

A Brief Summary of H. 4591, An Act Establishing Expanded Gaming in the Commonwealth.

Basics of Proposal

Resort Casinos

- This bill permits 2 resort casinos that could be sited anywhere in the commonwealth. This is a market-driven approach that will maximize capital investment in the two facilities through a competitive bidding process.
- Each licensee who is awarded a resort casino license shall be required to pay the commonwealth a one-time licensing fee of **\$100 million**.
- Each resort casino will be required to invest a minimum of **\$500 million** into the gaming establishment which excludes traffic mitigation and site improvements.
- Resort casinos will be taxed at a rate of **25%** of gross gaming revenue.

Tracks

- The four existing racetracks will be eligible to apply for a racino license permitting 750 slot machines at each facility.
- Each licensee who is qualified to receive a racino license shall be required to pay the commonwealth a one-time licensing fee of **\$15 million**.
- Each racino will be required to invest a minimum of **\$75 million** into the gaming facility and racecourse, where applicable, which excludes traffic mitigation and site improvements.
- Racinos will be taxed at a rate of **40%** of gross gaming revenue. In addition to the gaming tax, horse tracks shall be assessed an additional **8%** and the greyhound tracks an additional **10%** of gross gaming revenue for horse development funding. This will equal a combined tax rate of either **48% or 50%**.

Jobs

- Expanded gaming in the commonwealth could create **over 15,000 jobs within the next 5 years**.
- The level of required capital investment at the gaming establishments combined with the market exclusivity of the resort casinos, can generate over **7000 direct jobs**, over **6000 construction jobs**, and approximately **3000 indirect and induced jobs** in the commonwealth.
- In addition, slots at the racetracks are projected to increase jobs at the tracks to **1000 direct jobs** and add over **700 indirect jobs** related to the horse racing industry in jobs related to the caring and breeding of horses in the commonwealth.

Revenue Projections

- The market for expanded gaming in the commonwealth is estimated to be in a range of **\$1.38 to \$1.97 billion in gross gaming revenue**.
- This could mean annual net tax revenue for the commonwealth in the range of **\$300 to \$500 million**.

Regulatory Structure

- The bill creates an independent commission whose 5 members shall be appointed by a majority vote of the governor, attorney general and treasurer.
- The commission shall be responsible for awarding and issuing all licenses and the regulatory enforcement of the gaming laws at the gaming establishments.
- The bill instructs the colonel of state police to create a new gaming enforcement unit whose officers will work with the bureau of investigations and enforcement.
- The bill also creates a new division of gaming enforcement in the office of the attorney general.

Regulatory Assessment

- Gaming licensees shall be required to pay an annual license slot machine fee of \$600 per machine.
- Licensees shall be billed for the cost of investigations into their establishments.

- Any additional costs incurred by the commission shall be assessed to the gaming licensees in proportion to the number of gaming positions at each establishment.
- The State Police shall be reimbursed for the time officers assigned to the commission spend on investigations.
- A line item will be created for the division of gaming enforcement in the AG's office which will be funded by the Gaming Control Fund, subject to appropriation.

Licensing Process

- Applicants for a gaming license, including applicants for slots at the tracks, must go through a number of hurdles in order to receive a license. The bill establishes an independent commission that is vested with the discretion to award or deny any type of gaming license if it finds that an applicant is unsuitable for licensure. The licensing process shall occur in the following order:
 - The Gaming Commission requests applications for all gaming licenses and sets deadlines for their receipt. Applicants for resort casino licenses shall be required to seek a referendum from their host community with the vote taking place within 3 months of the application deadline. Applicants for track licenses shall be required to seek approval from the local governing body which must be given by the deadline.
 - Upon receipt of an application for a gaming license, the commission shall conduct a thorough background investigation of an applicant and an applicant's affiliates and financial backers. This process will take approximately 4-6 months. If the commission determines that an applicant has failed to qualify for a gaming license due to a lack of personal or financial integrity or irresponsible gaming practices, the commission shall cease any further action on the application and deny the applicant a gaming license.
 - If an applicant passes the background investigation, then the commission shall review an applicant's entire proposal to operate a gaming establishment. The bill sets forth a number of criteria upon which the commission shall judge an applicant suitable to receive a gaming license. Some critical criteria are: protecting the lottery, promoting local businesses, utilizing the local workforce, promoting tourism and addressing problem gambling.

Community Mitigation Provisions

- Contained in the bill is a twofold approach to community mitigation where responsibility is shared between the operators and the commonwealth.

