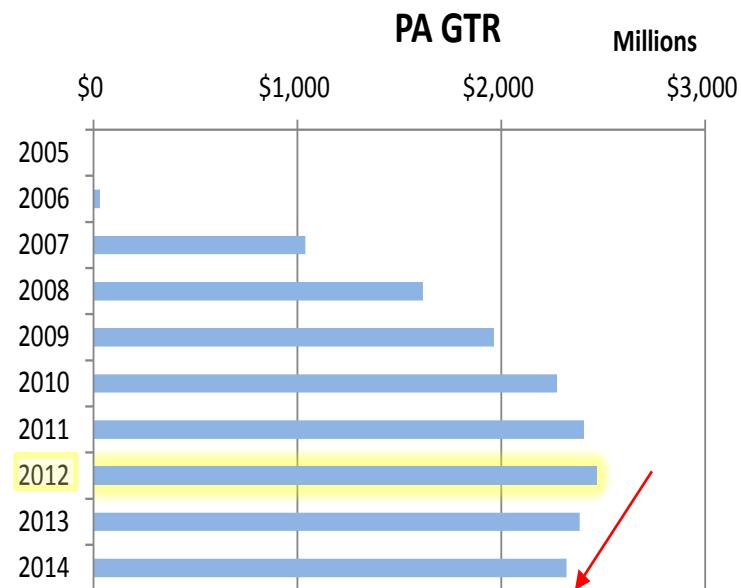


Senate Committee on Community, Economic and Recreational Development

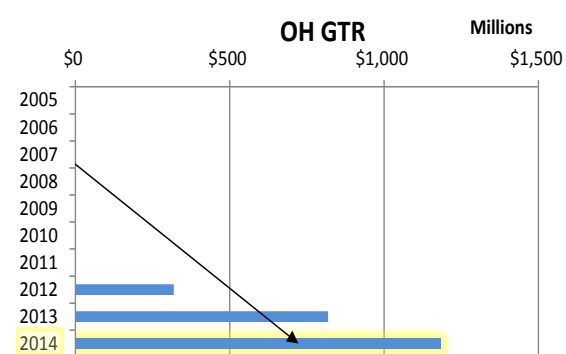
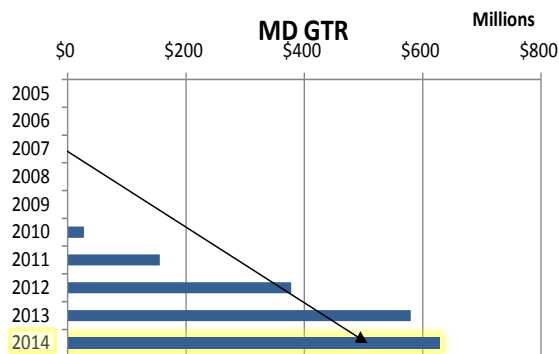
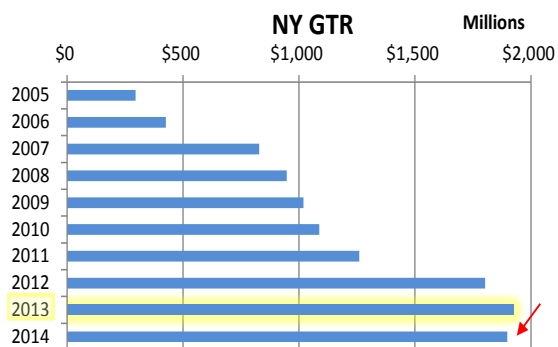
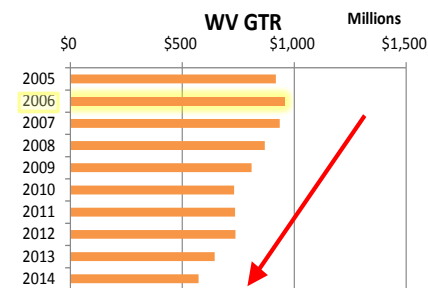
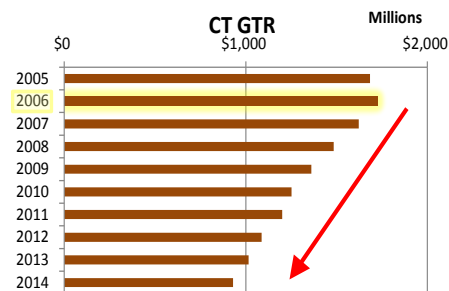
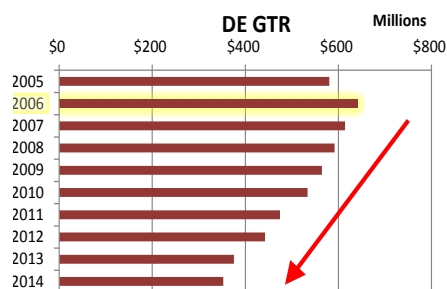
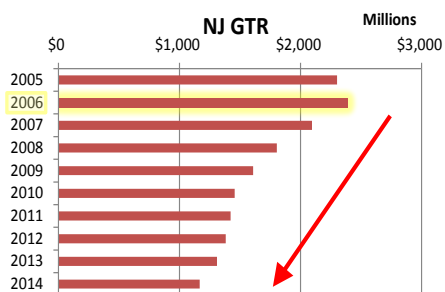
June 10, 2015

