

Mr. Chairman, Members of the Committee,

Good morning. My name is Michael C. Epps and I am a Senior Regulatory Associate for Spectrum Gaming Group, LLC, an international gaming consulting firm located in Linwood, New Jersey, near Atlantic City.

Spectrum Gaming Group LLC, founded in 1993, is an independent research and professional services firm serving public- and private-sector clients worldwide. Our principals have backgrounds in gaming operations, economic analysis, law enforcement, due diligence, gaming regulation, compliance and journalism.

Spectrum is a firm that specializes in providing a wide variety of gaming related services to our clients, including government regulatory agencies, legislative bodies and committees, and casino enterprises. We perform gaming research and analysis

and conduct due diligence background investigations of casino license and gaming vendor applicants on behalf of several gaming jurisdictions including, for example, the states of Maryland and Maine, as well as Puerto Rico, St Lucia, and the Government of Singapore. Spectrum played an instrumental role in the implementation of table games in West Virginia and Delaware, through the drafting of appropriate legislation and regulations and the development of internal controls for such casino style gaming. Currently, Spectrum is serving in an advisory capacity to the Ohio Casino Control Commission. Our firm is assisting Ohio with the formulation of its gaming regulatory structure and will be conducting the initial licensing investigations.

By way of personal background, I am a licensed attorney in the states of New Jersey and Pennsylvania, having been admitted to

the bar in New Jersey in 1994 and Pennsylvania in 1995. . Prior to my association with Spectrum, I served two terms as a Commissioner with the New Jersey Casino Control Commission, from 2002 to 2011. Prior to my appointment to the Casino Control Commission, I was General Counsel to the Atlantic City Board of Education and prior to that I was an associate in two Atlantic City area law firms.

My association with Spectrum began with the Ohio project. I am assisting in drafting regulations, table of organization recommendations, licensing issues and serving in an advisory capacity to the Ohio Casino Control Commission.

The purpose of my testimony here today is to offer some observations, gleaned from my regulatory experience, with respect to the importance of developing an effective regulatory

structure that best promotes and protects the state's interests in preserving the integrity of the regulatory system.

We believe that it is critical to establish, from the outset and then continuing on an ongoing basis, an overriding commitment to strict and comprehensive regulatory oversight. In this regard, the cornerstone to any effective regulatory apparatus is to establish rigid licensing criteria designed to prevent the entry of disreputable and unsavory individuals from participating in this lucrative industry. As a gaming consultant, Spectrum has advised emerging gaming jurisdictions regarding the significance of having effective licensing controls. In this highly sensitive industry, with its checkered past, public perception of a clean industry is absolutely essential.

I am most familiar with the regulatory model utilized while I served as a Commissioner in New Jersey, where the Division of

Gaming Enforcement, as the agency duly authorized by statute to conduct background investigations, is designated as a law enforcement agency within the Office of the Attorney General. In turn, the Casino Control Commission operates as a quasi-judicial body, responsible for licensing decisions. If one were to compare the two agencies to the functions of government, the Commission serves roles similar to the legislature and the judiciary. The Commission would promulgate rules and then sit in judgment if there was a violation. The Division's roles were like that of law enforcement and prosecutors. The Division would investigate violations and then bring the violations forward to the Commission by way of petition. That regulatory model is predicated on having a dual agency system with separate agencies responsible for the licensing and investigative functions, respectively. The independence of these two agencies, with appropriate checks and balances on each other, has been

the hallmark of the success demonstrated in that jurisdiction through the years in ensuring a casino gaming industry that can engender the public confidence and trust in the integrity of the regulatory process.

This does not signify, however, that alternative regulatory models cannot be developed that would be equally effective. In fact, New Jersey's model has been modified recently. However, there is considerable merit to having dual independent agencies as a means of fostering public confidence and trust.

Transparency in the decision-making process is fundamental. This is more readily accomplished with the separation of the investigatory function from the adjudicative function. Moreover, it is imperative that these critical licensing decisions be made in open public session to eliminate even the appearance of impropriety in the decision-making process.

In my judgment, it is imperative to provide the investigative staff with the mechanisms necessary to carry out their duties and responsibilities as efficiently and effectively as possible. This necessarily entails the ability to share critical information with law enforcement authorities, as the background investigations unfold. Absent this ability, the investigative agencies are hamstrung in being able to obtain the essential information on individual applicants, particularly as to relevant intelligence and criminal record data. It is important to highlight, in considering the merits of the proposed legislation, that law enforcement agencies are noticeably unwilling to disseminate intelligence information and other sensitive law enforcement information to non-law enforcement personnel. Obviously, this cannot be viewed as the most efficient use of resources in the conduct of license background investigations.

With this in mind, in order to maximize the efficiency of the investigative staff, we would strongly recommend a regulatory system that imparts law enforcement authority to the license investigative staff. Whether this is accomplished through this specific legislation, or through other means, the salutary objective remains the same, to enable the investigators to have unfettered access to critical information germane to findings of suitability.

Clearly, extending authority within the Attorney General's Office for the conduct of license investigations, and the appropriate designation as a law enforcement agency, would have beneficial results in resolving some of the issues that have surfaced in Pennsylvania. The importance of preserving the integrity of casino gambling in Pennsylvania must remain paramount in the structure of the regulatory system.