Responsibilities of Gaming Licensee

- All applicants for a gaming license, including tracks, are required to submit with their application for a license a mitigation plan that contains the following:
 - The identified infrastructure costs to the host and surrounding communities incurred in direct relation to the construction and operation of a gaming establishment;
 - A community mitigation plan that the applicant will commit to in order to address these costs; and
 - A signed agreement between the host community and the applicant setting forth stipulations and responsibilities for hosting a gaming establishment.

- While gaming licensees are required to invest a specified amount of capital into their gaming establishments over the course of 2-3 years, this investment does not include site improvements such as roadways and interchanges which must be paid for in addition to the required investment.
- The commission shall verify the impact studies submitted by an applicant which shall include a public hearing on the adequacy of the proposal. Gaming establishments shall be prohibited from opening for business if they have not completed projects to account for traffic mitigation as set forth in their application to the gaming commission.
- The gaming commission shall have the power to condition, suspend or revoke any gaming license for breach of the conditions of licensure which include the licensee's commitment to community mitigation.

Community Mitigation Fund

- As the legislature does not know at this time where a resort casino will be located, the bill establishes a community mitigation fund to assist the communities surrounding a gaming establishment with any cost increases associated with the presence of that establishment.
- This fund was created to assist contiguous communities with increases associated with the operation of a gaming establishment. The host community is not eligible to receive assistance from this fund as it will be provided for in the agreement between the gaming establishment and the community, submitted with the gaming application and approved by the commission.
- The fund may be used for, but is not limited to, assisting with increased costs to public safety, including the county DA's office, traffic mitigation and increased demands on water and sewer.
- Parties in need of additional assistance shall submit requests to the gaming commission for appropriation. The commission shall distribute the fund based on demonstrated need by said parties.
- The fund shall receive an initial \$15 million from licensing fees from the gaming applicants to assist with any construction costs associated with building a resort casino or improving an existing racetrack. The fund will be renewed annually with 2% of the tax revenue from the all gaming establishments once the first resort casino opens.

Regional Provisions

- Integration of a gaming establishment into the local region is a stated public policy goal of this bill. Determining whether or not any applicant for a gaming license shall hinge on the cross-promotion of local businesses in the area surrounding the gaming establishment, including local restaurants, hotels, retail outlets and performing arts centers as well as partnership plans to attract tourists to the gaming establishment and surrounding businesses.
- This bill also provides for an additional \$3 million to be allocated from the licensing fees to the Massachusetts Tourism Fund with a recurring revenue stream of 1% from the total tax revenue.

Compulsive Gambling Provisions

- Five million dollars will be annually assessed on all gaming licensees to fund compulsive gambling programs.
- All applicants for a gaming license have to agree to provide complimentary on-site space for a counseling service center and display information on the signs of problem gambling, how to access assistance and how to add one's name to the list of excluded persons.
- Successful applicants for a gaming license must demonstrate to the commission any additional measures they will take to address problem gambling including, but not limited to, training employees to identify patrons exhibiting signs of problem gambling and prevention programs targeted toward vulnerable populations.

Lottery and Local Aid Provisions

- All gaming licensees are required to be lottery retailers and must demonstrate that all lottery games are readily accessible to patrons and submit a plan with their application detailing how they will mitigate any negative impacts to the lottery.
- Successful applicants for a gaming license must demonstrate how they will protect the lottery from any adverse impacts due to expanded gaming as well as how they will develop marketing plans targeted toward out-of-state residents.
- This bill also recognizes the need to protect and increase local aid, not just due to this recession, but as a duty to our cities and towns. Therefore, 100% of tax revenue received from the track licenses, which, as establishments with existing infrastructure will be operating before the resort casinos, shall be dedicated to local aid. As soon as one of the resort casinos is operational, then 30% of the total tax revenue will go directly to local aid.
- In addition to local aid, this bill also creates a local capital projects fund to provide cities and towns with an additional source of funding to complete local projects which has a dedicated revenue source of 7% of total tax revenue from the gaming establishments.

Funds

Gaming Licensing Fees [One-time payment] – Minimal \$260 million

- \$15 million to community mitigation.
- \$5 million to reimburse GF for initial regulatory costs.
- \$40 million to local capital projects.
- \$50 million to manufacturing.
- \$25 million to community college programs.
- \$3 million to tourism.
- Remainder to Rainy Day.

Initial Revenue from Tracks

- 100% to local aid.

Combined Resort Casino and Track Revenue

- 30% to local aid.
- 30% to Rainy Day.
- 30% to education.
- 7% to local capital projects.
- 2% to community mitigation with cap of \$15 million. Spill over will flow into local capital projects.
- 1% to tourism.