21 facilities coming on line that will generate more
22 revenue.

23 REPRESENTATIVE DALLY: Okay. And what is
24 your projection in that regard for '10 and '11? Or
25 I should say '09 and '10, excuse me; for the next

1 fiscal year.

2 MS. McNULTY: For '08-09 for the facilities?

3 REPRESENTATIVE DALLY: No; no, for the next
4 fiscal year on license fees. Not '08-09 but '09 and
5 '10, since those are the dollars that are going to
6 be used.

7 MS. COLINS: Two and a half million would be
8 the projection on that. There would be license fees
9 from the Category 3's that would come on board, the
10 additional Category 1, and then there would be the
11 additional facilities that would be opening on line
12 that would produce additional gross terminal revenue
13 that would be subject to the 34-percent tax.

14 REPRESENTATIVE DALLY: What is your timeline
15 in terms of these new facilities coming on line?

16 MS. COLINS: Well, the issuance of the
17 license for the Category 1 would be in the fall, and
18 the Category 3's we are hoping to license in
19 September, approximately September. The Category
20 3's would come on line very quickly, because they
21 will be existing resorts, and the Category 1, which
22 is a racino, could be on line, I would anticipate,
23 five, six months after the issuance of the license.
24 That's just an anticipation. I can't be more
25 specific than that.

1 REPRESENTATIVE DALLY: So you are projecting
2 \$2.5 million of license fees for this fiscal year,
3 correct?

4 MS. McNULTY: That is the projection in the
5 budget for '08-09, 315 is for this year, and between
6 the two years, we should reach those numbers.

7 REPRESENTATIVE DALLY: Okay. Then my
8 question was, though, in '09-10, what are your
9 projections for license fees, because obviously you
10 are going to need additional money to come up with
11 that \$900 million for property tax relief.

12 MS. McNULTY: Well, I think at that point it
13 will be coming from the 34-percent tax on the
14 additional venues that will be open by then, which
15 will include the one in Bethlehem, which we
16 anticipate will open at the end of the fiscal year,
17 and the two in Philadelphia and the seventh track.

18 REPRESENTATIVE DALLY: Okay. So I guess
19 then to change my question, what do you expect the
20 34-percent State tax to be in '09-10?

21 MS. McNULTY: I don't have that number right
22 with me, but we can figure it out and send it to
23 you.

24 REPRESENTATIVE DALLY: All right. I wish
25 you would do that, because that's pretty important

1 to analysis these numbers and know whether the
2 Governor's assertion is correct or not.

3 Thank you very much.

4 CHAIRMAN EVANS: Thank you, Mr. Dally.

5 Representative Jake Wheatley.

6 REPRESENTATIVE WHEATLEY: Thank you, Mr.
7 Chairman. Good morning, everyone.

8 MS. COLINS: Good morning.

9 REPRESENTATIVE WHEATLEY: I have a question,
10 one, if you can help me to understand what is going
11 on with the compulsive gambling. Do we have it set
12 up? Do we have the relationship and the criteria in
13 place to handle compulsive gambling that is going
14 to, if it hasn't already started, that will start
15 with the implementation of this new industry? Do
16 you have a projection on what you think the problem
17 will look like and if counties are set up to handle
18 it?

19 MS. COLINS: Great, thank you.

20 Yes, we do have a very active program to
21 deal with problem compulsive gambling. We are the
22 only jurisdiction in the nation that has someone at
23 a Director level who is charged with the
24 responsibility of overseeing compliance with our
25 problem and compulsive gambling regulations.

1 We are very active through this Executive
2 Director, who has established an administration of
3 and a process for a self-exclusion list. This
4 self-exclusion-list concept is provided for in the
5 statute and in our regulations. We already are
6 responsible for a self-exclusion list which consists
7 of approximately 200 individuals in the Commonwealth
8 in the short time that we have been in existence.

9 In addition, our Director of Problem and
10 Compulsive Gaming has created programs where there
11 has been information that has been submitted to the
12 Pennsylvania State prisons, to the State probation
13 department, and parole offices. She has coordinated
14 efforts with the Racing Commission and with the
15 Lottery Commission. For the first time, our agency,
16 along with those three departments, are talking and
17 coordinating efforts to educate the public in the
18 area of problem and compulsive gaming.

19 We have as one of our conditions imposed
20 upon all licenses the requirements that every
21 operator, before they can open their casino door,
22 must comply with our regulations requiring a problem
23 and compulsive gaming program, and our program has
24 been discussed and evaluated within the gaming
25 industry as being perhaps one of the most strict and

1 expansive problem and compulsive gaming programs in
2 gaming jurisdictions in the country.

3 So we are very involved in it. Our
4 Director, Nan Horner, is doing an outstanding job
5 for us, and the requirement for each facility to
6 comply is one that we take very seriously, and no
7 doors can open without them meeting that
8 requirement.

9 REPRESENTATIVE WHEATLEY: And I can
10 appreciate that response. I guess I was not clear
11 in my question, though.

12 One of the questions was, are the counties,
13 it was my understanding, especially in Allegheny
14 County, that we may not be set up to handle the
15 increase that may come from compulsive gaming, and
16 part of it is making sure we have the necessary
17 certified individuals to handle this particular type
18 of addiction, and I was wondering if we are keeping
19 an eye or if you are keeping an eye or if someone is
20 keeping an eye on if the Commonwealth itself is
21 prepared to handle this particular type of
22 addiction.

23 MS. COLINS: Right. The Department of
24 Health receives \$1.5 million from gaming revenues
25 towards providing for certification and development

1 of programs to treat problem and compulsive gaming.
2 That is within the jurisdiction of the Department of
3 Health. We certainly, through our Director of
4 compulsive gaming, reach out to them and make
5 ourselves available to support them as they go
6 forward to do this.

7 But that is within the purview of the
8 Department of Health, the distribution of those
9 funds and the certification process for treatment of
10 compulsive gaming.

11 REPRESENTATIVE WHEATLEY: So one last
12 question on this area.

13 MS. COLINS: Okay.

14 REPRESENTATIVE WHEATLEY: So that I'm clear,
15 you have a person who is a Director over compulsive
16 gambling who creates programs and does the outreach
17 from the Gaming Board, but then we send money to the
18 Department of Health to do the exact same thing. Is
19 that what you are saying?

