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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

GAMING OVERSIGHT COMMITTEE

HOLLYWOOD CASINO AT PENN NATIONAL RACE COURSE

MONDAY, MAY 2, 2016  
10:00 A.M.

PUBLIC HEARING

BEFORE: HONORABLE JOHN D. PAYNE, MAJORITY CHAIR  
HONORABLE RUSS DIAMOND  
HONORABLE GEORGE DUNBAR  
HONORABLE KURT A. MASSER  
HONORABLE NICK KOTIK, MINORITY CHAIR  
HONORABLE MARK ROZZI

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COMMITTEE STAFF PRESENT:

JOSIAH SHELLY  
EXECUTIVE DIRECTOR, HOUSE GAMING OVERSIGHT  
COMMITTEE

CHARLES T. MILLER  
MINORITY EXECUTIVE DIRECTOR

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CHAIRMAN KOTIK: Good morning. I'd like to call to order the public hearing of the House Gaming Oversight Committee. We'll stand for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN KOTIK: Thank you. Can I have roll call, please?

ROLL CALL TAKEN

CHAIRMAN PAYNE: I want to thank the members for attending the hearing that aren't on leave. And I see what happens on a Monday morning. I also want to thank Representative Helm --- this is in her district, her casino and her legislation --- that we have a Bill from her and agreed to do a hearing out here at the casino. I also especially want to thank Penn National, Eric, you and your team, for you hosting the event and your hospitality this morning. With that, Chairman Kotik.

CHAIRMAN KOTIK: Mr. Chairman, I just look forward to the testimony as we continue to look at ways to improve the casino industry here in the Commonwealth. Thank you.

CHAIRMAN PAYNE: Thank you. With that, Eric, we'll turn it over to you.

MR. SCHIPPERS: Thank you very much. Can you hear me okay? Thank you, Chairman Payne and Chairman Kotik, and the rest of the House Gaming Oversight Committee. We are delighted

1 to have you at Hollywood Casino at Penn National Race Course.  
2 I'm Eric Schippers, Senior Vice President of Public Affairs and  
3 Government Relations for Penn National. And I'm joined today  
4 on my left by John Finamore, who's our Senior Vice President of  
5 Regional Operations for our company. He represents, in  
6 addition to --- or oversees, in addition to this property, nine  
7 other facilities for us across the country.

8           On my right is Frank Quigley, who is our Vice  
9 President and General Manager of Hollywood Casino at Penn  
10 National. So they will be participating in the presentation  
11 and sharing with you additional facts and figures. But I  
12 thought to begin with I would provide you just a brief  
13 background or overview of the facility that you're sitting in  
14 today.

15           This really is the centerpiece of our company's  
16 portfolio of properties. This is where Penn National Gaming's  
17 story began. Our company was founded in 1972 by the father of  
18 our now Chairman, Peter Carlino. And Peter D. Carlino and his  
19 associates that started this race track ---. This is one of  
20 the Commonwealth's first thoroughbred racing licenses. And he  
21 was an early pioneer in much of the early racing legislation,  
22 including things like Telebet, long before it was exported to  
23 other parts of the country, other racing jurisdictions. So our  
24 heritage, our story, really began here. And we actually went  
25 public, our company, in 1994, on the strength of this racetrack

1 and several affiliated off-track facilities alone. We had  
2 revenues, I believe, at the time of about \$40 million.

3           And from there, after going public, we have grown  
4 from this single track to what is today the largest pure  
5 regional gaming operator in the nation, with 27 facilities in  
6 17 jurisdictions across North American, but have never  
7 forgotten that our roots are here. And I remember I was in the  
8 early meetings with Chairman Fitz Dixon of the Racing  
9 Commission. He emphasized and wanted to make clear that slot  
10 machines rode in on the back of a horse in Pennsylvania. And  
11 so for those of you that were out there in the early days of  
12 this racetrack back in the '70s, where we would draw, you know,  
13 10,000 fans on an active racing night, you can see that this is  
14 not at all the same facility that you once saw before because  
15 we tore down the original grandstand. And we're very cognizant  
16 of Chairman Dixon's emphasis on racing and, in fact, created  
17 this wholly-integrated racing and gaming entertainment  
18 facility, such that, as you can see as you came off the  
19 escalator, you can still have great sight lines from the racing  
20 side of the operation down to the gaming side. You have great  
21 views of the racetrack.

22           And this weekend will be the Kentucky Derby, and we  
23 expect big crowds out here to enjoy both the gaming side and  
24 the racing side of the operation as well. So in all, we spent  
25 \$345 million to open this facility. We're very proud of what

1 we've been able to accomplish here.

