



Testimony of Donn Mitchell, Chief Administrative Officer for Isle of Capri Casinos, Inc.
House Gaming Oversight Committee/Senate Community, Economic and Recreational Development
Committee
March 7, 2016

Good afternoon Chairman Petri, Chairman Harkins, Chairman Scavello, Chairman Farnese and members of both committees. My name is Donn Mitchell and I am the Chief Administrative Officer for Isle of Capri Casinos, Inc. (IOC). IOC currently operates 14 casinos in 7 states including the Lady Luck Casino at Nemacolin.

The Lady Luck Casino at Nemacolin is just over three years old opening in July of 2013 with an initial investment by IOC of \$60 million. The casino currently operates 597 slot machines 27 table games with FY2015-2016 gross gaming revenues just over \$35 million. Based on Pennsylvania's Department of Labor and Industry statistics, Lady Luck is the 16th largest employer in Fayette County with over 300 individuals employed at the property, 96% of which are Pennsylvania residents.

Before providing remarks on the multiple gaming proposals before the General Assembly, I would first like to give the committees some context on why we feel the way we do on the multiple gaming issues. Since opening, the Lady Luck Casino at Nemacolin has lost between \$1 million and \$2 million a year, a trend that is obviously not sustainable. Between the aggressive out of state competition, the barrier to entry that is the "access fee" and the extraordinarily high cost of regulation, we underestimated the challenges of the market.

Fortunately, we do see a path forward for the Lady Luck Casino. The biggest opportunity we have seen in multiple gaming proposals is language that provides Category 3 casinos the opportunity to remove the requirement that an individual patronize an amenity at the resort before being allowed entry into the casino. The removal of the "patron of the amenities" requirement for a \$1 million fee would bring the Lady Luck Casino in line with every other casino in the county. Its removal would increase revenue to the commonwealth, free up money for customers to play and allow us to compete on a level playing field with our largest competitor, the Rocky Gap Casino located just across the border in Cumberland Maryland.

In addition to the removal of the patron of the amenities requirement, IOC is supportive of the commonwealth authorizing IGaming so long as the expansion is run through the 12 brick and mortar casinos. Legalizing on-line gaming through the existing casinos will allow current licensees to drive new customers to their facilities and increase revenues to the state.

I say we have a path forward at the property because we do, but the implementation of slot machine gaming at bars, taverns, social clubs, fraternal clubs, truck stops and bowling alleys will quickly close that path and likely close the Lady Luck Casino, putting 300 Pennsylvanians out of work. As soon as tens of

thousands of additional slot machines are placed around the state, you dilute the gaming product, cannibalize existing revenues and threaten the employment of thousands employed by the casino industry.

IOC believes the Pennsylvania gaming market is particularly sensitive to slot revenue cannibalization. Pennsylvania's 12 casinos are located across the state in a fashion that allows the vast majority of the population access gaming opportunities. Shifting slot revenue from the current casino industry is not only a losing proposition for local governments and casino employees but also the commonwealth. Pennsylvania slot revenue at casinos is taxed at an effective rate of 54%. Shifting any portion of that revenue to a bar or tavern slot with a tax rate in the 30% range would significantly short change tax revenue to the state.

The gaming market created by the Pennsylvania Legislature over 10 years ago is one that generates the most tax revenue in the entire country and is a model for other jurisdictions. We agree that there is a need to fine tune the industry through many of the components contained in HB 392 and other proposed legislation. We do not believe there is a need to introduce casino style gaming outside the highly regulated and established gaming industry in Pennsylvania. I would like to thank both committees for their time this afternoon and would welcome any questions you have.



Supplemental Information

Total slots and table games revenue for 2016

- 2016 Gross Slot Revenue
 - \$29,326,854
- 2016 Gross Table Game Revenue
 - \$4,654,781
- 2016 Total Gross Gaming Revenue
 - \$33,981,632

Total of all other nongaming taxes, such as property taxes

- \$2.6 million since opening - \$731,000 in 2016
 - Sales and Use
 - Property
 - Unemployment
 - Income
 - Political Subdivision

What was paid in local share assessments in the past 5 years?

- FY2013-2014
 - Fayette County (DCED)
 - Slots: \$466,861
 - Tables: \$48,267
 - Wharton Township
 - Slots: \$466,861
 - Tables: \$48,267
- FY2014-2015
 - Fayette County (DCED)
 - Slots: \$583,988
 - Tables: \$54,035
 - Wharton Township
 - Slots: \$583,988
 - Tables: \$54,035
- FY2015-2016
 - Fayette County (DCED)
 - Slots: \$597,635
 - Tables: \$51,470
 - Wharton Township
 - Slots: \$597,635
 - Tables: \$51,470

Number of employees with benefits

- 172 employees

The geographic areas where casino patrons reside

- Southwestern Pennsylvania
- Over 90% of patrons reside within a 70 mile radius of the casino

Estimated revenue/employee gains or losses if iGaming is legalized

- IOC is supportive of the legalization of iGaming as contained in HB 392 P.N. 0404 and believes a symbiotic relationship exists between brick and mortar gaming and iGaming. Given the current unknowns around the issue, it is too early to provide revenue estimates.

Estimated revenue/employee gains or losses if VGTs are legalized

- After losing \$1 million - \$2 million each year since the casino opened, the revenue lost from the implementation of VGTs would likely lead to the closure of the Lady Luck Casino at Nemaquin.

Title 4 changes you support/oppose

Title 4 Changes – Support:

- Removal of the “access fee” for \$1 million
- Maintaining the current local share distribution for Category 3 casinos (2% to the host county/2% to the host municipality)
- iGaming open to category 1, 2 and 3 casinos
 - As proposed in HB 392 P.N. 0404
- Regulation of online fantasy sports so long as individuals are wagering on the outcome of complete games, not individual events within those games and that casinos can participate
- Multistate wide-area progressives
- Hybrid/skill slot machines
- Moving to a 5 year license renewal
- Independent testing lab

Title 4 Changes – Oppose:

- The expansion of gaming to allow for Video Gaming Terminals at bars, taverns, restaurants, clubs, hotels, private clubs, truck stops and bowling alleys.
- The placement of slot machines at Off-Track Wagering locations
- Increased taxes and regulatory fees
- New taxes on the industry