20 MS. COLINS: No, sir. The Department of
21 Health, I believe, is a different jurisdiction.
22 They get the money to actually certify treatment and
23 to provide that money to certified programs. They
24 certify the medical treatment end of it and
25 disseminate the funds to those programs.

1 We require that the operators comply with
2 our regulations, which promote awareness of problem
3 gaming. We make sure that there is a hotline
4 available. We also disseminate information by way
5 of education and make sure that the facilities do
6 the same and comply with our regulatory guidelines
7 in that regard.

8 REPRESENTATIVE WHEATLEY: Thank you.

9 And if you can just explain to me the
10 difference in the local tax share assessment and
11 where that goes, and then the funding of the local
12 law enforcement piece. Can you help me understand
13 the difference in those two funding parts?

14 MS. COLINS: I can, but I think Eileen
15 McNulty can do a better job. I'm going to ask her
16 to fill in. Thank you.

17 MS. McNULTY: Thank you.

18 The local law enforcement grants are funded
19 from a \$5 million appropriation out of the Gaming
20 Fund each year, and the Governor has recommended
21 continuing that in '08-09. The local share is
22 funded from a 4-percent assessment on gross terminal
23 revenue.

24 Generally speaking, 2 percent of that goes
25 to the county and 2 percent goes to the local

1 municipality, but there is a guarantee of a minimum
2 of \$10 million to the local municipality. There is
3 also a cap on how much of it they can keep, which is
4 based on 50 percent of their budget. So if the
5 local portion exceeds that cap of 50 percent on the
6 municipal budget, then the additional funds would
7 also flow through the county share mechanism.

8 REPRESENTATIVE WHEATLEY: Thank you.

9 CHAIRMAN EVANS: Thank you, Representative
10 Wheatley.

11 Representative Reichley.

12 REPRESENTATIVE REICHLEY: Good morning.

13 MS. COLINS: Good morning.

14 REPRESENTATIVE REICHLEY: Thank you, Mr.
15 Chairman.

16 Do you prefer to be referred to as
17 Chairwoman or Judge? I just want to make sure I
18 address you in the correct way.

19 MS. COLINS: At your pleasure, sir, whatever
20 you choose. You can call me Mary; whatever works.

21 REPRESENTATIVE REICHLEY: Well, I wouldn't
22 want to fool anybody as to how friendly we are going
23 to be then. But thank you for---

24 MS. COLINS: You can call me Judge, sir.

25 REPRESENTATIVE REICHLEY: That will be fine.

1 I'll just remember you don't have the contempt
2 powers to use either. Thank you.

3 MS. COLINS: Thank heavens.

4 REPRESENTATIVE REICHLEY: Thank you to you
5 and your fellow board members for appearing here
6 today. It is especially appreciated that you have
7 come before the Legislature in this setting. It is
8 unfortunate that we weren't able to gain the
9 appearance of the board members before the Policy
10 Committee when we had previous discussions about
11 these kinds of topics, but it is good to finally
12 have you before us.

13 I guess my concern is focused somewhat upon
14 the enforcement capacity of a board as it currently
15 stands, especially in light of recent media reports
16 that the State Police intend to reduce their 24-7
17 coverage in the gambling facilities based upon
18 budgetary constraints, and then really in following
19 up to Representative Ramaley's question about the
20 newest license application in terms of the
21 background check process and the capacity of a board
22 for that.

23 I guess just beginning with Representative
24 Ramaley's question, I believe it is Valley View
25 Downs, is that correct, the name of the most recent

1 application?

2 MS. COLINS: Yes; yes.

3 REPRESENTATIVE REICHLEY: And what is the
4 exact status of that application?

5 MS. COLINS: It is being reviewed by
6 Licensing, and they are amassing information in
7 order to complete their portion of the process.

8 REPRESENTATIVE REICHLEY: And when you say
9 that "they" are reviewing, who is "they"?

10 MS. COLINS: The Department of Licensing,
11 sir.

12 REPRESENTATIVE REICHLEY: Okay. Has the
13 Bureau of Investigations and Enforcement under the
14 Gaming Control Board conducted any investigation of
15 the license applicant?

16 MS. COLINS: That does not happen until
17 Licensing completes its review for completeness.

18 REPRESENTATIVE REICHLEY: Okay.

19 Now, with regard to the capacity of the
20 Bureau of Investigations and Enforcement to conduct
21 background investigations, as a judge and as the
22 current chairperson of the board, what is your
23 position on behalf of the board as far as the Bureau
24 of Investigations and Enforcement capacity and the
25 board's capacity to receive criminal investigative

1 information?

2 MS. COLINS: Well, sir, I'll rely on both of
3 my hats at this point, as a Judge and also as the
4 Chairman of the Gaming Board, to respond to that
5 question.

6 I realize that there have been those who
7 have criticized us regarding the Mount Airy decision
8 at this point, but with respect to the process of
9 the Gaming Board, and I would like to call to
10 everyone's attention once again that the situation
11 in Mount Airy now is such that we have continued the
12 operation of that casino. We continue to bring in
13 revenue. We have spared approximately 920 jobs. We
14 continue, we have allowed the flow of payments to
15 small businesses in that part of Pennsylvania to
16 continue by our suspension of the applicant pending
17 the disposition of the criminal charges.

18 But going forward with other applications
19 now and with how we conduct our investigation, our
20 process has been, in my estimation, a very complete
21 regulatory process. I think that no one would
22 dispute that as regulators, we had in place a system
23 which was comparable to any other regulatory
24 investigative process in the nation.

25 We have met, I personally met with

1 representatives from the Nevada Commission, from the
2 New Jersey Division of Gaming Enforcement, numerous
3 times in terms, in the early stages of this board,
4 in terms of how to set up our system. And as
5 comments from not only Pennsylvania State Police
6 Commissioner Miller and others indicate, the Gaming
7 Board did everything that a regulator could do in
8 its past investigations in order to ensure
9 completeness and thoroughness.