2           Now, I'm going to turn ---. Well, before I say  
3 that, we're also still based in Wyomissing, Pennsylvania. And  
4 I think that's an important point. We have the opportunity  
5 now, having 27 facilities across the country, to look at  
6 anywhere. We've now entered the Las Vegas market. We have a  
7 property on the strip. And many of our financial analysts who  
8 find us in the quiet borough of Wyomissing wonder, you know,  
9 this is hardly a gaming mecca, why do you stay? And it really  
10 is because of that family link. It's the commitment our  
11 Chairman made to stay in Pennsylvania and be a proud  
12 Pennsylvania company. So with that, I want to turn it over to  
13 Frank and let him walk you through some of the economic  
14 development stats.

15           MR. QUIGLEY: Good morning, everyone. Thank you  
16 very much for coming out. We're very, very, very proud of this  
17 facility since we built ---. And we opened in February of  
18 2008. And since then we've hosted 22,000,000 visitors. 2009,  
19 I believe. I'm sorry, 2009. 22,000,000 visitors, and they've  
20 generated over \$2.3 billion in gross gaming revenue. And along  
21 with that, the property has paid \$1.1 billion in taxes and  
22 fees.

23           The property employs approximately a thousand  
24 people. Annually they earn over \$25 million. And since the  
25 property has opened, the property has paid out over \$250

1 million in wages and benefits and also contributed over \$25  
2 million in payroll taxes. As Eric said, we're very proud of  
3 our racing history. And our heritage is the cornerstone of our  
4 company.

5           Our racing operation supports over 470 jobs in  
6 various industries across the Commonwealth. We race  
7 approximately 200 live days a year and in that we average about  
8 \$150,000 in purses. Coming up June 4th is our premier race  
9 day, is the Penn Mile, and that's our biggest day of the year  
10 in racing. We'll do over a million dollars in purses that day.

11           The contributions to horse racing have been over  
12 \$210 million to the Horse Racing Development Fund, another \$27  
13 million to the HBPA. And we've generated close to \$6 million  
14 in parimutuel taxes. Along with that --- I'm sorry. And as I  
15 said, you know, my first slide, as I looked at it, we've  
16 already eclipsed a billion dollars since opening in taxes, and  
17 we're going strong.

18           Along with that, we work very hard to make sure that  
19 we maximize our in-state purchases of all our products and  
20 services. Last year alone we did \$8.8 million in purchases in  
21 the State of Pennsylvania. \$4 million of that was in Dauphin  
22 County, here locally. And a million and a half of that was in  
23 minority and women-owned businesses.

24           We're also very proud of our charitable  
25 contributions and our corporate citizenship, our approach to



1 the community. \$1.2 million since opening we've contributed to  
2 various charities. And we're coming up ---. Our big event  
3 that we do every year is our Penn National Charity Golf  
4 Classic. Last year we set a record on that, at \$435,000. All  
5 that money goes to the Hershey Medical Center to support IBD,  
6 Irritable Bowel Disorder, and their fight of that horrible  
7 disease. That's all done in house.

8 We're behind the scenes right now working very hard  
9 for this month. Our next --- excuse me, August is the  
10 tournament, and we're hoping to set another record this year.  
11 So with that, I'll turn it back to Eric.

12 MR. SCHIPPERS: Thanks, Frank. Per the Gaming Over  
13 --- Committee's request, John Finamore's going to address four  
14 important topics, and then we're going to talk about maybe some  
15 of the other items that can help make this industry even more  
16 competitive as we go forward. John?

17 MR. FINAMORE: Good morning. And thank you, Eric.  
18 As you may know, betting on sports is illegal outside of Nevada  
19 and Delaware. Meanwhile, the American Gaming Association  
20 estimates that Americans will spend nearly \$140 million in 2016  
21 betting illegally on sports. The status quo is clearly  
22 unsustainable. The current federal law, the Professional and  
23 Amateur Sports Act of 1992, fails to protect consumers while  
24 the unregulated and illegal sports betting market funds  
25 criminal activities and threatens the integrity of the sports

1 we enjoy.

2 Penn National is working closely with others in the  
3 Gaming Industry on the American Gaming Association's Sports  
4 Betting Task Force to engage stakeholders and educate Congress  
5 on the failure of the current law, potential solutions to  
6 improve the law and protect consumers, includes safe opt-out  
7 amendments, the inclusion --- I'm sorry, inclusion of  
8 third-party regulatory oversight to ensure integrity in the  
9 industry and development of an effective tax structure.

