



**Pennsylvania State Senate
Community, Economic & Recreational Development Committee
Public Hearing to Receive Testimony on Senate Bill No. 1256
October 6, 2020**

Written Testimony of:

Harrah's Philadelphia – Hollywood Casino at Penn National Race Course – Lady Luck Casino Nemacolin – Live! Casino & Hotel Philadelphia – Live! Casino Pittsburgh – The Meadows Racetrack & Casino – Mohegan Sun Pocono – Mount Airy Casino Resort – Parx Casino – Presque Isle Downs & Casino – Rivers Casino Philadelphia – Rivers Casino Pittsburgh – Wind Creek Bethlehem

Members of the Senate Community, Economic & Recreational Development Committee:

We, the above-listed casinos, thank you for the opportunity to appear before this committee today to offer our testimony on Senate Bill No. 1256.

In these exceedingly difficult times, Pennsylvania's casinos have united with a single voice to ask that you *actively and forcefully* oppose Senate Bill No. 1256 and any expansion of gaming in Pennsylvania. Simply stated:

1. Gaming expansion will result in substantial losses of gaming tax revenue for the state and revenue for the Lottery, will result in lost jobs for Pennsylvanians and will put at risk hundreds of millions of dollars *annually* in investment in the Commonwealth, revenues

for thousands of local businesses, and local share dollars for counties and local communities.

2. Gaming expansion is *not* necessary to help bars, taverns, restaurants and social clubs recover from the Covid-19 pandemic. The General Assembly has proposed many non-gaming relief measures for those businesses/organizations, which our industry supports, and they themselves have a 14 point relief plan that *does not include* gaming.
3. Gaming expansion will *not* solve the Commonwealth's budget deficit. Gaming expansion is a zero sum game, with any new lower-taxed VGT or skill game revenue being offset by losses in higher-taxed casino gaming tax revenue and Lottery revenue. Further, properly regulated gaming expansion, that is fully connected to the central control computer, will take years to implement and tens of millions of dollars of expense to the state before the Commonwealth sees one dime of revenue.

Whether gaming expansion takes the form of permitting thousands more video gaming terminals ("VGTs") or legalizing so-called "skill games," the real winners in the equation would be VGT and skill game operators, who have made no investment in Pennsylvania and created no jobs here, but stand to benefit from entering Pennsylvania's tightly regulated and highly successful gaming industry through the side door and without paying the requisite cover charge. Indeed, as recently as June 11, 2020, Charles Protell, President of Golden Entertainment, boasted to investors and financial analysts about his optimism for full-scale VGT expansion in Pennsylvania.

We submit that it is never the right time to flood Pennsylvania with slot machines, placing them up and down every Main Street in the Commonwealth, but it is particularly true that now is not the right time for expansion. The COVID-19 pandemic has caused unprecedented economic damage and uncertainty in Pennsylvania and the United States of America. Our casinos have borne the full brunt of that harm. Nationally, only the passenger airline industry has suffered greater losses than the gaming industry as a result of the novel coronavirus.

From closing our doors in mid-March to partially reopening in mid to late June, the cost to our casinos in terms of lost revenue was approximately \$968.8 million from slot machines and table games, \$424.2 million of which would have been payable to the Commonwealth in taxes. This lost revenue amounts to nearly 30 percent of last year's total. As the recipient of substantial portions of our revenue, including nearly 57% of slot machine revenue, the Commonwealth has shared in these losses with us. Furloughs and layoffs have also ravaged our workforce which, prior to the pandemic, numbered nearly 18,000 employees, approximately 90% of which were Pennsylvania residents. As of June 30, the industry had no choice but to separate over 6,000 of those individuals from their employment. Our goal is to bring back those jobs – but gaming expansion would make that virtually impossible.

The reopening of Pennsylvania's casinos, however, was not the end of the financial harm caused by the pandemic. Even upon reopening, we would impress upon this committee that being "open" does not look like it did before the coronavirus pandemic began. Our industry has been a

leader in making sure that our facilities are safe for our employees and our customers. However, we must recognize that occupancy limitations, social distancing and masking requirements, and other protocols mandated by the Department of Health have meant, a gradual return to business and financial health. Meanwhile, compliance with those same mandates has necessitated that we invest additional millions of dollars into our facilities to implement the required protocols.

With all of this in mind, we are shocked that the Committee is considering an expansion of gaming to include both broad-based VGT gambling throughout Pennsylvania and the legalization of thousands of currently illegal skill game slot machines that are illicitly operated outside of our licensed facilities.

Just three years ago, the General Assembly rejected similar proposals to put slot machines on every Main Street in the Commonwealth. The Legislature determined that such broad-based gaming expansion would have had a devastating impact on both Pennsylvania's casinos and the Pennsylvania Lottery. This is even more true today.

Collectively, the gaming industry has made a tremendous investment in Pennsylvania. Our casinos have paid more than \$1.1 billion to the Commonwealth in licensing fees. We have generated over \$17 billion in gaming tax revenue. We have invested tens of billions of dollars to build, renovate, maintain and expand our casinos. We have generated many thousands of direct jobs and supported too many local businesses to count. We encourage this Committee to invite some of these employers to share just how important our industry has been to their businesses and their employees.

Our investment continued and increased with the passage of Act 42 of 2017. We paid the Commonwealth hundreds of millions of dollars in licensing fees, and are generating new sources of recurring tax revenue from interactive gaming and sports betting. Pennsylvania is now on track to have 18 casinos across the state, with five new Category 4 casinos in the works. The Category 4 casinos produced \$137 million in license fees and will entail hundreds of millions of dollars in construction spend and hundreds of additional direct jobs for Pennsylvanians.