10 Now, what we will do going forward is to
11 conduct similar investigations to reach out to the
12 State Police, as we have in the past, and to
13 hopefully be able to create a continuing partnership
14 where we will be advised on an ongoing basis as to
15 whether or not there is a criminal investigation
16 going on. And when we receive that information,
17 just as we would have acted in the past, we will act
18 in the future, and that is to defer any licensing
19 decision pending the outcome of those criminal
20 investigations.

21 Now, it's my understanding of the law, of
22 CHRIA, which has been tossed around by everyone who
23 has an opinion on this issue, but it is my opinion
24 that that law does not preclude a law enforcement
25 agency from indicating whether or not there is a

1 criminal investigation in effect.

2 There is argument as to whether or not it
3 precludes the dissemination of the specifics, but it
4 certainly does not stop law enforcement agencies
5 from telling the regulators, we have an
6 investigation ongoing or there is information you
7 may want to consider later when we are finished.

8 As I mentioned earlier, I have had numerous
9 discussions with the Division of Gaming Enforcement
10 people in New Jersey. We have Cyrus Pitre here, who
11 was with that division, who can speak to you, and it
12 is the practice of other regulators to receive
13 information that states there is a criminal
14 investigation so that regulators know where to tread
15 and where not to tread.

16 There is, you know, there is a very real
17 tension that is built in to the regulatory process
18 as a result of the Fifth Amendment, and that is what
19 we have to respect as regulators. If we know that
20 there is a criminal investigation, we have the
21 ability to stop and not license, and we will do that
22 in the future again just as we would have done in
23 the past had we had that type of information.

24 REPRESENTATIVE REICHLLEY: Well, taking up
25 your point about looking at what other States have

1 done and what happened in the past and looking
2 forward, I guess the question arises upon the legal
3 basis for both the Bureau of Investigations and
4 Enforcement and the board to receive the information
5 you have described.

6 What I find troubling is based upon your
7 statement here today, even after the license was
8 granted to Mount Airy, on October 10 of last year --
9 and this is from a fax that Mr. Stambaugh provided
10 to me last Thursday -- the Department of Justice,
11 and this is a letter from James K. Welch,
12 Supervisory Special Agent, to you, which said, "The
13 FBI has not, can not and will not provide the BIE
14 with any investigative information. We are
15 generally prohibited from providing investigative
16 information to non-law enforcement agencies and the
17 BIE is not a law enforcement agency. Consistent
18 with our policy, we have refused all BIE requests
19 for information on prospective casino license
20 applicants and employees." And what is troubling in
21 light of your statement this morning is that you had
22 that information on May 5 of '06 in a letter from,
23 again, Agent Welch to Mr. Roger Greenbank, your
24 Deputy Director for the Bureau of Investigations and
25 Enforcement. You had that information as of

1 February 16 of '06, and the information was
2 communicated to Mary McDaniel, Executive Director of
3 the House Judiciary Committee. And this, again, is
4 a letter from an M. McIntyre Sundin, Unit Chief,
5 Access Integrity Unit, in which it is said that
6 "Amending 18 PaCS Section 9102, to designate the
7 Board or the BIE as criminal justice agencies within
8 the state of Pennsylvania will not change the FBI's
9 determination that the Board lacks authority to
10 access NCIC information."

11 So in light of three determinations that you
12 have received, why would the Legislature have
13 confidence that you can safeguard an occurrence such
14 as with Mount Airy from happening with the Valley
15 View Downs? I'm not saying that there is anything
16 related right now to Valley View Downs---

17 CHAIRMAN EVANS: Madam Chairperson, this is
18 what I want to caution you as well as the member who
19 just asked that question. I have asked
20 Representative Harold James, who is the Chairman of
21 the Gaming Commission and the House Judiciary
22 Committee, in my view, to get into more detail and
23 discussion relating to overall on the gaming issue.
24 Only because of my time situation, I have like
25 three, four more members, I have other people to

1 bring up on this dais, so this has to be the last
2 question, and, you know, so I'm asking you to be
3 short in your answers to the gentleman's question so
4 that we can move through with the rest of the agenda
5 that I have.

6 REPRESENTATIVE REICHLEY: Well, Mr.
7 Chairman, may I--- Representative Dally, I'll refer
8 to you.

9 REPRESENTATIVE DALLY: Okay. If I could
10 just comment on that.

11 So what you are saying is that you are going
12 to give members of the Appropriations Committee the
13 opportunity to ask questions at the hearing to be
14 called by Representative James on this issue?

15 CHAIRMAN EVANS: I can't speak on that. I
16 have asked Representative James to conduct hearings.
17 Right now, I'm trying to keep an appropriations
18 process moving, Mr. Dally.

19 REPRESENTATIVE DALLY: Okay. I just hope
20 that the members have the opportunity to ask these
21 questions, because I think the people of
22 Pennsylvania deserve to know the answers to them.

23 REPRESENTATIVE REICHLEY: Well, Mr.
24 Chairman, are you saying that I have one more
25 question?

1 CHAIRMAN EVANS: No, I'm saying that we will
2 end with this question that you just asked and the
3 answer she will give so I can move on.

4 REPRESENTATIVE REICHLEY: Well, let me
5 include a couple caveats then for the benefit of the
6 chairperson so that she can answer everything
7 directly.

8 CHAIRMAN EVANS: Okay, and she has to keep
9 her answer very short.

10 REPRESENTATIVE REICHLEY: And she can
11 certainly amend the answer in writing.

12 MS. COLINS: No fair.

13 REPRESENTATIVE REICHLEY: She can certainly
14 amend the answer in writing.

15 Madam Chairwoman or Judge, I think the
16 critical question that Pennsylvanians want to know
17 is, when did the Bureau of Investigations and
18 Enforcement make its referral, based on perjury
19 allegations against a Mount Airy applicant, to the
20 Pennsylvania State Police? When did the BIE notify
21 the board that it had made such a referral? And did
22 you proceed to issue a license to the Mount Airy
23 applicant in light of the information that BIE had
24 at its disposal? Because certainly the grand jury's
25 presentment indicates that that was in the fall of

1 '06.

