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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

GAMING OVERSIGHT COMMITTEE

PARX CASINO

THURSDAY, MAY 12, 2016
10:00 A.M.

PUBLIC HEARING - KEEPING PENNSYLVANIA CASINOS
COMPETITIVE

BEFORE: HONORABLE JOHN D. PAYNE, MAJORITY CHAIR
HONORABLE SUE HELM
HONORABLE JAMIE SANTORA
HONORABLE ED NEILSON, ACTING MINORITY CHAIR
HONORABLE TINA DAVIS
HONORABLE SID KAVULICH

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by the certifying agency.
COMMITTEE STAFF PRESENT:
JOSIAH SHELLY
EXECUTIVE DIRECTOR, HOUSE GAMING OVERSIGHT
COMMITTEE

ALSO PRESENT:
GENE DIGIROLAMO
STATE REPRESENTATIVE FOR THE 18TH DISTRICT

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P R O C E E D I N G S

CHAIRMAN PAYNE: This meeting will come to order. We will stand for Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN PAYNE: Roll call, please?

ROLL CALL TAKEN

CHAIRMAN PAYNE: Thank you. And we'll recognize the Mayor for comments to start. Mayor DiGirolamo.

MAYOR DIGIROLAMO: Thank you Mr. Chairman and Members of the Board that are here today. Great to have you in this great Town of Bensalem. I don't know how many of you have been here before, but I think there's been hearings here at our Township Building before. So we welcome you and --- to be here with Parx Casino in the center of our town, the great neighbor that they are. I welcome you all and look forward to hearing testimony today. Good testimony. Great testimony. God bless all of you.

CHAIRMAN PAYNE: Thank you. With that, we'll start with Mr. Green, Chairman. And I'll let you introduce anybody that you want. Okay?

MR. GREEN: Thank you, Mr. Chairman.

We are very pleased to have you here today. It's quite standard for various casinos to review statistics of their particular casino. And I'm the last Chief Executive Officer to do that.

Before I do, I would say very simply that the backdrop to where we are today and the unprecedented success of the gaming industry in Pennsylvania, extraordinary beyond anybody's projections of the same.

And from a historical point of view, we came here from London and made the Pennsylvania and the U.S. our home. I've lived here ever since that time. And we came here 27 years ago, and we purchased what was then Philadelphia Parx Racetrack. It was a racetrack at the time that was losing money and was in rather difficult circumstances. We are the only organization in all of the Pennsylvania Gaming Industry that has remained the same from day one. So we've been here for the last 27 years.

We, as you know, are with the local House Representatives and our local state Senator in the forefront of the initiative to bring Gaming to Pennsylvania. And that started as a political project back in the late '90s, and eventually gave way to the Act that was passed in 2004 and implemented at the end

of 2006, when we opened a temporary casino in this very grandstand. That was followed with the Table Games Bill in 2010. And again, we were at the forefront of that initiative to introduce table games. Both of those bills, Acts were the result of intense political activity. They were negotiated in the way the bills and legislations are.

And the projections that we made at that time, have all been astoundingly actual, in terms of tax revenue and job creation. The numbers that we actually gave in 2004 and in 2010 have been exceeded, so it's acknowledged that they may have been slightly conservative. But certainly, we've been in this business long enough to know the impact of things like tax rates, costs, et cetera.

There's a few other points I would like to make to you. Before I do that, I would like to hand over to Mr. Tony Ricci just to give you some sense of our numbers. Thank you.

MR. RICCI: Good morning, Mr. Chairman, Members of the Committee. My name is Tony Ricci. I'm the Chief Executive Officer at Parx Casino. Our Chairman Bob Green, and we have with us Mr. Ron Davis, who's our Director of Diversity and Community Development, and does an exceptional job in working

with the community, with the Mayor. We have a tremendous relationship here in Bensalem, and Bucks County and even northeast Philadelphia, where our region extends. And Ron does a tremendous job bringing vendors into the community to help share the successes that Bob spoke of.

Welcome to Parx, the number one casino in Pennsylvania. We're very proud of that fact. We're also very proud of the quality of our facilities. You saw the backstretch, some of you did. Those who did saw a testament to the benefits of this legislation that Bob referred to back in 2004.