10 Fantasy sports is another topic I'd like to discuss  
11 this morning. A number of states have been wrestling, as you  
12 know, with the question of where to draw the lines on BFS.  
13 Some have deemed it illegal, while others --- other states have  
14 developed a framework that includes license fees, regulatory  
15 oversight and tax policy. The Federal Government has  
16 determined it's legal, and we will be looking to get involved  
17 in those states where it is not expressly forbidden. In terms  
18 of greater regulations, it really is a question for the  
19 legislators and regulators in each state to decide whether or  
20 to what extent they want to regulate this industry.

21 Skill-based slot machines. In regard to HB 1423 and  
22 skill-based slot machines, we at Penn National have not yet  
23 seen a product in this sector that we would consider purchasing  
24 to replace any machines on our current floor at this time. The  
25 technology simply, we don't believe, has evolved adequately.

1 As such, we do not currently have a position on the proposed  
2 legislation.

3           Smoking ban. Penn National respectfully opposes any  
4 consideration of a smoking ban at gaming facilities in the  
5 Commonwealth. We've installed state-of-the-art air filtration  
6 systems and have separated dedicated nonsmoking sections on the  
7 gaming floor that we believe successfully cater to all patrons.  
8 And I'll ask our general manager, Frank Quigley, to speak to  
9 the subject additionally.

10           MR. QUIGLEY: Yes, we take smoking very seriously on  
11 the property. An example, we recently renovated our  
12 entertainment facility, \$3 million, into what's now called our  
13 H Lounge. It's beautiful. I don't know if you've been down  
14 there and seen it, but it's a really nice facility, venue.

15           We did open that ---. Although we weren't required  
16 to, we did open that as a nonsmoking venue when we opened it  
17 up. And just in the last quarter --- or the first quarter of  
18 the year, we invested over \$130,000 into our air filtration  
19 system. And we're now exchanging air at a higher rate than we  
20 were prior to that, and we've gotten a lot of positive feedback  
21 from both customers and employees recently. We take it  
22 seriously. And we're continuing in the hope to see if we can  
23 make it better.

24           MR. FINAMORE: Thanks, Frank. We believe there are  
25 four ways this committee can enhance competitiveness with

1 gaming facilities in neighboring states. The first item is  
2 regulatory complexity and cost. We respectfully oppose the  
3 Department of Revenue's intention to raise the Section 1401  
4 assessment rate by 25 percent on July 1st of this year, with no  
5 advanced warning or justification. As outlined in detail on  
6 the gaming industry letter you each received last week, the  
7 increase will cost each of us, each of the operators in  
8 Pennsylvania, millions of dollars annually. And we look  
9 forward to joining our colleagues at your hearing on May 17th  
10 to further address the issue. For this property alone, that's  
11 about \$1.5 million a year in additional costs.

12           In addition, as you well know, Pennsylvania's  
13 casinos are regulated by four separate agencies. And for  
14 racinos, such as Hollywood Casino at Penn National Race Course,  
15 the list of agencies increases decline with the inclusion of  
16 the Horse Racing Commission. As such, it is no surprise that  
17 Pennsylvania's rate of coverage by regulators is close to the  
18 highest in the nation, with such level of oversight --- I'm  
19 sorry, while such level of oversight may have been appropriate  
20 when the Commonwealth's gaming industry was new and growing, we  
21 submit that is no longer the case today.

22           We respectfully request that you eliminate  
23 redundancy and increase efficiency among and within the various  
24 agencies and ease some of the strict regulatory requirements,  
25 thereby reducing the regulatory cost burden carried by

1 Pennsylvania's casinos.

2           Initiatives that should be considered by this  
3 committee include but should not be limited to lengthening the  
4 license renewal period for slot machine licensees from three to  
5 five years and expanding the scope of duties and geographic  
6 jurisdiction for State Police personnel assigned to casino  
7 facilities.

8           Multiple slot machine license prohibition. We  
9 request that Section 1330 of the Gaming Act either be amended  
10 to increase the multiple license ownership threshold from one  
11 and a third to two licenses or eliminated entirely. If the  
12 restriction were to be eliminated, we know that the  
13 Pennsylvania Gaming Control Board would still have the  
14 authority to enforce an undue economic concentration rule.  
15 This provision had its time and place in the original Act to  
16 help spread the opportunities for participation in the  
17 Pennsylvania Gaming Industry. But with the amount of  
18 consolidation among the major gaming companies and the intense  
19 competition in the Midatlantic region, calling for greater  
20 operational efficiencies we believe is a provision that is now  
21 outdated.

