

**Pennsylvania House of Representatives**  
**Gaming Oversight Committee & Liquor Control Committee**  
**Joint Hearing on Casino Liquor Licensing Issues**

**May 11, 2015**

**Testimony of Adrian R. King, Jr., Partner, Ballard Spahr LLP**

Chairman Payne, Chairman Kotik, Chairman Ross, Chairman Costa and Members of the Committees, good morning. My name is Adrian King, and I am a partner in the Philadelphia-based law firm of Ballard Spahr LLP, where, among other things, I focus my practice on representing Pennsylvania gaming companies and gaming industry service providers before the Pennsylvania Gaming Control Board, and in connection with a variety of gaming related legislative and regulatory issues.

I appear before you today not on behalf of any particular casino but by virtue of my role in helping to draft the March 17, 2015 "Industry Letter" that included several proposed initiatives designed to maintain and enhance the health and strength of Pennsylvania's gaming industry as it faces robust competition from casinos located in every state with a border adjacent to the Commonwealth.

As you are all aware, and the reason why you are engaged in this "joint" hearing this morning, one of the proposed initiatives contained in the March 17<sup>th</sup> letter concerns authorizing casinos to engage in 24 hour alcoholic beverage service or extended / flexible hours of service. As we dig into this topic, let me be clear about one thing: this initiative is not about Pennsylvania's casinos seeking to have any sort of competitive advantage over Pennsylvania's restaurants, taverns and bars. It is not about that at all. Rather this initiative is about Pennsylvania's casinos being as attractive as possible to gaming patrons so that those gaming patrons choose to keep their business in

Pennsylvania and not travel to casinos in competitor states such as New Jersey or Maryland where 24 hour alcoholic beverage service is available. Make no mistake, experience demonstrates that when alcoholic beverage service concludes, patrons leave and gaming activity suffers a precipitous decline.

In my testimony this morning, I will provide the Committees with key data points regarding the gaming industry's significant contributions to Pennsylvania's economy and the Commonwealth's tax revenue. More specifically, with this data in hand, I hope to establish why it is so important for your Committees to look at the alcoholic beverage service issue carefully and to thereafter take appropriate action designed to keep Pennsylvania's gaming industry as competitive as possible when compared to casino facilities in other jurisdictions.

Following my portion of the gaming industry presentation, Mr. Joseph Tyrrell, Regional Vice President for Government Relations at Caesars Entertainment Corporation, will provide the Committees with more detailed information about alcoholic beverage service in casinos generally, how casinos ensure that alcoholic beverages are consumed responsibly, and how alcoholic beverage service relates to gaming revenue (and by extension gaming tax revenue).

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The Pennsylvania General Assembly can be justifiably proud of the robust economic engine that it helped create in 2004 with the passage of the Pennsylvania Race Horse Development and Gaming Act (the "Gaming Act"). The General Assembly set lofty goals for the economic impact of casinos in the Commonwealth and working together, the Commonwealth and gaming industry have met and in some cases,

exceeded those goals. Pennsylvania's first casinos opened in 2006, and in just eight years the gaming industry has accomplished the following noteworthy achievements:

- Directly employed 17,768 people across Pennsylvania, of which 31% are minorities and 43% are women (2014).
- Contributed \$9.2 billion in gaming tax revenues to the Commonwealth's coffers during the period 2006 through February 2015.
- Attained the highest amount of gaming tax revenue as compared to any other state in the nation with legalized gaming. For example, in 2012, Pennsylvania's casinos generated \$1.4 billion in gaming tax revenue. Nevada was second with \$868 million.
- Attained the second highest amount of combined (slot and table) gaming revenue nationally: \$3.16 billion (2012). Only Nevada had a greater amount of combined gaming revenue: \$10.86 billion (2012).
- Spent more than \$1.18 billion on non-construction goods and services during the period July 1, 2011 through June 30, 2014, including more than \$602 million (50.91%) paid to local businesses located in the same county as or a contiguous county to a casino.

Despite these impressive statistics, the continued success of Pennsylvania's gaming industry is at significant risk. While the Commonwealth was a beneficiary of an unsaturated regional market in 2006, the competitive landscape in 2015 is very different. Every state with a border adjacent to Pennsylvania – Delaware, Maryland, New Jersey, New York, Ohio and West Virginia – has legalized and/or expanded gaming since 2006. In 2006, there were 32 casinos in Pennsylvania and its six border states. Today, in 2015, there are 61 casinos (a nearly 91% increase), with that number projected to reach 67 in 2018. The result of this increased competition is predictable: decreasing gaming tax revenue over the past two years. Since achieving a record high total of more than \$1.4 billion in gaming tax revenue in 2012, gaming tax revenue slipped to \$1.38 billion in 2013 and \$1.32 billion in 2014.

Declining gaming revenue – with consequent effects on gaming tax revenue – can be attributed to two factors: (i) a near full-recapture of Pennsylvania gamers who previously had been traveling to out-of-state casinos (i.e. Atlantic City); and (ii) the loss of out-of-state gaming patrons from neighboring states (i.e. Ohio and Maryland) who previously had been providing significant revenue at Pennsylvania casinos.

In order to reverse the Pennsylvania gaming industry's negative trend, it is imperative that the General Assembly take those actions – including the proposed initiative we are discussing this morning – that will protect the Commonwealth's casinos from further competition and increase the attractiveness of the Commonwealth's casinos to both in and out-of-state gaming patrons alike.

Over the last nine years, the industry has delivered and the Commonwealth has enjoyed an impressive track record of billions in tax revenue, billions in facility investment and associated economic development spin off, and thousands of jobs. The advent of intense competition in every direction, however, necessitates that the Commonwealth and the industry do things differently and more efficiently if success is to continue. One need only look at Atlantic City to see what can occur when market changes and increased competition are ignored.

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Thank you for your attention and consideration of my testimony. And now, I will turn the microphone over to Mr. Tyrell for his portion of the presentation.