

## **Pennsylvania Senate Committee on Community, Economic and Recreational Development (CERD) Public Hearing - Tuesday, June 3, 2014 - 9:00 A.M. - Hearing Room No. 1, North Office Building**

To consider the current state and potential for growth with regard to the Pennsylvania casino gaming industry in an increasing competitive atmosphere. The CERD committee will be considering a range of related issues, including the potential impact of new revenue sources (i.e., iGaming/online gaming), nongaming amenities and the regulatory landscape. Ultimately, to ensure the health and viability of the PA gaming industry, the Commonwealth must be diligent in avoiding the status quo to prevent stagnation and decline in the industry along with the revenues and jobs it generates. The goal of the CERD committee is to determine the best practices and course of action, versus pushing any specific agenda, to ensure the economic viability of the PA gaming industry for the foreseeable future.

**Comments by: Isle of Capri Casinos, Inc. (DBA) “Lady Luck Casino” – Nemacolin Woodlands Resort**

**Prepared by: Donn R. Mitchell, II – Chief Administrative Officer, Isle of Capri Casinos, Inc.**

**Overview of Isle** – Isle of Capri Casinos, Inc. (Isle) is the manager of the Lady Luck Casino at Nemacolin Woodlands Resort (Lady Luck Nemacolin). Isle is a public company traded on the Nasdaq under the ticker symbol “ISLE”. Isle has 15 casinos operating across seven states including the common wealth of Pennsylvania.

**Overview of Lady Luck Nemacolin** – Through working closely with the Pennsylvania Gaming Control Board, Lady Luck Nemacolin opened on July 1, 2013 (on schedule & on budget) with a total investment of approximately \$55 million and over 500 new jobs in the market helping to bring down unemployment in the area from over 9.5% to approximately 8%

In its first year of operation Lady Luck Nemacolin will pay in over \$12 million in gaming taxes and fees to the Commonwealth of Pennsylvania. Additionally, the casino amenity added to Nemacolin Woodlands Resort has helped to increase tourism and visitation to the resort over the past year.

**Details on casino performance** – Unfortunately the Lady Luck Nemacolin casino gaming revenues have been well below initial expectations. This is not because of increased competitive pressures from within the state, in fact we do not believe that the Lady Luck Nemacolin has had any meaningful impact on the casinos in the Pittsburgh or surrounding area. We believe the shortfall in revenues is primarily because of the opening of the Rocky Gap

Casino in Maryland which is pulling a disproportionate share of gaming patrons out of Pennsylvania due to regulatory competitive advantages.

When adjusted for seasonality, Lady Luck Nemacolin gaming revenue trends have been positive but the ramp up is very slow and the fact remains that the penetration of the local area market is well below what we would expect based on our experience in other similar markets. We believe many of these Pennsylvania gaming customers are going to Maryland for convenience created by regulations.

**Recommendations for improving revenues from PA casino industry** – We believe in order to ensure the economic viability of the Pennsylvania casino industry for the long term these casinos must be made as competitive as possible by eliminating restrictions and regulations that make them less competitive with the casinos in the surrounding states.

Additionally, the Commonwealth should consider incentivizing further capital investment and job creation in its existing casinos by allowing for gaming tax credits for incremental capital investments. This would incentivize capital investment, job creation and increased gaming revenues.

**On-Line/I-gaming** – The state should view this as an opportunity to augment the existing brick and mortar casino and on-line gaming should be tied to the existing casinos; however on-line gaming is still in the very early stages in this country. In order to protect against a potential federal ban against online gaming the state may want to pass legislation legalizing it but hold off on implementation until it is further developed as a business model in the US.