22           We also respectfully request the consideration of  
23 potential incentives that might be offered to the industry,  
24 such as capital improvement tax credits. For example, in West  
25 Virginia, the casinos benefit from something known as the

1 Modernization Fund, which allows them to receive one dollar  
2 back from the state for every two dollars they invest  
3 refreshing their slot force with new games. This is up to a  
4 maximum of \$3 million annually. This would encourage casino  
5 operators to update and invest in their facilities' equipment  
6 and attract and retain gaming patrons, particularly  
7 out-of-state gaming patrons, to Pennsylvania casinos.

8           And finally, underage sanctions. The General  
9 Assembly should also consider implementing serious sanctions  
10 designed to deter underage persons from gambling at  
11 Pennsylvania's casinos. New Jersey, for example, imposes fines  
12 and suspends for six months the driver's license of any  
13 underage person caught gambling in Atlantic City and elsewhere,  
14 and this has proven to be a real deterrent. I'll now hand it  
15 back to Eric.

16           MR. SCHIPPERS: Thanks, John. I want to just touch  
17 upon two final issues that this committee is well-versed and  
18 well-aware of, in fact, we think could help with the  
19 Commonwealth's competitiveness with neighboring states. One is  
20 iGaming. And we have had a member of our staff testify before  
21 this committee before, Chris Sheffield, who is an expert and we  
22 call him our iGaming Czar, talking about the --- what we think  
23 would be a good Bill for Pennsylvania that will help us be able  
24 to not only grow revenues for the Commonwealth but frankly help  
25 our brick-and-mortar casinos. And that basically falls into

1 what we're hoping would be a reasonable upfront license fee.  
2 \$5 million is what we propose, and a 14-percent tax rate, which  
3 we think would strike the right balance and incentivizing  
4 investment in this new industry. And so we're hopeful that  
5 this committee will continue to champion that issue, and then  
6 we, as your industry partners, will continue to talk about the  
7 importance of iGaming in the Commonwealth.

8           The second one is the notion --- the concept of  
9 slots at off-track wagering or ancillary locations. We  
10 continue to believe that there is an opportunity there,  
11 striking the right balance to protect existing operators maybe  
12 with mileage restrictions, but that there is an opportunity to  
13 try to increase tax revenue for the Commonwealth. And so we're  
14 happy to also answer additional questions about that.

15           In closing, we're happy to open it up for questions,  
16 but I do want to acknowledge and give some thanks, first and  
17 foremost, to Chairman Payne, who has represented in his  
18 district this facility for many years. And we thank you for  
19 your championing all of the important issues to the  
20 Commonwealth and for taking a lot of the shots, being the  
21 Chairman of this committee, but also being a good friend to  
22 this industry. And also Representative Rozzi, who represents  
23 us in the Reading area, for your friendship and support of  
24 issues important to our industry as well. So with that, we're  
25 thankful for you being here and happy to answer any questions

1 you all might have.

2 CHAIRMAN PAYNE: Thank you, Eric. And at least 11  
3 of the 12 have been pretty supportive of ---

4 MR. SCHIPPERS: Yes.

5 CHAIRMAN PAYNE: --- the Chairs' joint effort the  
6 last year and a half. Thanks. Representative Diamond?

7 REPRESENTATIVE DIAMOND: Thank you, Mr. Chairman. I  
8 just want to review a couple things that you already talked  
9 about. Again, for the record, you have 27 facilities; is that  
10 correct?

11 MR. SCHIPPERS: We do. And that's a mix of  
12 everything from riverboats to standalone racetracks to  
13 standalone resorts.

14 REPRESENTATIVE DIAMOND: In how many different  
15 jurisdictions are your 27 ---?

16 MR. SCHIPPERS: Seventeen (17) different --- we call  
17 them jurisdictions because, frankly, one is in Orillia, Canada.

18 REPRESENTATIVE DIAMOND: Okay.

19 MR. SCHIPPERS: But they're --- across North America  
20 there's 17 different jurisdictions.

21 REPRESENTATIVE DIAMOND: I wanted to go back, Mr.  
22 Finamore, to your testimony about the smoking ban. And we hear  
23 this a lot. Are any of your establishments located in a  
24 jurisdiction that went from smoking to nonsmoking while you  
25 owned them?



1           MR. FINAMORE: I'm trying to think. Illinois is ---  
2 we operate three casinos, three riverboat casinos, in the State  
3 of Illinois. And I don't remember the year that the  
4 legislation enacted a smoking ban, but probably ---.

5           MR. QUIGLEY: I believe it was 2009.

6           MR. FINAMORE: Okay.

7           MR. QUIGLEY: '08 or '09.

8           MR. FINAMORE: And my recollection is that revenues  
9 --- and Eric can probably help me here. It's a little far  
10 back. But revenues in the State of Illinois declined in the 15  
11 to 20-percent range.