- **Wendy Hamilton – General Manager,
SugarHouse Casino**
- **Mary Cheeks – Senior Vice President of
Finance, Rivers and SugarHouse Casinos**
- **Richard Schwartz – President,
Rush Street Interactive**

- Gaming in PA has been a success by any measure. In fiscal year 13/14:
 - Total tax from slots and table games was \$1.4B
 - PA Casinos employed almost 18,000 individuals
- But our steep initial growth curve has reversed and existing operators are struggling to maintain business levels in a highly competitive market with growing supply

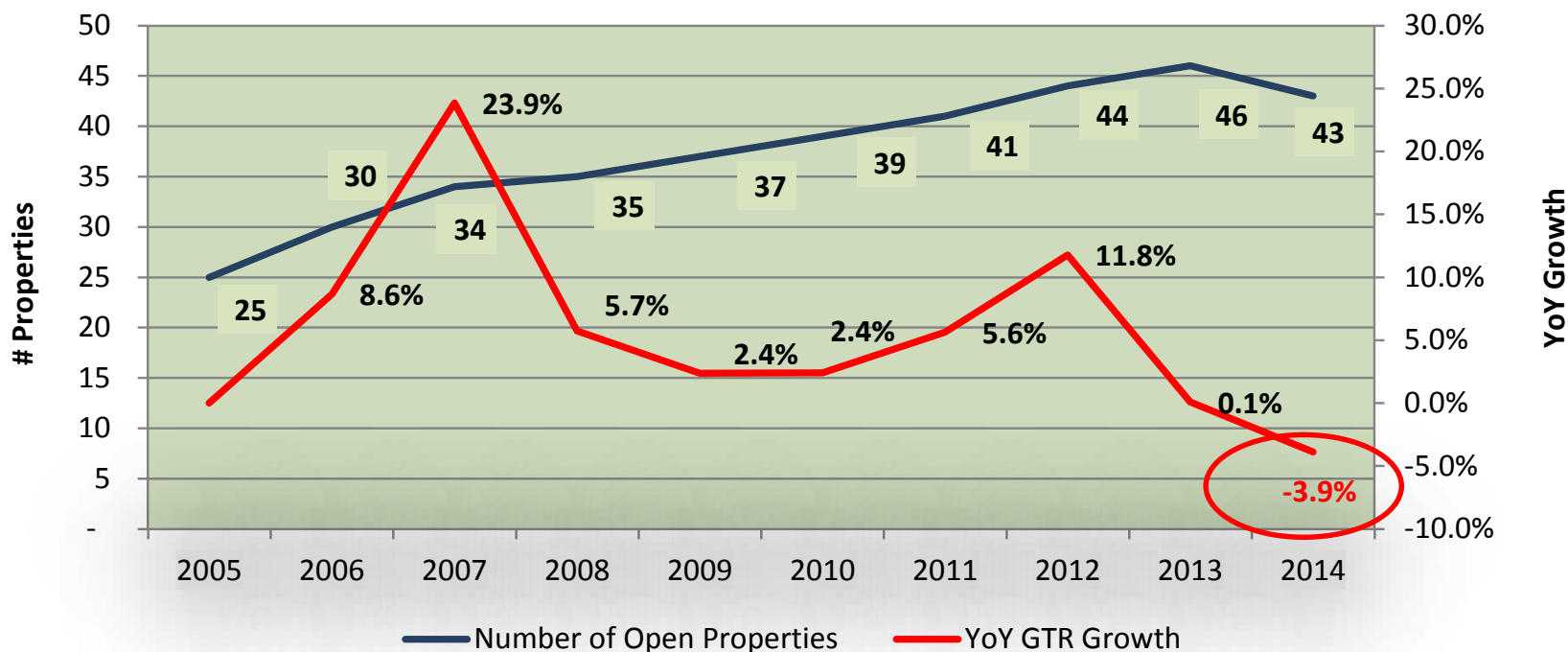


- NJ, DE, CT and WV in decline since 2006
- PA in decline since 2012
- NY in decline since 2013
- MD new in 2011; OH new in 2012



