

Joe Billhimer, Chief Operating & Development Officer
Cordish Gaming Group/Live! Casinos PA

Testimony Provided for:
Senate Community, Economic & Recreational Development Committee Hearing
October 2, 2023

Thank you, Chairman Gebhard, and the members of the committee for the opportunity to submit testimony for today's hearing. On behalf of the Cordish Gaming Group, I would like to start by providing background on who Cordish Gaming Group is and the investments we've made in the Commonwealth of Pennsylvania, along with how the projects we've created continue to be tremendous economic engines for their communities.

The leadership at Cordish Gaming are not strangers to the commonwealth. Rob Norton, our president, led the build-out and development of Presque Isle Downs when table games were authorized in 2010 in Erie, and subsequently, I was the president of MTR gaming, which owned Presque Isle Downs, with oversight of that property. Our senior leadership team collectively has over 100 years of experience in the commonwealth.

At the Cordish Companies, we are more than just casino operators; we are developers at our core, and that is why most of our investments are mixed-use, non-gaming projects. The Cordish properties are true community assets, creating thousands of well-paying jobs and generating economic growth and opportunities for the regions they serve. Together our investments in Pennsylvania have created over 3,500 construction jobs and another 1,750 permanent casino positions during a time when jobs were so desperately needed.

For over a century, the Cordish Companies has been a multi-generational, family-owned business that believes in investing in its people and the places they live and work. Our company has been in Pennsylvania since 2012 with our Xfinity Live! venue in South Philadelphia in partnership with Comcast/Spectator. We saw an opportunity to continue our success in Pennsylvania by bidding on the Philadelphia casino license and went through a long and extensive process to bring the development to a reality. Before even building Live! Casino and Hotel Philadelphia, we went on to bid and win the Category 4 license in Westmoreland County, where we developed Live! Casino Pittsburgh.

Both of our casino projects were built and developed as the world grappled with the unprecedented devastation brought by the coronavirus pandemic during 2020 and 2021. The Cordish Companies kept thousands of Pennsylvanians employed through the construction of nearly \$900 million in new projects.

Live! Casino Pittsburgh opened in November 2020 with 750 slots and 30 table games, and Live! Hotel and Casino Philadelphia opened less than 100 days later in January 2021, with over 2,000 slots, 120 table games including poker, a 208-room four-diamond hotel, and a world-class event

and conference center. Live! Casino and Hotel Philadelphia is the first fully integrated hotel and casino to be opened at the same time in Pennsylvania.

We are on pace to exceed \$75 million in annual wages for our two casino properties. We also provide abundant vendor opportunities for local, minority, women-owned and veteran-owned businesses.

Since opening and through July of this year, we have seen our non-construction spend with WBE/MBE vendors reach almost \$55 million, and if we add the local business spending, we are over \$200 million. Construction spend with MBE/WBE vendors surpasses \$75 million, and if we add local business spending, we are again surpassing \$200 million.

The original Gaming Act struck a balance, trading off a high tax rate in exchange for a rigorous licensing process with a protected market for those willing to invest in Pennsylvania. That tradeoff was incorporated into the casino industry's capital model. Our industry made significant capital investments with the understanding that the market would be protected. Although we are very proud of the resort casinos we have added to the commonwealth and their success, to say they had their openings tempered with the impact of COVID restrictions and other market pressures would be an understatement.

When we bid on and won the Philadelphia license – internet gaming, sports betting, distributed gaming, and the proliferation of other unregulated gambling in the state did not exist and have certainly had an impact on our projects.

Even with the change in the legislative landscape, the policymakers remained committed to the aforementioned balance. When they adopted the limited Category 4 license options in 2017, that amendment provided a 25-mile protected zone around existing Category 1 and Category 2 licensees and tax parity for all gaming operations regardless of if they were internet gaming, brick-and-mortar, or distributed gaming in the form of VGTs.

In all, Pennsylvania's brick-and-mortar casinos pay more in gaming taxes than any other industry in the commonwealth pays in total corporate taxes. This includes the health care, manufacturing, retail, wholesale and agriculture industries.

At the same time, Pennsylvania casino revenues are contracting. Even with five new brick-and-mortar casinos, providing more than \$1.5 billion in new development in the last four years, slot machine revenues are flat to pre-COVID levels, while many of our neighboring states have enjoyed double-digit growth rates. If you exclude the new casinos, slot revenues have declined by a shocking 13%. Without question, a major factor in this decline is due to unregulated, untaxed gaming operators.

If the commonwealth is looking at future expansion, as it has since as far back as 2015, with forms of distributed gaming, we need to **look at overall tax reform as a major part of the discussion**. We already compete with states with lower tax rates, and the lack of growth in the state continues to be impacted by various forms of unregulated gaming. There are now mini casinos

this legislature did not authorize, nor did we contemplate, when making our investments and creating the economic benefits that we and our colleagues have delivered on.

We support the PGCB initiatives that are looking into the untenable length of time it takes for potential employees to get licensed because of the need for an IRS tax certificate. The board is considering amending the definition of “background investigation” to remove the IRS requirement and only require certification that the potential employee is up to date with their state taxes.

We also have been talking to the board about being timelier and nimbler as it relates to changes to table game regulations. The board is looking into allowing the oversight committees to approve new or amended table games rules as opposed to the standard regulatory review process.

Cordish Gaming and the industry pride themselves on working with local and diverse small businesses as gaming service providers. While we love working with small businesses, the challenges regarding casino procurement limit the true potential of these relationships. The stringent licensing requirements for any casino vendor, regardless of that vendor’s involvement in gaming activity, limit our abilities to go further in our partnerships with small and diverse businesses.

In closing, Cordish is proud to continue our partnership with the Commonwealth of Pennsylvania and our local communities. While tremendous challenges exist to maximize those partnerships, we remain committed to doing all that we can to be stewards and leaders in the communities where we do business. We stand ready to assist you in developing a regulatory framework that can keep Pennsylvania as a national leader in gaming oversight and responsible growth.

Thank you for the opportunity to submit this testimony.