



**TESTIMONY BY ERIC SCHIPPERS, SR. VICE PRESIDENT OF PUBLIC AFFAIRS
AND GOVERNMENT RELATIONS FOR PENN NATIONAL GAMING BEFORE THE
HOUSE GAMING OVERSIGHT COMMITTEE
May 6, 2015**

Good morning Chairman Payne, Chairman Kotik and members of the House Gaming Oversight Committee. My name is Eric Schippers and I am the Sr. Vice President for Public Affairs for Penn National Gaming. We're a proud Pennsylvania company that went public in 1994 on the strength of nearby Penn National Race Course and its off track wagering facilities alone. Today, we've grown to become the nation's largest publicly traded regional gaming operator with 27 facilities in 18 jurisdictions across North America. Importantly, despite our growth, we have never forgotten our roots and remain headquartered an hour east of here in the small Borough of Wyomissing.

Between Hollywood Casino at Penn National and our Corporate office, we have over 1,400 Pennsylvania-based employees, representing over \$83 million annually in payroll, and last year contributed more than \$2 million to local community and charitable organizations. Finally, since 2008, we've generated over \$1.75 billion in gaming revenue for the Commonwealth and over \$965 million in gaming taxes.

In February, we were pleased to have come together as an industry for the first time in many years to discuss what consensus items we might be able to agree upon to help Pennsylvania's gaming industry compete in what has become a regional gaming arms race. We applaud this Committee for recognizing our partnership with the Commonwealth and for allowing us an opportunity to talk about how we might preserve the important tax revenues our industry generates and remain strong in the face of ever increasing competition.

In our March 17 letter to this Committee, the six category one casinos and four category two casinos took a joint position against several potential threats, such as VGTs, the acceleration of a Cat 3 resort license, and a potential smoking ban. We also respectfully requested the consideration of potential incentives that might be offered, such as capital improvement tax credits. For example, In West Virginia, the casinos benefit from something known as the "Modernization Fund" which allows them to receive one dollar back from the state for every two dollars they spend on refreshing their slot floors with new games, up to a maximum of \$3 million annually.

You'll notice in the letter we could not come to consensus on Internet gaming, but as our Managing Director of I-Gaming shared with this committee recently, we firmly believe it is another vital tool to enable our industry to continue to evolve and protect what we've built here.

We estimate that if the Commonwealth's existing brick and mortar casinos were permitted to conduct online gaming, the operations could ramp up relatively quickly and begin generating approximately \$250 million in total revenue in year one; approximately \$300 million in year two; and approximately \$350 million in year three and beyond. Thus, at the 14 percent tax rate currently being considered in House Bill 649, which we fully support, Pennsylvania would be on track to receive approximately \$49 million in annual tax revenues by the third full year of full operations. These estimates are similar to the forecast supplied by Econsult Solutions, which predicted \$307 million in total revenue per year from I-Gaming. In addition, research from H2 Gambling forecasts a range of between \$225 million to \$315 million in annual I-Gaming revenues.

In closing, the challenges from market saturation and other competitive pressures are not just problems for Eastern or Western Pennsylvania operators. In Central PA, our casino is down 7% percent year over year and it's down nearly 14 percent from its all time high water mark. And more competition is coming. In Maryland, Horseshoe Baltimore and Maryland Live! will soon be joined by the nearly one billion-dollar MGM resort at National Harbor, which is scheduled to open in 2016. All of this further reinforces the importance of focusing our collective efforts on working together to protect the nearly 18,000 jobs and nearly one billion in annual gaming tax revenues that our industry generates.

I'd like to thank you for your time and I'd be happy to answer any of your questions.