2 Furthermore, did the board do a financial
3 suitability analysis of Mr. Barden, the Pittsburgh
4 applicant who, as it has been reported, had \$11
5 million of personal gambling debts? And did you
6 factor that into the determination---

7 CHAIRMAN EVANS: Representative Reichley---

8 REPRESENTATIVE REICHLEY: ---of the issuance
9 of that license?

10 CHAIRMAN EVANS: Representative Reichley,
11 you and I have known each other a long time and you
12 have watched me as Chairman of this committee. I
13 have been more than fair. I think you are
14 stretching it with the additional caveats that you
15 are attempting to ask. So I am asking you to allow
16 her to answer that question and for me to get the
17 rest of the members in to ask their questions. That
18 is what I am asking.

19 REPRESENTATIVE REICHLEY: And, Mr. Chairman,
20 I respect you a great deal; I think you know that,
21 and different than a court of law that the judge
22 ruled upon, you know, that there would not be the
23 closing down of certainly the direct line of
24 questioning on the first opportunity.

25 My last part will be, there was a meeting

1 scheduled December 11 of '06 between, I believe,
2 Mr. Donahue and the U.S. Attorney's Office, and that
3 was cancelled, and that was prior to your issuance
4 of the DeNaples license, and can you explain to the
5 Legislature, in writing if you need to, why that
6 meeting was cancelled?

7 MS. COLINS: Okay.

8 REPRESENTATIVE REICHLEY: Thank you, Mr.
9 Chairman.

10 CHAIRMAN EVANS: Thank you.

11 MS. COLINS: Sir, you have asked me many,
12 many questions all around what I consider to be an
13 issue that is not as complicated as it's made to be.

14 The licensing process for Mount Airy
15 occurred after our investigators presented to the
16 board all of the information that we had, and in
17 addition asked the State Police, who had written
18 letters of agreement with us, whether or not they
19 had any information or whether or not there were any
20 issues we should know about before the licensing.

21 Now, that has been categorized as a rush to
22 license. I beg to differ; it's not a rush to
23 license. It was a request for information so that
24 we could know whether in fact we were in a ready
25 state to license. As a result of the information

1 received from the State Police, we believed we had
2 everything necessary.

3 Now, you will notice if you read the letter
4 from the State Police that they indicated
5 specifically that we had as much information as we
6 needed. What is very troubling to me is that there
7 was specifically outlined a Federal court opinion by
8 Judge Robreno of the Eastern District of
9 Pennsylvania which empowered the State Police to
10 request of the U.S. Attorney the opportunity to
11 provide to the Pennsylvania Gaming Control Board
12 relevant information should the judge determine that
13 the best interests of the public would be served as
14 a result of that.

15 There was no request made by the
16 Pennsylvania State Police to do that. There was a
17 mechanism in place. So one of two things occurred:
18 either they believed that it was not relevant, or in
19 fact they chose not to go through that avenue.

20 What we are doing is considering a proposal
21 to offer that will enhance the ability of the State
22 Police, of the Gaming Board, to work together in the
23 future such that we can have in place by statute, if
24 possible, the similar procedure where a law
25 enforcement agency can request the Attorney General

1 to ask a judge of a competent jurisdiction to review
2 the information, to weigh it, to see if that
3 specific information should go to a regulator. That
4 is something that I think would strengthen the
5 Commonwealth's ability to review all information
6 going forward.

7 But I truly believe that what is troubling
8 here is not how the Gaming Board acted, it is not
9 how the State Police acted per se, but it is really
10 how this has been characterized as a misadventure in
11 licensing when in fact it was the Gaming Board's
12 efforts that were expended to get as much
13 information as possible, which were, for whatever
14 reason, be it for good cause or not, were rebuked by
15 the State Police in this case.

16 CHAIRMAN EVANS: Thank you, Madam Chair.
17 Thank you, Representative Reichley.

18 Representative Scott Petri.

19 REPRESENTATIVE PETRI: Thank you, Mr.
20 Chairman.

21 Thank you, Madam Chairman, for appearing
22 today.

23 MS. COLINS: You are welcome.

24 REPRESENTATIVE PETRI: I noticed in the
25 prepared remarks that there are some revisions in

1 the proposed licensing, that generally we have
2 pushed back some of the dates or ratcheted down some
3 of the projections on openings, including, it looks
4 like, the Category 1 license that you talked about
5 with Valley View now projected to open some time
6 around January of 2010. Is that correct?

7 MS. COLINS: That's a projection at this
8 time.

9 REPRESENTATIVE PETRI: Given the fact that
10 since this law has been enacted and as we have moved
11 forward there have been so many unforeseen
12 circumstances and we have continually ratcheted
13 backward the schedule, should we not be looking to
14 do the same with regard to the need for complement
15 within the Gaming Control Board and in regard to
16 projected revenues, including the crucial element of
17 property tax relief?

18 MS. COLINS: Well, in terms of whether or
19 not our projections now are perhaps not valid
20 because of potential obstacles which might delay
21 openings--- Is that what you are asking, sir?

22 REPRESENTATIVE PETRI: I think we could all
23 admit that standing here at this moment, nothing has
24 proceeded at the speed that we projected or at the
25 cost we projected. So my question is, why should we

1 believe as an appropriations body that the
2 projections would continue as you are now projecting
3 them, knowing that there are all these unforeseen
4 circumstances that are going to come along, and if
5 so, should we be considering ratcheting back the
6 projections needed for additional staff in the
7 Gaming Control Board and also in projected property
8 tax relief for Pennsylvania taxpayers?

9 MS. COLINS: Well, with respect to staffing
10 needs, we have taken the projections and ratcheted
11 back in our staffing needs, actually. We have taken
12 into consideration the delays in the openings of the
13 casinos that will not be in this budget year, and we
14 have cut back as a result of that. Those we have
15 considered completely.

16 REPRESENTATIVE PETRI: Okay.

17 MS. COLINS: With respect to projected
18 revenues, we have also considered that as well. I
19 believe that the fundamental underlying criteria for
20 the budget have taken into account what we consider
21 foreseeable delays.

22 Now, it's difficult to take into account the
23 unforeseeable, but we have tried to put everything
24 that is very realistic about what facilities will
25 open and when and put that into this budget.