12           MR. QUIGLEY: Coincidentally, I was the general  
13 manager at that facility when it went smoking, and it was 15  
14 percent right off the top.

15           REPRESENTATIVE DIAMOND: You answered my next  
16 question, because I think it's important to point out that when  
17 that's done, you have a decrease in revenues. And that's  
18 important to us because I believe, as you said, we are your  
19 business partners. And, you know, whether folks like that or  
20 not, when you lose revenue, the Commonwealth loses revenue. I  
21 just think that's important to have that on the record.

22           I know that a portion of your property here exists  
23 in Lebanon County. It's a very small portion and I know that.  
24 And I would just encourage you to reach out to the --- a little  
25 bit more to Lebanon County in your charitable contributions. I

1 know that the Ono Fire Company, which isn't in my district, but  
2 it's where I grew up, I know they get called when you have an  
3 event here. So I would encourage you to try to spread the  
4 wealth a little bit over to Lebanon County. Thank you.

5 MR. SCHIPPERS: Absolutely. And when we first were  
6 beginning construction, we did meet with the Ono Fire Company  
7 and help them with the capital campaign drive to help with new  
8 fire equipment. It is an important partner of us and we take  
9 our relationship very seriously.

10 Can I just mention one thing on the smoking ban,  
11 because I think it's a terrific point? You'll hear our  
12 opponents on this issue point to jurisdictions like Delaware  
13 and say, oh, well, that reduction in revenue is just an early  
14 bounce-down, but it will come back in time. But what they  
15 failed to mention is that in Delaware, which saw a 25-percent  
16 decrease in revenues after the smoking ban, they actually ---  
17 the state had to aggressively intervene and expand the hours of  
18 operation and authorize additional numbers of machines on the  
19 floor, which is what created the uptake back in business.

20 So there really is ---. People will say, well, you  
21 know, once it's all smoke-free, then it will be okay because  
22 there's a level playing field. But the reality is, it's about  
23 time on device. So you can imagine our smoking patrons that  
24 we've now disenfranchised who are going to be going back into  
25 the parking lot or back into their car and say, you know what,

1 I'm just going to go to the movies tonight. I'm not going to  
2 go to the casino because I'm --- you know, I'm being pushed out  
3 every 20 minutes or however long to the parking lot.

4           So less time on device equals less revenue. It's  
5 not just about cross-border losses of business, but it is  
6 trying to accommodate both our smoking and nonsmoking  
7 customers, which we think in the private sector we can do with  
8 the types of technology that Frank spoke of.

9           CHAIRMAN PAYNE: Thank you, Representative.  
10 Representative Dunbar?

11           REPRESENTATIVE DUNBAR: Thank you, Mr. Chairman.  
12 Good morning. When you were reviewing some of the legislative  
13 issues, I didn't hear you have any mention about the proposed  
14 tax on promotional play that the Governor has asked for in this  
15 year's budget. I can guess where you stand on that, but if you  
16 can comment on that, the proposed tax on promotional play. If  
17 something like that would be enacted, what exactly would Penn  
18 National gain and do which would eliminate promotional plays or  
19 how would you address it?

20           MR. SCHIPPERS: Yeah, I'm going to ---. I'll jump  
21 in first and then I'll let John and Frank speak to it. So the  
22 genesis of this concept of taxing or limiting promotional  
23 credits, at least from what we understand, began in Ohio. And  
24 there was a Representative there who was championing this  
25 notion of we need to stop giving away promotional credits and

1 --- or tax them. And we think he fundamentally misunderstands  
2 how our business works and, frankly, how many mainstream  
3 businesses work. Because we view it no differently than the  
4 pizza shop would view the buy one, get one free pizza, which of  
5 course they wouldn't do if they were losing money on the  
6 promotion. I mean, this is just selling mental pizzas. So we  
7 think there's a fundamental misunderstanding. And sadly, it  
8 has spread a bit like a virus, and we're trying to put it down  
9 where we can in other jurisdictions. But John, why don't you  
10 talk a little bit more about that.

11 MR. FINAMORE: Thanks, Eric. And let me add,  
12 promotional credits are a significant competitive marketing  
13 tool for us here in Pennsylvania. As you know, in West  
14 Virginia, neighboring states and Ohio, they are tax-free. So  
15 to even consider a notion of taxing them and enacting that  
16 legislation would be a real disaster for the industry here in  
17 Pennsylvania. So we believe the tool has worked very well, has  
18 allowed the casinos to remain competitive with neighboring  
19 states, and it would be folly to tax them and take away a very  
20 important marketing tool for the casinos in the Commonwealth.