Despite steady supply growth, revenue growth has ended

- Regionally, some results are more severe; in 2014, four NJ casinos closed and PA and NY gaming revenue still declined



However, there ARE opportunities to:

- Cultivate additional tax revenue for the Commonwealth AND
- Strengthen and develop the existing licensees AND
- Expand recreational gaming options for patrons

- We fully support language to address:
 - The Commonwealth’s fundamental interest in the encouragement of continued investment in the PA gaming industry
 - Extending the licensing period to 5 years
 - Allowing the lab to issue product approvals based on testing and certification in other jurisdictions
 - Granting of casino liquor licenses
 - Reduction of number of race days
 - Internet Gaming for existing licensees
- We have concerns about:
 - The expansion of state police jurisdiction beyond the gaming areas
 - The waiver of Cat 3 access requirements and position growth
 - Introduction of non-primary and ancillary locations

- **Additional Cat 3 License:** PA's gaming market is currently saturated. Accordingly, we urge the General Assembly to reject any effort to accelerate the issuance of a third Cat 3 license from 2017 to 2015. In fact, we suggest this license be eliminated.
- **Relaxation of Cat 3 Conditions:** We urge the General Assembly to reject any legislation that would remove existing access requirements and/or increase gaming positions at Cat 3 properties. Given the significant capital investments and licensing fees paid by Cat 1 and Cat 2 licensees, this change would create an uneven playing field.

Non-Primary and Ancillary Locations: Two Scenarios for Expansion

- **Managed Growth with Surgical Placement**

Appropriate location, perimeter restrictions, size, and use of existing licensees will ensure:

- Resort quality, full-service properties that best represent PA gaming will survive
- Approximately one dozen recognized corporate entities with appropriate financial backing
- Operators fully committed to compliance with state gaming regulations
- Good jobs with benefits and retirement savings plans
- Operators who will continue to serve and invest in our neighborhoods
- Sustainable growth for the industry and tax coffers

- **Shotgun Placement**

- Slots all over the state
- Difficult to regulate
- Hundreds of operators
- No or limited amenities
- At best a marginal increase in jobs or tax revenue
- Compromised job quality
- Declining local investment

NJ Internet Gaming is having a materially positive impact on brick and mortar casinos!

- In Atlantic City, both Borgata and Caesars have publicly validated that less than 15% of their online gaming databases overlap with active brick & mortar casino players
- Golden Nugget has disclosed that when their brick & mortar players do register for online casino accounts with the Golden Nugget, those players subsequently increase their brick and mortar spend at the Golden Nugget by on average 11%
- If structured properly, we believe internet gaming represents an opportunity to increase the health and financial performance of existing licensees along with the Commonwealth

- We caution the committee in regards to the tax rate assessed to internet gaming
- Historical pre-tax margins for internet gaming operators in global markets are in the low 20% range
- It is imperative that any legislation includes a gaming tax rate equal to or below the existing 15% internet gaming tax rate in New Jersey
 - High cost of online marketing
 - Operating costs more expensive in the US (Geolocation Services, KYC Checks, Licensing 3rd Party Game Content)

Any Expansion Should Support PA's Strong Operators

- We do not support any initiative that will simply shift tax revenue between casinos and undermine the health of a strong PA casino industry
- Any new slot locations should be operated by existing licensees AND should not cannibalize existing facilities
- **Legislative change should focus on revenue growth that will develop the existing licensees, who have invested heavily and support thousands of families, along WITH the Commonwealth:**
 - Internet Gaming
 - Games of Skill
 - Fantasy Sports
 - Airport Slots

	SugarHouse Current	Valley Forge
<u>License Cost</u>		
Slots	\$50,000,000	\$5,000,000
<u>Banked Tables</u>	<u>\$16,500,000</u>	<u>\$7,500,000</u>
Total	\$66,500,000	\$12,500,000
<u>Gaming Units</u>		
Slots	1,604	600
Banked Tables	60	50
<u>Cost/Unit</u>		
Slots	\$31,172	\$8,333
Banked Tables	\$275,000	\$150,000