1 REPRESENTATIVE PETRI: Would you give the
2 Appropriations Committee some cautionary notes with
3 regard to being too aggressive on release of
4 property tax relief, or do you think that the
5 projections are adequate?

6 MS. COLINS: I believe the projections are
7 adequate.

8 REPRESENTATIVE PETRI: And that they are
9 sustainable?

10 MS. COLINS: I believe they are sustainable.

11 REPRESENTATIVE PETRI: So that if we
12 disburse the money that the Governor in the budget
13 contemplates, you feel that it will be sustainable
14 year after year, including the following fiscal
15 year, not just this fiscal year?

16 MS. COLINS: I do.

17 REPRESENTATIVE PETRI: Okay. Well, you
18 know, there may be people on this side that rely on
19 that.

20 One final comment or question. How much is
21 the General Fund expected to augment for -- that's a
22 fancy way of saying "pay for" -- your operations
23 this year?

24 MS. McNULTY: There are no general funds
25 that support our budget. In fact, fines and

1 penalties generated by our assessments against
2 licensees augment the General Fund.

3 REPRESENTATIVE PETRI: Okay. Well, let me
4 ask it a different way: Will your operations be
5 fully sustainable this year so that you will not
6 need any money from any separate fund in order to
7 pay for your anticipated expenses and complement?

8 MS. McNULTY: Our budget anticipates a loan
9 from the Property Tax Relief Reserve Fund. This is
10 a reserve that is established in the event that
11 projections do not materialize as anticipated. That
12 Reserve Fund is there regardless of the amount of
13 property tax relief, so---

14 REPRESENTATIVE PETRI: And how much are you
15 seeking in this budget to borrow from the Reserve
16 Fund?

17 MS. McNULTY: \$25.5 million.

18 REPRESENTATIVE PETRI: Okay. Thank you. I
19 have no further questions.

20 CHAIRMAN EVANS: Thank you.
21 Representative Denlinger.

22 REPRESENTATIVE DENLINGER: Thank you, Mr.
23 Chairman.

24 Good morning.

25 MS. COLINS: Good morning.

1 REPRESENTATIVE DENLINGER: I want to follow
2 up a little with Representative Petri's line of
3 questioning there on the stability of revenues and
4 your projections.

5 I do also appreciate Representative Reichley
6 highlighting some deep concerns that I am hearing
7 from constituents about the whole Mount Airy
8 situation, and I do appreciate those questions as
9 well.

10 But getting back to revenue streams, I am
11 wondering, are you taking into account fluctuations
12 in revenue based on new operations coming on line
13 and those new ones competing with existing venues?
14 I'll give you an example.

15 The Mohegan Sun at Pocono Downs facility was
16 producing revenues averaging, an average monthly
17 gross terminal revenue of \$16.7 million for the
18 three months prior to the opening of Mount Airy, but
19 after Mount Airy opened, those same gross terminal
20 revenues decreased to \$12.96 million. So obviously
21 there is not a never-ending supply of gamblers out
22 there who will always go higher and higher in terms
23 of what they are willing to spend.

24 Can you talk with us a little bit about
25 those fluctuations of revenue, your system

1 internally of how you deal with that, because I
2 think Representative Petri's comments about concerns
3 that we have on the revenue stream are legitimate
4 and deeply concerning. Thank you.

5 MS. COLINS: All right. Well, we have taken
6 into consideration the fluctuations in revenue. I
7 mean, within the gaming industry, those whom we have
8 spoken to, and we have relied also on studies done
9 by an outside consultant, Price Waterhouse Coopers,
10 which has a hospitality and gaming department with a
11 tremendous amount of expertise, and we have reached
12 out to them when we conducted our projection studies
13 in the licensing process, and there is no doubt that
14 as all of the facilities, when all of the facilities
15 come on board, there will be a leveling out of the
16 revenue. And we based our projections on a study
17 that considered the concept of a stabilized year,
18 and that means revenues when all 14 operations are
19 up and running, and our studies indicate that the
20 revenue projections that we came up with are valid
21 and in fact will be exceeded to a degree.

22 I also want to point out, too, that the
23 success of Pennsylvania has really been well
24 recognized. I mean, the New Jersey gaming industry
25 has experienced a drop in their revenues which they

1 attribute directly to the Pennsylvania venues, and,
2 I mean, we don't have Philadelphia on line, we don't
3 have Sands Bethworks on line, which draw from
4 additional markets that feed into the New Jersey
5 gaming market. So I believe that when our other
6 facilities come on line, that we will enhance our
7 marketplace, and I believe our projections for a
8 stabilized year -- again, that is a year when all 14
9 are in operation -- will hold true.

10 REPRESENTATIVE DENLINGER: And one followup,
11 if I may.

12 With the prospect that Maryland will also
13 move into gaming, what is your expected impact from
14 people not coming to Pennsylvania but staying in
15 Maryland?

16 MS. COLINS: Well, I don't know that
17 Maryland is close to that yet. I know Kentucky, the
18 Governor of Kentucky, is talking about legislation
19 that is very similar to ours. But if in fact
20 Maryland were to come on line, we have considered
21 that, we did consider that in our initial studies,
22 and we do not think it impacts us to any degree.

23 Now, there would have been an impact on the
24 license from Gettysburg had we awarded that license,
25 but overall, we believe that Maryland, if they pass

1 that referendum in the fall, that we do not think it
2 will have a significant impact at this time.

3 REPRESENTATIVE DENLINGER: Thank you.

4 CHAIRMAN EVANS: Representative Ron Miller.

5 REPRESENTATIVE MILLER: No; thank you, Mr.
6 Chairman.

7 Representative Barrar.

8 REPRESENTATIVE BARRAR: Thank you, Mr.
9 Chairman.

10 I wanted to follow up on a couple of
11 questions that Representative Petri asked. We are
12 borrowing money to pay the cost of the Gaming
13 Commission at this point from the Property Tax
14 Relief Fund. Why aren't the casinos paying, the
15 gaming licensees paying, the full cost at this
16 point?

