



ANNUAL REPORT





December 2020

Governor
Charles D. Baker

Attorney General
Maura Healey

Treasurer
Deborah Goldberg

Chairs of the House and Senate
Committees on Ways & Means

Chairs of the Joint Committee
on Economic Development &
Emerging Technologies

Clerks of the House and Senate

HONORABLE MADAMS AND MESSRS.

We are pleased to deliver the ninth annual report of the Massachusetts Gaming Commission. This report covers the details of our operations for the Fiscal Year 2020 (ending June 30, 2020), and is submitted in accordance with G.L. c. 23K, §70.

On March 14, 2020, the Commission voted to temporarily suspend operations at the casinos, racing and simulcasting venues in the Commonwealth due to the extraordinary circumstances brought upon by the spread of COVID-19. The Baker-Polito administration and state public health officials, as part of Phase 3 of the Commonwealth's reopening plan, allowed for the reopening of casinos and racetracks. Consistent with that plan, the Commission voted to allow casino and racing operations to re-open in July 2020 under significant occupancy limits and in accordance with specific health and safety requirements imposed by the Commission. To date, all licensees continue to operate under those restrictions.

The term of the Category 2 gaming license is five years. The fifth full year of operations for Plainridge Park Casino concluded on June 24, 2020. Prior to this date, the licensee and its parent company, Penn National Gaming, Inc., satisfactorily submitted documentation in accordance with MGC procedures established for the renewal of its license. The Commission performed a detailed evaluation of this documentation and associated considerations. On September 30, 2020, after a well-attended public hearing, the Commission voted unanimously to renew the gaming license for a second term of five years commencing from the June 24, 2020 expiration date.

MGM Springfield celebrated its second anniversary on August 20, 2020, while Encore Boston Harbor marked the first anniversary of its opening on June 23, 2020. Massachusetts collected \$195 million in total gaming tax revenues for the fiscal year (including Plainridge Park Casino), which reflects operations from July 1, 2019 to March 15, 2020, the date the casinos suspended operations.

Calendar year 2020 marked the sixth year of funding for mitigation projects across the Commonwealth with a total of \$6.7 million in grants. In addition, in this fiscal year, the MGC maintained funding for workforce development activities that leverage existing efforts at the state and local levels to help provide opportunities for employment, despite a decrease in funding to the Community Mitigation fund due to the suspension of casino operations.

We are always available to discuss with you, at your convenience, the efforts the Commission is making, the results it is achieving, and any other aspect of our operations about which you would like additional information.

MISSION

The mission of the Massachusetts Gaming Commission is to create and maintain a fair, transparent, and participatory process for implementing the expanded gaming law passed by the Legislature and signed by the Governor in November, and regulatory systems engender the confidence of the public and participants, and that they provide the greatest possible economic development benefits and revenues to the people of the Commonwealth, reduce to the maximum extent possible the potentially negative or unintended consequences of expanded gaming, and allow an appropriate return on investment for gaming providers that assures the operation of casino-resorts of the highest quality.

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LETTER FROM THE CHAIR



Fiscal Year 2020 marked the Massachusetts Gaming Commission's ninth fiscal year of operations. Established on March 21, 2012, the MGC is committed to decision-making and regulatory processes that are fair, transparent, and

participatory. At the heart of our responsibilities is an obligation to ensure public confidence in the integrity of the gaming license process and strict oversight of the gaming establishments. This report details the Commission's operations and milestones over the course of this past fiscal year.

The last nine months of 2020 presented unprecedented challenges and risks due to the COVID-19 pandemic. With the unwavering professionalism of our internal team and the consistent, resilient cooperation of our three licensees, the MGC successfully navigated a temporary suspension of all casino operations, followed three months later by a sustained re-opening of the gaming facilities under extensive COVID-19 health and safety guidelines adopted by the Commission.

HIGHLIGHTS OF FY20

On March 14, 2020, prior to Governor Baker's declaration of a state of emergency, the Commission voted to temporarily suspend all gaming, racing and simulcasting operations due to the public health threat of COVID-19. In anticipation of executive action authorizing the phased reopening of the industry, the Commission convened several historic, public, and virtual roundtable discussions with its three licensees to develop casino and racing-related COVID-19 protocols. The Commission formally adopted those protocols in advance of the Governor's statewide Phase 3 reopening authorization. They were accepted by the Governor without amendment as the industry's health and safety standards. On July 2, 2020, the Commission vacated its March 14 order and allowed gaming, racing and simulcasting operations to resume in early July under the COVID-19 protocols. We continue to monitor these operations with guidance from the Governor and public health officials to minimize risk to employees, patrons, and citizens of the Commonwealth.

The MGC acted upon its first request for license renewal in FY20. Plainridge Park Casino (PPC) submitted its timely request for renewal of its Category 2 license prior to the expiration of its five-year term. After careful consideration of PPC's application and community stakeholder input given at a well-attended virtual public hearing, which overwhelmingly supported re-licensure, the Commission voted unanimously to grant PPC's request. For FY20, PPC's gross gaming revenues totaled \$96 million, which resulted in taxes of \$47.1 million.

The Commission continued its regulation of the operations of the Category 1 facilities: MGM Springfield and Encore Boston Harbor. Their gross gaming revenue for the partial year (from July 1, 2019 through March 15, 2020) amounted to \$592 million, which resulted in \$148 million in gaming taxes.

