



Testimony of Eric Pearson, Chief Executive Officer, Valley Forge Casino Resort  
House Gaming Oversight Committee/Senate Community, Economic and Recreational Development  
Committee

March 7, 2016

Good morning Mr. Chairman, Chairmen of both committees, and committee members. Thank you for the opportunity to speak with you today.

My name is Eric Pearson and I am the President and Chief Executive Officer (CEO) of the Valley Forge Casino Resort (VFCR) located in King of Prussia.

Since its opening in 2012, VFCR has become an engine for economic development. VFCR's annual economic impact to the Montgomery County economy is now over \$6 million and we proudly employ nearly 1,000 employees. To date VFCR has contributed over \$13.7 million in local share assessment to the Upper Merion Township and Montgomery County. We take our role as a community partner seriously and have funded or contributed to County based and local traffic improvements, community welfare programs, local sports organizations, and college scholarship programs. Our commitment to being a conscientious community partner is what led us to enter into a Memorandum of Understanding (MOU) with Upper Merion Township following the 2016 court ruling on the local share assessment last September. We worked collaboratively with Upper Merion to ensure they would be held harmless during this time of uncertainty until a legislative prescription is put in place to resolve the situation. We will continue to stand with Upper Merion Township and look forward to working with all of you to expedite a permanent solution.

As one of the two Category 3 licensees in the Commonwealth, we urge you to consider initiatives which would address restrictions imposed on us that are limiting our growth and competitiveness. The most egregious of which is the access fee and we believe any discussion about Category 3's must begin with its removal. After years of operating with an access fee, it is clear that it simply does not work and instead only creates an uninviting welcome for our guest. This requirement forces unnecessary burdens on the Commonwealth's smallest casinos which are in the worst position to absorb them. The removal of the access fee would help VFCR be more competitive, generate more tax revenue, increase our local share contribution, and provide a traditional welcoming environment to our guest.

Additionally, I hope you will consider allowing internet gaming in the Commonwealth. Pennsylvania has an opportunity to be among the first in what will be a significant growth opportunity for the industry moving forward. As we can see from our neighboring state to the east, once the internet gaming market is established, then a real opportunity for consistent healthy growth exists. If internet gaming is

considered here in Pennsylvania, then I ask that it not discriminate against Category 3 casinos and allow us to participate in this exciting new area.

Other restrictions levied only on Category 3's include a limit of 600 slot machines (\$77,305,871 GTR in 2016) and 50 table games (\$36,856,291 Gross in 2016). This arbitrarily low number ultimately limits revenues and taxes collected by the Commonwealth. While we fully appreciate that Category 3's were designed by the legislature to provide a different and unique gaming experience, greater limits on the number of slots and tables is something the legislature should consider. There are times at the VFCR when all of our games are at capacity and we literally turn people and their money away. I can't imagine the Commonwealth, as an over 50% stakeholder in our revenues, would want to keep those patrons from a quality gaming experience at the VFCR. Additionally, poker tables, which are not house banked games, should be permitted without counting against our table game allotment. Again, these limitations on Category 3 casinos merely limit our competitiveness, growth, revenues, and tax revenues.

We recognize Category 3 licenses came at a cost commiserate with the intentions of the legislature and the type of relief requested today will come with a price. We are eager to discuss that further with all of you and are prepared to pay a practical and realistic amount levied by the legislature.

I would be remiss if I came before you today and did not mention our staunch opposition to proposals which would legalize Video Gaming Terminals (VGT) in Pennsylvania's bars, taverns and licensed restaurants. VGTs put the health and well-being of Pennsylvania's gaming industry at risk. Some estimates project the legalization of VGTs would triple the number of legal slot machines currently operating in the state. This massive expansion will cannibalize the industry, reduce local share distributions, and put thousands of Pennsylvanians currently working in PA casinos on the unemployment line.

VGTs also threaten Pennsylvania's seniors who rely on programs supported by the Pennsylvania Lottery. During a recent budget hearing with the House Appropriations Committee, the Executive Director of the lottery stated that VGTs would negatively impact Pennsylvania's instant lottery sales to the tune of 13%. Furthermore, Governor's Wolf's own study projected a \$2.3 billion dollar loss in lottery revenue over the next ten years if VGTs are legalized.

A collaborative and comprehensive expansion of gaming which benefits the citizens, the Commonwealth, and the gaming industry as a whole is what we are asking you for today. We are committed to working with you to improve Pennsylvania's gaming industry to enhance our competitiveness regionally, maximize our shared growth, and help our local communities thrive.

Thank you again for this opportunity and I am happy to answer any questions you may have.



Supplemental Information

- 2016 Taxable Slot Revenue: \$77,305,871
- 2016 Taxable Table Games Revenue: \$36,856,291
- Local Share Assessment Past 5 Years: \$13,780,488
- Total of all other nongaming taxes, such as property taxes, paid in 2016

Valley Forge Casino Resort	
Taxes Paid (in '000's)	
PA Sales/Hotel Occ/Use Tax	1,300.00
Patron Withholding on winnings	52.00
Real Estate Tax (School)	548.00
Real Estate Tax (County)	163.00
SS/Medicare (Employer)	1,766.00
Local Hotel Occupancy Taxes	175.00
Merchantile Tax	54.00
Amusement Tax	55.00
Federal Unemployment	64.00
State Unemployment	784.00
<b>Total Guest/Company Paid</b>	<b>4,961.00</b>
SS/Medicare (Employee)	2,800.00
Local Income Tax W/H	570.00
State Income Taxes W/H	1,100.00
<b>Total Employee</b>	<b>4,470.00</b>
<b>Total Paid</b>	<b>9,431.00</b>

- Number of Employees: 966
  - Full Time / Benefit Eligible: 697
  - Part Time: 210
  - On Call: 59
  
- The geographic areas where casino patrons reside
  - Top Four States
    - PA: 71%
    - NJ: 7.5%
    - NY: 5%
    - MD: 2%
    - All Other States (<2%): 14.5% Combined
  
  - Top PA Counties
    - Montgomery: 30.4%
    - Chester: 13.5%
    - Philadelphia: 12.6%
    - Berks: 9.6%
    - Delaware: 9%
    - Bucks: 5%
    - Lancaster: 2.8%
    - All Other PA Counties (<2%): 17.1%
  
- Estimated revenue/employee gains or losses if iGaming is legalized
  - We definitely view iGaming as an accretive opportunity for our business.
  - We primarily see iGaming as a marketing and remote engagement tool to drive customers to our brick and mortar casino.
  - Rough estimate \$1M iGaming Revenues per year.
  
- Estimated revenue/employee gains or losses if VGTs are legalized
  - Estimate a 25% to 35% reduction to Taxable Slot Revenue if VGTs are introduced.
  - Detailed Schedule of VGT Impact attached.
  
- Title 4 changes you support/oppose
  - Removal of the Patron of the Amenities Access Restriction
  - Ability to add up to 500 additional Slot Machines at \$10,000 per machine
  - Ability to add up to 30 Table Games at \$10,000 per table
  - Allow for non-house-banked table games (Poker) to not count against table game cap
  - Allow for Cat 3s to have equal access to iGaming
  - Allow for 3<sup>rd</sup> Party Gaming Lab approvals for gaming equipment, systems and games
  - Allow for Wide Area Progressive linked Slots and Table Games