21 REPRESENTATIVE DUNBAR: And I will agree. And also  
22 I don't agree at all with the revenue projections, at least  
23 proposed, out there because I truly believe that if those were  
24 taxed, that less would be offered.

25 MR. FINAMORE: And to that point --- sorry to

1 interrupt you --- in the State of Indiana, where the first \$5  
2 million are tax-free, every promotional credit above \$5 million  
3 is taxed, that's exactly what happens. The operators look at  
4 that tool very differently. They are not used as effectively.  
5 And, you know, our hands are tied behind our back when we're  
6 competing with the State of Ohio right next door that does have  
7 fully tax-free promotional credits.

8 MR. SCHIPPERS: Yeah. The reality is, the only  
9 folks who would be happy with this would be the neighboring  
10 jurisdictions. They would be applauding the fact that  
11 Pennsylvania would consider a tax on promotional credits.

12 REPRESENTATIVE DUNBAR: And to change gears just  
13 quickly, off-track wagering, and forgive me for not knowing,  
14 but do you have any off-track wagering facilities right now?

15 MR. SCHIPPERS: We do. Frank.

16 MR. QUIGLEY: Yes, we have one in Lancaster and one  
17 in New York.

18 REPRESENTATIVE DUNBAR: And I'm certain that it's an  
19 ongoing battle between Cat 1s and the Cat 2s about whether  
20 slots should be allowed in those. I assume that if that would  
21 be best, you would be putting slots in those?

22 MR. SCHIPPERS: We would. And again, we do  
23 recognize that there is a proper balancing act, and with proper  
24 protective zones and opportunities for those without OTWs at  
25 ancillary facilities to be able to have slot machines. That

1 way we can construct that great balance for the benefit of the  
2 Commonwealth and us individually as operators.

3 REPRESENTATIVE DUNBAR: Thank you.

4 MR. SCHIPPERS: Thank you.

5 CHAIRMAN PAYNE: Chairman Kotik.

6 CHAIRMAN KOTIK: Thank you, Mr. Chairman. Thank  
7 you, gentlemen, for your testimony. My main focus on this  
8 committee, Mr. Finamore, especially is in regards to horse  
9 betting. And my position is that we should be proactive. We  
10 should not wait until the courts rule. We should be sitting  
11 down and having a conversation about all the minutia that goes  
12 into enacting a comprehensive sports betting law here in  
13 Pennsylvania, so that if and when the time does come ---. And  
14 I'm pretty confident this is going to be overruled by the  
15 Supreme Court. That's just my personal feeling. You know, how  
16 is it legal in four states and illegal in 46? It just doesn't  
17 make any sense to me. But I would like to engage the casino  
18 industry in a conversation about enacting a comprehensive Bill,  
19 so if and when the time comes that this is overturned by the PA  
20 Supreme Court, that we're ready and we'll move forward, and we  
21 won't be wagging the dog.

22 MR. FINAMORE: And we agree with that and would be  
23 very happy to participate with you.

24 CHAIRMAN KOTIK: Thank you.

25 MR. FINAMORE: Thank you.

1           CHAIRMAN PAYNE: I'm not quite sure how we're going  
2 to have more hearings, but I keep hearing more testimony that  
3 we need more hearings. As long as I have the support of the  
4 members of the Committee, we'll keep tackling these issues,  
5 because every one of these that you brought up last year or  
6 this year I truly believe in my heart are important issues for  
7 the gaming industry in the Commonwealth of Pennsylvania. And  
8 like Representative Diamond said, I have to the point now  
9 preached since the beginning of last year ---. You can go back  
10 to the floor and say, well, I was opposed to gaming, that's  
11 fine. It's here. We're not tearing casinos down and moving  
12 them out of the state.

13           The state is now very dependent on that revenue, and  
14 it behooves us to help you do better so we can do better. I  
15 mean, that's just the majority of people that I talk to are  
16 supportive of gaming in general, iGaming, trying to find ways  
17 to raise revenue instead of raising their income tax or the  
18 sales tax. And at the end of the day that's what I'm trying to  
19 support. Representative Masser.

20           REPRESENTATIVE MASSER: Thank you, Mr. Chairman.  
21 Being relatively new to the Committee, can you talk to me about  
22 that multiple slot machine license prohibition, what that  
23 means? I'm not understanding.

24           MR. SCHIPPERS: Yeah. In the original Gaming Act  
25 there's a provision that says the operator can own no more than

1 one and up to a third interest in a second facility in  
2 Pennsylvania. And I believe some of the underlying rationale  
3 was, let's make sure that we maximize the opportunities for  
4 people to come into the Commonwealth and participate in gaming.