We've been able to make significant investments in the backstretch. It looks beautiful, and our facilities, also. Our facilities are in a level with any facility in Vegas and Atlantic City. We're very, very proud of that fact. We're all deeply proud of the fact that we generate the most tax revenue of any casino in the state. And by the way, Pennsylvania generates more tax revenue from gaming than any state in the country.

This legislation that Bob referred to earlier is a model for the correct way to implement gaming in the state. We delivered, as Bob said, on our promises. We promised that there would be significant

tax revenues, investment, jobs, economic development, and that we would conduct ourselves with great integrity and benefit to the community. We've delivered all of that. And there was much skepticism back in 2004 when those promises were made.

And as Bob said, we've been here that whole time. We have tremendous knowledge. We gained tremendous experience. We're of great knowledge of the market. We're very fortunate to have been awarded a partnership with The Cordish Companies, the second license in Philadelphia --- in South Philadelphia. And we look forward to that project undertaking.

So we hope that we've gained some credibility, in terms of what we say. Because we do deliver on your promises. We pride ourselves in that. We never want to lose that trust. So we're cautious in what we say. But we want to make sure that what we say is understood clearly and helps you in your deliberations. We want to thank you for this opportunity to share our perspectives with you. And as Bob said, I have some facts to support the claims that have benefited through the legislation.

And starting with the earlier comment that Pennsylvania generates more tax revenue than any other state in the country. \$1.4 billion last year alone,

cumulative. Almost \$10 billion has been generated in gaming taxes by this industry. It's a tremendous achievement. We're very proud of the fact that, as I said earlier, we're the number one tax generator in the state. We pay \$250 million per year just in state and local taxes of all types. The community of Bensalem in Bucks County received approximately \$30 million of that, which goes towards the quality of the environment that you see here, which really helps us do business. The relationship we have with the township and the county creates a tremendous atmosphere for which to attract customers. And it's an important part of our success.

We've invested \$700 million to date on our property. And we just completed an expansion back in December, which I hope you'll see a little later. And we've got another one planned, which would be at least \$50 million for entertainment and other amenities that we expect to have completed early next year. So not only have we made investments, but we continue to do so. And we continue to drive this business.

Speaking about the benefits to the race industry, we do have representatives from the THA. And without a doubt, the legislation has saved the racing and breeding industry. And it has grown dramatically

since its implementation in 2006. In fact, a little evidence of that was given this past weekend. We're very proud of the fact that John Servis is a longtime trainer here at Parx. Became the first trainer in history to win the Kentucky Derby and the Kentucky Oaks in his first attempt. Seven others have done it. So it is still a significant achievement to be in that company. But he's the only one that ever did it in his first shot. So we're very proud of that. We're very proud to have people of that caliber that are here at Parx. That wouldn't have happened without this legislation.

We employ 2,500 people. About 82 percent of them are Pennsylvania residents. These are good paying jobs. We give excellent health benefits. It's best in class in the industry. And our overall payroll costs are over \$100 million. So we certainly pump money back into the Pennsylvania economy.

Ron Davis, as I said earlier, has done a tremendous job in working with the Mayor and the members of the community. We have an Advisory Board here in Bensalem that we work with, to make sure that if there are any issues or opportunities that they're communicated and dealt with in a very expeditious manner. Ron, just in our almost ten years here now,

has just developed a tremendous working relationship. And we're very proud to say that we do endeavor whatever we can to give local vendors preference to make sure they share in our success.

So in sum, this is a tremendous success story. It's rare that legislation actually is executed in a way that achieves all the goals that were outlined. And we feel that Senator Tomlinson never gets tired of hearing this. That this legislation was a brilliant piece of work. It was very well conceived, thought through. And if you look at it, not only in the tax rates it's been --- the tax revenue that's been generated, even though we have a very high rate of 55 percent, we're able to prosper and develop economically with the community. But even more so, in the way that the properties were laid out. That was even thought through. We have an orderly marketplace. There's only so many casinos here in the Philadelphia market and in the Pittsburgh market. They are spread out in a way, where we're able to touch just about every constituent in the state. And it was done very, very effectively.

We're now maturing. And the one concern we do have, and it speaks to we hope our credibility, you know, I know Bob said this often, to do no harm. Because this has been a tremendous success story. And

there's a concern, that even though there's a lot of money generated in taxes, that there could be more. And there's a tremendous risk here.