17 MS. McNULTY: They are paying a portion of
18 the operating costs of the agencies, and at the
19 present time, that money is being disbursed to the
20 State Police, the Department of Revenue, and the
21 Attorney General's Office. The remainder is being
22 funded by this loan, which the gaming licensees will
23 begin to repay when all of them are up and running.

24 The reason for some to be paid currently and
25 some to be in the form of a loan that will be repaid

1 later is so that the entire cost of regulation is
2 not borne by the first people to come on line but is
3 shared by the licensees who will come on line at a
4 later point.

5 REPRESENTATIVE BARRAR: So currently, we are
6 hearing from you that the current licensees are all
7 doing much better because the other licensees aren't
8 on board yet, but at the same point, there's a
9 hesitancy in your commission to charge them the full
10 cost of operating your commission because the rest
11 of the board--- So on one hand they are doing
12 better, but on the other hand are they complaining
13 that if they have to pay the full cost, that it's
14 unfair?

15 MS. McNULTY: The hesitancy is not on the
16 part of our commission. We are not in charge of
17 this. The withdrawal from these accounts to support
18 the regulatory agencies is handled by the Department
19 of Revenue. They are in charge of determining what
20 the amount taken out of there is and who it goes to,
21 and the Governor's budget recommended that we would
22 be funded in the budget year from a loan from the
23 Reserve Fund, and we are in support of that.

24 REPRESENTATIVE BARRAR: What percentage is
25 that that the licensees are being assessed at? At

1 this point, is there a percentage?

2 MS. McNULTY: Currently, they are
3 calculating it based on 1 1/2 percent of gross
4 terminal revenue.

5 REPRESENTATIVE BARRAR: Okay. Now, compared
6 to other States that fund using this mechanism, is
7 this pretty much in line with what other States are
8 doing?

9 MS. McNULTY: I'm not aware of any other
10 State that uses this particular mechanism. Some
11 States have assessments against the fund where the
12 taxes from gaming go, and that is used to support
13 the regulatory agencies, but not as a direct charge
14 against the licensees.

15 Our budget is in line with similar States,
16 such as New Jersey. They have a budget in the
17 neighborhood of \$70 million for the combination of
18 the Casino Control Commission and the Division of
19 Gaming Enforcement, which is more than the
20 combination of the three agencies that basically are
21 involved in gaming regulation in Pennsylvania, whose
22 budgets total about \$50 million.

23 REPRESENTATIVE BARRAR: Okay.

24 Thank you, Mr. Chairman. That is all I
25 have.

1 CHAIRMAN EVANS: Thank you.

2 I would like to do something unusual this
3 year and have, if we can kind of have the board move
4 over a little bit and get some more chairs, I'm
5 going to have the Executive Director of the Meadow's
6 Standardbred Owners Association come to the table,
7 Mr. Kim Hankins, and then Mr. Randy Bendis, the
8 owner, come to the table, because what we are
9 attempting to do is to invite citizens and community
10 leaders to provide their perspective relating to a
11 policy that was passed by this General Assembly in
12 how exactly this policy has had input upon that
13 particular industry.

14 We started out, when we started out gaming,
15 we started out on the basis of helping the breeders
16 and the racetracks on the basis of why we did what
17 we did. So I'm asking some people who directly have
18 been affected by this public policy exactly what it
19 has meant in terms of employees, workforce, health
20 care, anything that you can describe in terms of
21 policy, because sometimes I think we miss why we do
22 what we do in terms of a policy for average people,
23 because we get kind of caught up in the minutia of
24 the inside baseball. But I am interested in you all
25 explaining to us, and particularly Meadow's

1 Standardbred, coming from my good friend, Tim's
2 district out there, right? Fayette. Tim is happy
3 about that. He is the Representative right over
4 there. So can you tell us in a very specific way,
5 as a result of this policy and what was passed here,
6 talk to us about what it has meant.

7 MR. HANKINS: Okay. Good morning, Mr.
8 Chairman and committee members.

9 My name is Kim Hankins. I'm the Executive
10 Director of the Meadow's Standardbred Owners
11 Association. I thank you for the opportunity to
12 come before you today to give our story.

13 The Meadow's Standardbred Owners Association
14 is a trade association of 650 members comprised of
15 owners, trainers, and drivers of harness horses in
16 western Pennsylvania. We also represent the groom's
17 interest who work for the trainers out there. There
18 are several hundred grooms.

19 I have been in Pennsylvania for one year.
20 Previously I had worked in and for horsemen's
21 associations for over 20 years in California and
22 Illinois. From my previous experience in those
23 States and a general knowledge of slots legislation
24 nationwide, I can tell you that Act 71 is the most
25 amazing piece of legislation ever created in regard

1 to the benefits of the horse racing industry.

2 First of all, the realization by the
3 Pennsylvania State government that horse racing is
4 deeply rooted in the agricultural business is quite
5 evident throughout the bill.

6 Secondly, the divisions of slot revenue
7 positively affect all aspects of racing, from the
8 overnight purse accounts to the Pennsylvania Sire
9 Stakes. The Pennsylvania Breeders Awards have all
10 increased substantially, and we have created a
11 retirement fund, a health and retirement fund, for
12 drivers and trainers.

13 To give you an idea of how much money it has
14 meant to us, the timelines of the last year in
15 regard to purses, when I arrived in Pennsylvania in
16 January, the purses were \$45,000 per night. In
17 April, we had a pre-gaming loan from Millennium
18 Gaming and from Magnum, our casino and track
19 operators, to help us be competitive with the other
20 tracks to be able to keep our horses at home, so
21 that moved it up to \$65,000 a night. Then we opened
22 the temporary casino June 11, and June through
23 August 15, we went for \$85,000 per night.

24 August, September, and part of October, we
25 took a break for demolition of the grandstand to

1 make way for our new permanent casino. During that
2 break, the gaming purse account accumulated \$5.4
3 million. So since October 16 to the present, we are
4 now racing for \$130,000 per night, almost triple
5 what we were one year ago today.

6 Also, the pre-gaming loan and \$1.4 million
7 overpayment have been satisfied and repaid. All of
8 this is from a temporary facility. We expect to
9 have another purse increase in May or June, and we
10 look forward to a permanent casino opening in early
11 2009.