5 But in our industry there has been a lot of  
6 consolidation, and just the very nature of gaming in the  
7 Commonwealth has changed with what I would call an arm's race  
8 of competition with the neighboring jurisdictions. So we would  
9 submit that that had its time and place, that provision, but  
10 now companies like ourselves would look forward to an  
11 opportunity to own more than one and maybe achieve some  
12 operational efficiencies by owning more than one and not being  
13 limited to a third in a second.

14 REPRESENTATIVE MASSER: Your recommendation would be  
15 --- would there be a cap?

16 MR. SCHIPPERS: Well, our wish would be that there  
17 would be no cap or, secondarily, that maybe you could own up to  
18 two. In either case we would point out that the Gaming Board  
19 would still have the ability and the discretion to rule on  
20 whether there was, in their minds, an economic concentration  
21 issue that they would be concerned about. So the power, we  
22 believe, should be given to the Gaming Board to make those  
23 determinations, as it's done --- has been done in other  
24 jurisdictions around the country, places like Illinois.

25 REPRESENTATIVE MASSER: Great. Thank you.



1           MR. SCHIPPERS: Thank you.

2           CHAIRMAN PAYNE: Thanks, Representative. That was a  
3 great question. Just can you clarify for the Committee states  
4 that have no restrictions like that? When I first became  
5 Chairman, I kind of laughed at that provision, because I took  
6 my days at Hershey Chocolate and said, okay, so Hershey is  
7 going to own a third of the chocolate plant, Mars is going to  
8 own a third of this chocolate plant, and Nestle is going to own  
9 a third of this chocolate plant. You think we're going to make  
10 candy bars? We don't want to do anything to enhance our  
11 competition.

12           So I could never understand how somebody in the very  
13 beginning thought this model would work. I mean, they should  
14 have been either unlimited or if they were worried about a big  
15 firm from Vegas coming in and building all 12, then I could see  
16 it in whole numbers, two, three, something like that. But what  
17 states --- where are we at compared to other states?

18           MR. FINAMORE: Well, for example, we mentioned the  
19 State of Illinois or we operate three facilities in the State  
20 of Illinois. So there's no prohibition in Illinois. Ohio, we  
21 operate two facilities. Missouri, we operate two facilities.  
22 Mississippi, we operate multiple --- three facilities. To  
23 answer your question, Mr. Chairman, I think the only state that  
24 has a limit, other than Pennsylvania ---. I know Indiana has a  
25 limit, I believe it's three, but it's the only other one I'm

1 aware of. Certainly none have a one and a third limitation.

2 CHAIRMAN PAYNE: Except for us.

3 MR. FINAMORE: Except for the Commonwealth. So I'm  
4 not certain of all my facts here, but I think, you know,  
5 indicated by the amount of states that we operate in multiple  
6 facilities, again, I think it answers the question for you.

7 CHAIRMAN PAYNE: Thank you. Another one of those  
8 little statistics that I'm not real proud of to say we're one  
9 of only nobody that offers one and a third. I just had this  
10 conversation over the weekend where somebody said, you know, on  
11 privatization of liquor. I'm like, well, there are two states  
12 that don't. That's us and Utah. The other 48 do. So  
13 obviously they're doing something wrong and we're doing  
14 something right. I don't get it.

15 We do have legislation to fix this. I'm hoping it's  
16 part of the final product.

17 Josiah just gave me a note here. I think it's  
18 important. We were just notified this morning that we're going  
19 to be caucusing on two gaming Bills, House Bill 1887, which is  
20 Ortitay's 1-800 Gaming --- Problem Gaming number. As you know,  
21 we don't have a single-source call 1-800 number. It depends  
22 who you believe. We have five different numbers. We have  
23 seven different numbers. I keep asking, don't we just have one  
24 911 when you need help? So this Bill we're going to caucus on,  
25 and hopefully we can get that Bill moved this week.

1           And House Bill 1925, Representative Santora's, which  
2 expands the Law Enforcement Grant Bill to include animal  
3 fighting, dog fighting, cockfighting, that kind of stuff.  
4 Right now there's no grants allowed for enforcement of our law  
5 enforcement officials in Pennsylvania. This would open that up  
6 to allow that. Any other questions? Yes, Representative  
7 Dunbar?

8           REPRESENTATIVE DUNBAR: Just a quick question.  
9 We're talking about proposed legislation. There's been some  
10 discussion about liquor sales and the hours of liquor sales. I  
11 know some casinos support that. And not to upset my friend,  
12 who owns a bar here, but I'd like to hear your stance on  
13 proposed legislation to increase hours for liquor sales.