In light of recent national events, I convened an Equity and Inclusion Working Group in early June to consider how MGC operations impact communities and individuals of color. The MGC has a longstanding, strong commitment to diversity and inclusion. There is, however, an opportunity to renew that commitment and proactively address racial inequities. As the Commonwealth's gaming regulator, we work at the intersection of critical public and private sector interests and policy. At any touchpoint, our decisions may have a disproportionate negative impact on people of color or obstruct equitable treatment and opportunity, frustrating key objectives of the Expanded Gaming Act as well as our established values. This Working Group expeditiously developed an action plan to achieve sustained racial equity in our internal and external operations – a clear five-point framework that the Commission unanimously ratified.

Throughout the year, the Commission promulgated or amended nine sets of regulations that govern many important aspects of gaming and racing operations including: licensing; administrative hearings; Standardbred and Thoroughbred racing implicating a wide variety of issues, including exotic bets, discovery in racing medication cases, and conflicts of interest; progressive gaming devices; voluntary and involuntary exclusion lists; and junket enterprises.

Our Division of Research and Responsible Gaming released eight reports spanning a range of social and economic measures. The focus of research activities began to transition from the construction phase to measuring the operational impacts of the Massachusetts casino industry.

And finally, I am particularly pleased to report that the Commission and MGC staff seamlessly transitioned to a remote workforce on March 14, facilitated by our talented IT team. Our HR professionals worked tirelessly to nurture a culture of support as the pandemic's reach extended relentlessly. At no point did the Commission's dedication to transparency and participatory processes falter. Relying on relief from certain provisions of the Open Meeting Law offered in an Executive Order of the Governor, the MGC virtually conducted 26 public meetings as of June 30, 2020. Throughout the calendar year, the Commission convened a total of 83 public meetings and 3 public hearings using remote technology. In total, over the course of the fiscal year, the MGC held, in person (with live streaming) or virtually, 59 public meetings, 10 public hearings, and 18 additional open public meetings of related

committees and subcommittees convened, including the Gaming Policy Advisory Committee, the Horse Racing Committee, the Public Health Trust Fund Executive Committee, the Public Safety Subcommittee, and the Local Community Mitigation Advisory Subcommittees.

We acknowledge with gratitude the MGC's Gaming Enforcement Unit: our colleagues and members of the Massachusetts State Police who served on the frontline to protect the well-being and safety of our fellow citizens and the patrons and employees of the gaming establishments.

On behalf of my fellow Commissioners, I commend the entire MGC team for its extraordinary, mission-driven service throughout FY20.

Sincerely,



Cathy Judd-Stein
Massachusetts Gaming Commission

MAJOR MILESTONES ANTICIPATED FOR FISCAL YEAR 2021

FY21 will mark another challenging year of operations for all licensees, but especially Category 1 licensees (MGM and Encore). Unlike the Category 2 licensee (PPC), the Category 1 licensees had a larger capital investment amount, and therefore a larger amount of debt service and other fixed costs. Further, the Category 1 licensees operated at full capacity for a shorter period before the COVID-19 crisis required them to suspend operations. The subsequent reopening with diminished capacity in both gaming and non-gaming operations presents a challenging operational environment. The MGC regularly monitors the licensees' financial stability.

We remain committed to our responsible gaming efforts. Despite a decrease in funding due to the suspension of operations of casinos (a portion of gaming taxes fund our responsible gaming initiatives), we continue to work with the Massachusetts Council on Gaming and Health (f.k.a. Mass Council on Compulsive Gambling) to operate GameSense, an on-site space and program designed to promote positive play and connect people with resources, including the Voluntary Self-Exclusion program.

We will continue our research and program evaluation activities. The gaming taxes partially fund our research agenda. While available funding for research is less than in previous years, we remain committed to understanding the impacts of expanded gaming in the Commonwealth. This will include a study of the economic impacts of COVID-19 on the casino industry, planned for release in the spring. In the fall, the UMASS research team released a series of reports that provide the first comprehensive look at the social and economic impacts of MGM Springfield. We continue our work to implement the priorities from the 2019 research strategic planning process.

Standardbred Racing will continue at Plainridge Park Casino and is expected to include 110 days of live racing for the calendar year 2021. We continue to evaluate the feasibility of Thoroughbred Racing given available monies for purses. There were no Thoroughbred Racing applications submitted by the statutory deadline of October 15, 2020, and thus Thoroughbred Racing will not take place in the Commonwealth for calendar year 2021. There are currently three bills being considered that in one way or another attempt to address Thoroughbred Racing and simulcasting.

We will continue to work to maximize the economic benefits from a casino. We convene and connect licensees to the Commonwealth's workforce and small business resources. We provide grants to leverage and supplement state and local workforce development programs.

We will continue our transition to regulatory aspects of the operations of casinos, including:

- Further regulations that govern operations and functions at the gaming establishments
- Implementation of further rules and procedures to ensure the integrity of the games
- Compliance, monitoring, and audit programs for the oversight of operations of licensees

We monitor developments that affect the gaming industry to make policy recommendations. Topics like the status of the Mashpee Wampanoag Tribe may have significant implications for **Region C** (Southeastern Massachusetts). Other topics include online gaming, sports betting, illegal gambling and the status of the Wampanoag Tribe of Gay Head (Aquinnah) and their potential impact on the young gaming industry in Massachusetts.