12 The act calls for 4 percent of the
13 Pennsylvania Race Horse Development Fund to be
14 dedicated to driver-trainer health and retirement
15 plans. We have recently implemented a new health
16 insurance plan that is subsidized by 50 percent.
17 Since driver-trainer earnings have increased, and
18 with the reduced premiums and better coverage that
19 we have provided, we have actually reduced the
20 enrollment of our members on Adult Care and the CHIP
21 Programs, thereby reducing State subsidies.

22 The 4-percent fund also generated enough
23 capital to begin a new driver-trainer retirement
24 plan to the tune of \$500,000 in 2007, and it is
25 expected to almost double in 2008. These people

1 have worked hard all their lives and dedicated
2 themselves to their horses and the horse industry.
3 Most have never earned enough previously to put
4 aside retirement dollars, so these are excellent
5 things for our people. Being an administrator of
6 those plans is one of my biggest joys.

7 Also, with the slots-induced purse
8 increases, we will now be able to offer affordable
9 health insurance to over 100 grooms, most of whom
10 have no insurance and are on the CHIP or Adult Care
11 Programs.

12 The infusion of the money has trickled down
13 throughout the industry. When taking into
14 consideration the drivers, trainers, grooms,
15 farriers, veterinarians, equipment suppliers, feed
16 suppliers, farm workers, and many others, the
17 economic impact from horse racing in Pennsylvania is
18 in the hundreds of millions and thousands of jobs.
19 Also, horses are now being rested properly and
20 receiving more therapeutic treatment because the
21 owners and trainers can afford to do so.

22 Each month, I hear of more farms being
23 purchased for breeding and training of horses. The
24 Pennsylvania Sire Stakes and other county fair
25 stakes have shown a dramatic increase and will

1 continue to improve as the track and casinos come on
2 line.

3 On behalf of the board of directors and
4 members of the MSOA, I thank you for the chance to
5 speak with you this morning, and on behalf of the
6 entire harness horse industry, I sincerely thank
7 each and every legislator that created or supported
8 Act 71.

9 CHAIRMAN EVANS: Thank you.

10 Mr. Bendis.

11 MR. BENDIS: Thank you, and good morning.

12 My name is Randy Bendis. I've been a
13 standardbred horse trainer at the Meadows racetrack
14 in Washington County for the past 30 years. Our
15 business has been declining over the past 10 years.
16 Without the gaming legislation, I fear we would have
17 been out of business.

18 I'm going to touch on some of the same
19 points that Kim did. A few will be a little
20 different.

21 Since the slots started, our purses have
22 doubled in many classes and have substantially
23 increased in all classes.

24 Another subject is the horse ownership. We
25 really lost a lot of people that were involved in

1 horse racing simply because they didn't feel they
2 could make any money at the game, but we see a new
3 influx of owners. I get phone calls weekly from
4 people wanting to get into the business, and also
5 the previous owners who had gotten out of the
6 business are now coming back to harness racing.

7 Farms. The farms in the area are full, you
8 know, that we use for our resting of our horses
9 between races and for rehabilitation, and they are
10 upgrading their facilities to take care of our
11 horses.

12 Grooms and the backstretch employees. My
13 employees, I was unable to give a raise to my
14 employees for the past three years because my
15 business was declining. This year, I gave all my
16 employees a 25-percent raise, so I'm trying to catch
17 up with what I wasn't able to do for them in the
18 previous years.

19 In closing, I would just like to say that
20 Pennsylvania has three top-notch harness racing
21 facilities in the Meadows, Chester Downs, and Pocono
22 Downs, and it is widely held among all the trainers
23 in our industry that Pennsylvania is on the cusp of
24 becoming the leader in all of harness racing.

25 Thank you.

1 CHAIRMAN EVANS: Can I go back to Kim?

2 Kim, I would like to deal a little bit with
3 the health-care issue, because that is a huge
4 debate. It has cost implications relating to the
5 State's budget. The Governor has talked about an
6 initiative from his perspective. But what I heard
7 you say is, as a result of Act 71. Can you go back
8 over the numbers around health care, what that has
9 meant in terms of taking it off the government's
10 payroll and putting it onto privacy? Why don't you
11 talk a little bit about, go back over those numbers
12 again.

13 MR. HANKINS: Well, part of the Gaming Act
14 and the Pennsylvania Race Horse Development Fund are
15 strictly set aside for health and retirement
16 benefits for drivers, trainers, and their employees.
17 This last year, it has generated about a half a
18 million dollars, and what we have done is we have
19 created a health insurance program that is highly
20 subsidized and it has great coverage, so many
21 people, I truly don't have a number, but several
22 people that I know of that have gone off of the
23 Adult Care Program, which is free, and the CHIP
24 Program, which is, in my understanding, free also,
25 but what they have been able to do since they are

1 making more money now and CHIP and Adult Care only
2 cover so much, now they are able to afford a really
3 good health insurance coverage. Even though it
4 costs them 50 percent of the premium, they still can
5 afford it now, and that is to all people in our
6 business, you know, as it is with everybody. Health
7 insurance is vital.

8 The retirement program in the past, it was
9 very difficult for horsemen to gather enough money.
10 Like Randy said, for the last 10 years we have been
11 in a decline, and for them to show profits was tough
12 enough and they wouldn't hardly ever be able to put
13 money aside.

14 So what we have done is of the \$580,000 that
15 was generated in 2005, we have designated \$500,000
16 of it for the retirement program of the drivers and
17 trainers.

18 What it breaks down to is, we go by
19 participation. If you participate to a certain
20 extent, you get one point, if you participate twice
21 as much as that, you get two points, all the way up
22 to four points. And what it broke down to this year
23 was, for half a year's income, the drivers with the
24 top level and the drivers and trainers will have
25 about \$5,000 to \$5,200 for their pension.

1 Hopefully next year with the new permanent
2 casino up and going, we will be able to double that.

3 CHAIRMAN EVANS: Randy, you talked about you
4 haven't been able to give a raise in how many years?

5 MR. BENDIS: At least, oh, this was the
6 first raise they received in about four years.

7 CHAIRMAN EVANS: Four years. And then you
8 have been able to raise their salary, what, 25
9 percent?

10 MR. BENDIS: Yes.

11 CHAIRMAN EVANS: As a result of what, more
12 business?

13 MR. BENDIS: As a result of me being able to
14 then raise my rates to charge the owners of the
15 horses, so then I could pass that along, you know, a
16 good percentage of that, to my help.