Our industry is a tremendous economic driver in this state. We made these investments in reliance on Pennsylvania's gaming laws and landscape – and in the reasonable belief that, as a nearly 57% stakeholder in our business, the Commonwealth would be a good faith partner.

Expanding VGTs to liquor licensees would result in as many as 85,000 gambling machines being added to the state – more than five times the current number of slot machines in *all* of Pennsylvania's casinos *combined*. Similarly, legalizing (and thereby rewarding) the currently illegal skill game slot machines that are prevalent in bars, convenience stores, gas stations and other businesses would cause tremendous damage to our industry and the nearly 18,000 Pennsylvanians we are proud to employ when at full capacity.

This legislation will negatively impact the Pennsylvania Lottery and every taxpayer. Expanding VGTs or legalizing skill games would put at risk all of the following benefits that have been delivered by Pennsylvania's casinos like clockwork:

- Nearly \$1.5 billion in annual gaming tax revenue to the State;¹
- \$500 million in annual spending at Pennsylvania businesses for goods and services;
- Nearly \$150 million in annual Local Share Assessment payments to Counties, Municipalities, public safety agencies, volunteer fire companies, community based non-profits and other recipients;
- Over \$140 million in annual support for economic development and infrastructure projects;
- A return to our nearly 18,000 pre-pandemic direct living wage jobs;
- Over 17,000 indirect jobs; and
- Nearly two billion in annual wages, benefits and tips associated with the referenced direct and indirect jobs.

The Pennsylvania Lottery has also publicly testified about the dramatic losses it would experience as a result of additional gaming expansion. In 2017, the Lottery projected that broad-based VGT expansion would cost the state nearly \$600 million/year in funding for programs supporting older Pennsylvanians. More recently, the Lottery testified that it estimates losing more than \$300 million in scratch-off sales in just two years due to the proliferation of illegal "skill games."

Senate Bill 1256 will also drain revenues from the Commonwealth, at a time when this legislature is confronting a projected budget deficit of \$5 billion in the next two years. We encourage this Committee to study the experience in Illinois, where lawmakers approved legislation to add VGTS across the state. In 2012, the taxes imposed on the Illinois casinos generated \$548 million. Since the advent of VGTs, this amount fell to \$454 million in FY 2019, representing *a seven-year decline of 17.2%* with the state collecting almost \$100 million less in tax revenue. In fact, Illinois' independent, bipartisan Commission on Government Forecasting and Accountability has concluded that the operation of VGTs in that state is the *largest driver of losses in casino revenue*.

In addition to the devastating financial impact, Illinois lawmakers and others recognized after the fact that it is just not possible to properly regulate and supervise these machines. Aaron Jaffe, former chairman of the Illinois Gaming Board, has said he opposed video gambling, in no small

¹ This figure does not include the \$310.5 million in license fee and auction revenue received by the Commonwealth in 2018-2019 in connection with the 2017 Gaming Expansion Act.

part because he felt there was no way to regulate the industry. “It’s just too big of a job,” Jaffe said. “In order to regulate it, you need a bigger board and more people. ***It’s absolutely ridiculous to think you can do a proper job with the resources available.***” *ProPublica*, The Bad Bet (January 16, 2019).

This concern regarding VGTs echoes testimony by the Pennsylvania State Police regarding the impact of illegal skills games in communities across our state. These “games” entice children to gamble and are ripe for corruption, according to PSP. All skills games, no matter the manufacturer, are slot machines – period – and the operation of slot machines is permissible only in licensed, regulated, and supervised casinos. Whether skill games or VGTs, SB 1256 will inflict these same challenges on every community in the state if it becomes law.

We recognize that bars, taverns, clubs and restaurants have been hit hard by the pandemic because, again, we have suffered the same harm. We want these businesses to succeed – but expanded gaming is not the recipe for that success.

It is crystal clear that Senate Bill 1256 is not designed to aid bars, restaurants and clubs. Indeed, the Pennsylvania Licensed Tavern and Beverage Association has issued a 14 point plan to aid its members, and not a single provision involves expanded gambling. We support that 14 point plan. Instead, Senate Bill 1256 is designed to help VGT and skills games operators who will not make any meaningful investment in our state. They will not create close to 20,000 jobs. They will not pump \$500 million a year into businesses across this state. They will not generate over \$1.5 Billion in tax revenue for Pennsylvania.

Regardless, under Senate Bill 1256, bars, restaurants, clubs, grocery stores, gas stations, convenience stores, golf courses, microbreweries and a variety of other businesses could all potentially become miniature casinos with the General Assembly’s blessing. That’s bad policy and bad for Pennsylvanians. The Legislature offered these businesses and clubs tavern gaming, but it was shunned as too expensive and requiring too much oversight. The Legislature, again, offered legal gaming options, like Keno and Xpress Sports that would benefit the Pennsylvania Lottery, in Act 42 of 2017. However, the vast majority of liquor licensees have yet to take advantage of these tools – with less than 5% of licensees offering these new games. Rather than contemplate yet another major expansion of gaming, we urge you to work with liquor licensees to help them take advantage of the opportunities that have already been provided.

In closing, we respectfully submit that the Commonwealth should support the economic engine that is its casino gaming industry. Working together, we can restore \$1.5 billion in annual tax revenue for the Commonwealth, get thousands of Pennsylvanians back to work, and provide a lifeline to hundreds of local and small businesses that transact with our casinos.

Thank you for your continuing support on this critically important issue. We look forward to building on our successful partnership with the Commonwealth in the months and years to come.