Because we're unique in this state versus other states. As an example, we have Atlantic City right next door. And the way New Jersey did it, as opposed to Pennsylvania, they had a very low tax rate. Nine percent is what those casinos pay. They concentrate on all the casinos in one location, which created a very hypercompetitive disorderly marketplace. And it's one that we actually have to complete in, because many of our customers also go to Atlantic City. So I'm very familiar with the situation.

Pennsylvania on the other hand, spread it out and created an orderly marketplace. And some of the things that you may hear, work in other states because of the differential in tax rate because of the way the competitive landscape is structured. They may work there. But they won't work here because of the brilliance of the legislation as it was crafted. And that's why our mantra has been do no harm. This is a tremendous success story, with tremendous investment. We want to continue doing that. But if the landscape were to shift in a material way, the whole industry would be forced to reassess that. So we urge you to

proceed with caution as you deliberate on these things, and take that to heart.

There's several items out there that do concern us, starting with Gaming Board assessments. We recently received a notice that our Gaming Board assessments would be increased by a third from one and a half percent of revenue to two percent of revenue. There was no explanation for this. The overall assessment to the casino industry is approximately \$56, \$57 million. So that would represent approximately \$17 million more.

Over the last three years, we looked at the Gaming Board's annual reports, and their costs have increased two percent, three and a half percent, five percent respectively over the last three years. So we don't understand this. And if that were to proceed, it would certainly impact our ability to help philanthropic efforts here in the community that we do so much of.

Obviously, job creation and investment would be impacted. We've seen some comments about potential tax on promotional play. It's very disconcerting in this high tax rate environment. I'm sure you heard this from other casinos. They're very concerned about this. This is a very effective tool

for us to market our property and compete with the Atlantic City properties, particularly in this market. If that were to be taxed, it would have a devastating impact on our business and would actually create less tax revenue for the state. So we urge you to consider that point and do not proceed with that type of an approach.

Bob will speak to some other legislative considerations that are out there, such as VGTs, internet gaming, slots at VGTs and even slots at airports. All of them, our concern is, if not done properly could have a major impact, adverse impact on our business and on the success of this industry. Thank you very much. I will turn back to Bob Green.

CHAIRMAN PAYNE: If you would, if you could keep the mic.

MR. RICCI: Sure.

CHAIRMAN PAYNE: We'd like to kind to kind of segment your two comments on ---. Because yesterday we had a hearing, and we really spent a lot of time on this assessment, which hit all of us by surprise. We weren't asked. We didn't vote on that issue or the tax on promotional play. I mean, Revenue issued the one letter and the Governor made the comment on the --- on tax and promotional play.

MR. RICCI: Right.

CHAIRMAN PAYNE: To be clear on public record, that we were not consulted, there was no input and neither was the Gaming Control Board. So we'd like to talk and take questions, if you will, on those two topics. And then we'll go to Mr. Green on the others.

MR. RICCI: Absolutely. I also want to introduce the Acting Chair. Chairman Kotik was here yesterday. He had dinner with us last night. Something happened during the night, and he was unable to attend this morning. So Ed Neilson is the Acting Chair. Ed and I go way, way back, so we're not going to have any problems as far as the Republicans or Democrats. With that question, Chairman Neilson?

CHAIRMAN NIELSON: Thank you, Mr. Chairman. Thank you, gentlemen, for your testimony today. We do have some concerns. And we do want to go on the record, also as the Chairman indicated, that none of us were consulted on this. And being probably, as I look around the table, the closest one at the table that lives close to Parx, only about five blocks away, six blocks away. We know the economic development and the impact it does. But promotional play is something that you have to compete with Atlantic City. And we grew up --- I grew up in

northeast Philadelphia. And I can't tell you how many times I get three rooms up, the whole whole nine yards comes. So can you explain to us what your promotional play does to your business, and how you make yourself competitive and what that tax would do to your business here?

MR. RICCI: Well, first of all, thank you. Promotional play isn't even revenue, it's essentially extending the players, creating some loyalty. It's more time on the gaming device. At the end of the day, the customer puts in \$10, and we extend it with some more free play. Similar to if you played a pinball machine when you're young, and you got an extra play piece, you know you achieved a certain score. It's very similar to that. And it creates the opportunity to invite a customer and to --- and a connection for the customer.