17 CHAIRMAN EVANS: What about in terms of the
18 health-care issues? The same thing as what Kim said
19 in terms of health care and things of that nature,
20 moving in that direction?

21 MR. BENDIS: I have not provided or we
22 didn't. I don't know of anybody, any self-employed
23 trainer, that has provided for their health care,
24 but now with these new revenue streams, anything is
25 possible. I mean, we may be able to supplement

1 something, a 401k type thing, but really, it's been
2 really impossible in getting from February 1 to
3 February 29 in our business.

4 CHAIRMAN EVANS: So we do not have in Act 71
5 the Pennsylvania Gaming Board, the chairperson who
6 is sitting next to you. You particularly and your
7 industry could have maybe not been in existence, and
8 I don't want to exaggerate and put words in your
9 mouth, but you tell me what the health would have
10 been like for you.

11 MR. BENDIS: Well, I know that, you know,
12 for the past 10 years we have just got by on new
13 revenues streams as far as--- It just seemed like
14 we came up with revenue through different avenues
15 just enough to tide us over until we got to this
16 point but without, absolutely without, the slots. I
17 know of many, many big-name racetracks out there in
18 harness racing that face severe, serious problems.

19 CHAIRMAN EVANS. Yes.

20 MR. BENDIS: Some of the most successful.

21 CHAIRMAN EVANS: Kim, you wanted to say
22 something?

23 MR. HANKINS: Yes.

24 In regard to, quote, "going out of
25 business," there will always be people that race

1 horses. For the love of the horse, they will do
2 anything to raise horses. But what it does is it
3 increases the population of the horses, it increases
4 the breeders, and we have a competition for racing
5 with other States that have slots, like Delaware,
6 like New York, like Ontario, and now Indiana. And
7 so if we are not able to have big purses, those
8 horses will go away and thereby the trainers will go
9 away, thereby the jobs go away. So it is a big
10 trickle-down effect that the purses drive the
11 industry.

12 CHAIRMAN EVANS: Thank you.

13 Tim. Representative Mahoney.

14 REPRESENTATIVE MAHONEY: Thank you very much
15 for attending today.

16 MR. HANKINS: Thank you.

17 REPRESENTATIVE MAHONEY: I go down past
18 through the Meadows an awful lot, and in your
19 opinion, what do you think the economic development
20 around that area, with the gambling coming in, has
21 it helped the Meadows as far as the crowds at your
22 venture?

23 MR. HANKINS: Actually right now, because of
24 the demolition of the grandstand, we have a
25 temporary bedding facility, a simulcast facility,

1 that is called the Adios Room, and we don't have
2 enough room, to be honest with you. It holds 250
3 people, but we are trying to get through this
4 construction period. And the economic development
5 around the area, obviously we have got the Tanger
6 Outlet Malls there, we have got new hotels popping
7 up here and there, and from my understanding, the
8 property has skyrocketed through the roof in that
9 area.

10 REPRESENTATIVE MAHONEY: And how far do you
11 think that that spreads out, as far as, I mean, 10
12 miles around the area?

13 MR. HANKINS: Oh, I would say easily, and
14 then if you take into consideration the new farms
15 that are being purchased by trainers that never
16 could previously do that, you know, even out to 30
17 miles.

18 REPRESENTATIVE MAHONEY: So raising the
19 stakes and the purse has really brought that back
20 again then, right?

21 MR. HANKINS: Yes. And like Randy said, you
22 know, our owner investment, which are owners that
23 are not trainers or drivers that invest in the
24 business, that had dried up almost completely. The
25 only people that would invest were people that

1 enjoyed getting their picture taken, because that
2 was the only thing you could get back from harness
3 racing at that point. Now we have got people of
4 money that are looking at it, and when you go for
5 \$130,000 a night, and just a for instance---

6 REPRESENTATIVE MAHONEY: It makes it
7 worthwhile.

8 MR. HANKINS: ---a horse that is of \$5,000
9 value races for \$5,000. I mean, it's unheard of
10 anywhere in the country, you know, so it's a big
11 increase and it's a big draw.

12 Right now we are trying to take care of our
13 local horsemen first, and we have a preference
14 system that takes care of those that have been there
15 for years and years, and we are trying to take care
16 of them through a certain time period so that the
17 big stables don't scoop in and take all of the money
18 and they haven't had a chance to improve themselves,
19 whether through their stock, whether their income,
20 however you want to put it. But we feel strongly
21 that they should get the first two-year start before
22 we allow the big stables in.

23 REPRESENTATIVE MAHONEY: On site at the
24 Meadows, how many people are employed through the
25 horse trade? Do you have that number?

1 MR. HANKINS: Employed. If you consider
2 trainers, I would say over a thousand. We have 650
3 members, the majority are trainers and drivers, and
4 I would say, you know, there are another 200 to 300
5 grooms. So somewhere around a thousand people.

6 REPRESENTATIVE MAHONEY: That's impressive.

7 Thank you.

8 CHAIRMAN EVANS: I want to sincerely thank
9 both of you for coming here to testify, because I
10 think, as I said earlier, sometimes as a body we
11 kind of get lost in what I consider the minor. You
12 bring it back home to us when you talk about a
13 thousand people, you talk about health care, you
14 talk about increasing people's salaries. I mean, it
15 is all about helping people. It's not about us, but
16 it is about helping people. But I want to sincerely
17 thank you for taking your time.

18 And, Madam Chairperson/Madam Judge, I want
19 to thank you for what you do. I know it's not easy,
20 but we really are a lovable group. I know you can
21 see that, but I want to thank you and the members of
22 the commission for coming before us to testify. I
23 greatly appreciate this.

24 This hearing is now adjourned for the next
25 hearing, the Attorney General. We will take a

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five-minute break.

Thank you very much.

(The hearing concluded at 10:40 a.m.)

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

Jean M. Davis, Reporter
Notary Public