14           MR. QUIGLEY: Well, yes. I mean, we all know we're  
15 2:00 a.m., shutoff at 2:00 a.m. We would love the ability to  
16 determine when we close our venues down. 2:00 a.m. is very  
17 different on a Saturday night than it is on Wednesday night.  
18 And from an operational standpoint, we'd like to have the  
19 ability to do that.

20           REPRESENTATIVE DUNBAR: Do you have any internal  
21 projections on what something like that would generate?

22           MR. QUIGLEY: Not off the top of my head, no.

23           MR. SCHIPPERS: I think one of the key  
24 considerations for us, too, will be of the fee that would be  
25 associated with that. That's the calculation we would have to

1 run, whether the juice was worth the squeeze.

2 CHAIRMAN PAYNE: Thank you, Representative. Any  
3 other questions? Chairman Kotik?

4 CHAIRMAN KOTIK: I'd just like to thank the  
5 testifiers and all those who attended for their interest in the  
6 ongoing public information program. Thank you, Mr. Chairman.

7 CHAIRMAN PAYNE: And the Chair just wants to mention  
8 that the month of May we have several hearings, including a  
9 hearing in Valley Forge and Parx Casinos, to look at both the  
10 regulatory impact that the Governor and their departments have  
11 decided to apply. And I guess we've now got a double whammy  
12 that we're looking at. And also look at our competitiveness.  
13 One of the things that really concerns me is the  
14 competitiveness of the surrounding states and what they're  
15 trying to do to make their casinos more attractive, more  
16 competitive than ours.

17 It's no secret than when Ohio opened, it had a big  
18 impact on our casinos in Pittsburgh and Erie, Erie in  
19 particular. Nemaquin is feeling the stress and the pressure.  
20 And if, in fact, two casinos open in Northern New Jersey, I  
21 would think it will have a severe impact on our casinos in the  
22 Poconos and the eastern part of the state. And that doesn't  
23 even begin to mention the casinos in the National Mall and  
24 Baltimore and Washington.

25 So as everybody else is trying to, as I say, stay

1 competitive, I am frustrated that we've got to get what we're  
2 hearing and what we know as a committee back to our leadership  
3 team to move this Gaming Bill this year. I am a hundred  
4 percent committed to trying to do that for the competitiveness  
5 and the jobs that are at stake for all the casinos in  
6 Pennsylvania. It, to me, is just ---. Whether you're making  
7 cars or candy bars or it's a casino, it's a business, and we  
8 should be doing everything we can to help our businesses here.

9           On the off track ---. I want to close on this. I  
10 don't know whether we're going to have just Cat 1s or Cat 1s  
11 and 2s. I know we're not going to look at 3s, but there's been  
12 a lot of discussion about whether it's one license per casino  
13 in Category 1 and 2s, whether just Cat 1s get them. York  
14 County would be a sweet spot. According to the original 2004  
15 study, that was where I think a lot of people wanted to look at  
16 putting a casino. And I would think in Northeastern  
17 Pennsylvania right now would be a pretty good spot up there in  
18 the northeast corner, just in case somebody builds two casinos  
19 in New Jersey, you're relatively very, very close to that  
20 market.

21           I want to thank everyone here, Eric and your team,  
22 the Hollywood Casino, you've been very cooperative in your work  
23 with us for this hearing. I want to thank the Gaming Control  
24 Board for all their efforts, the public for coming out today.  
25 Seeing no other comments, the Chair will ---. Go ahead.

1           MR. SCHIPPERS: I'm very sorry. I think we do have  
2 one point of clarification ---

3           CHAIRMAN PAYNE: Sure.

4           MR. SCHIPPERS: --- that was just brought to our  
5 attention.

6           MR. FINAMORE: Sorry, Mr. Chairman. If I can, I  
7 believe I misspoke on the regulatory compliance and cost issue.  
8 I said that the 1401 assessment, as proposed, would create a 25  
9 percent increase. It's actually a 33 percent increase.

10          CHAIRMAN PAYNE: It gets worse. I'm glad you got  
11 that in the record.

12          MR. FINAMORE: And I apologize.

13          CHAIRMAN PAYNE: Eric?

14          MR. SCHIPPERS: I just want to thank the Committee  
15 for taking the time to be here. I'm happy to provide tours of  
16 the facility if this is your first time here. Thank you to all  
17 of you for the time, energy, commitment you've made to helping  
18 the Commonwealth's gaming issue. Thank you.

19          CHAIRMAN PAYNE: Thank you. Chairman Kotik, any  
20 other comments? And with that, this hearing is adjourned.  
21 Thank you very much.

22

23                           HEARING ADJOURNED AT 11:00 A.M.

24

25

## CERTIFICATE

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

  
Cynthia Sue Simpson  
Court Reporter

:27:55