Given that we have a 55 percent tax rate here, we're not in a position to compete with Atlantic City on facility amenities, such as restaurants, shows, hotels, because there's just not enough gaming revenue to recover that. What we compete with them on very effectively is the quality of our facility, the quality of service we give to the customer and free play. It's the most powerful tool we have. It helps get the

customer in the door. It does not generate revenue in and of itself, other than to bring the customer in the door. It will be like taxing an expense you have, you know, below the revenue line. Because it's not revenue in and of itself, it's a number that has somehow attracted attention. And it's very, very effective. I'm sure you've heard this from all the other casino operators.

And in any way, if that were to be diminished or taxed, it would have a devastating effect on our business, because that's our main offer to the customers. If you're a casino customer, you'll get a mailer each month that outlines your free play offers. You also have a bank of comps for food and beverage. But the primary driver of visitation for our casino is free play. And we use it as an effective tool to not only bring people in the door, but do build loyalty. So I can tell you for a fact, if that were to be in any way diminished, it would have a devastating impact on our business.

CHAIRMAN NIELSON: Thank you. On the assessments, I'm sure you're aware that next week in Harrisburg we will be having a hearing up there. I hope you all can join us up there ---

MR. RICCI: Yes.

CHAIRMAN NIELSON: --- and get to talk about that a little more in detail at that time.

MR. RICCI: Thank you.

CHAIRMAN NIELSON: I have nothing further, Chairman.

CHAIRMAN PAYNE: Representative Santora?

REPRESENTATIVE SANTORA: Thanks, Mr. Chairman. Thank you for your testimony. I got to tell you, I was impressed you didn't look down at your notes once with all those numbers.

MR. RICCI: I have it burned in my memory.

REPRESENTATIVE SANTORA: I too agree with you and Representative Neilson. Somebody in a room somewhere said, this would be a good idea for revenue. And without looking at all that goes into it. And the fact that you're actually bringing people through the door and they're playing more, which ultimately generates more revenue.

MR. RICCI: Yes.

REPRESENTATIVE SANTORA: And so we --- again, we agree. And I think the committee as a whole agrees. And I know the Chairman had it looked into, so we will be on your side for that.

MR. RICCI: Thank you. Thank you.

REPRESENTATIVE SANTORA: Also, very many

years have been in Bensalem. I actually know the Mayor from a past life, I was in Drexel Hill for 16 years. But really impressed to see what happened here. It's amazing what you've done with the facilities. I've seen it many times many years before. And I think this was the idea of what should happen with gaming. And you guys are --- you're definitely a model for it. So thank you.

MR. RICCI: Thank you for those comments. We've always said, if someone actually comes and visits the properties, at least for themselves, they'll understand the benefits of this legislation. And thank you for coming and giving us this opportunity. And it goes back under the heading, what I said earlier about I hope we've gained some credibility with our ten years almost, of experience in this process. And when we talk about dangers like promotional flight tax, these gaming assessments. We're not just crying wolf, but we understand that in some respects we may be victims of our success because that pie is so big. It's tempting to try to get some more. But it's a slippery slope. And we could be at a tipping point with this. Thank you.

REPRESENTATIVE SANTORA: You've also taken it to the next level with programs like this. When I

heard about this, you guys need to get this out the door. I'm on the Gaming Committee. I had no clue about this program.

MR. RICCI: That's a great idea.

REPRESENTATIVE SANTORA: And it's phenomenal.

MR. RICCI: Yes.

CHAIRMAN PAYNE: Two follow-up. Thank you, Representative. Two follow-up questions. Does any other state tax promotional play, that you know of?

MR. RICCI: New Jersey does. But as I said earlier, they have a nine percent tax rate on revenue. And then there's a limit. I believe it's at \$100 --- once it goes past \$100 million it isn't taxed anymore, so ---.

CHAIRMAN PAYNE: Of course, nobody's at 54 and 55 percent.

MR. RICCI: Exactly. And that goes back to what I had said earlier. You really have to compare and contrast. This is a unique situation. No one's at 55 percent. And we're not advocating that we go to nine percent. We'd take it if you want to offer that.

CHAIRMAN PAYNE: Yeah. I'd be disappointed if you didn't say that. But my point is, we heard yesterday that, you know, very few states ---

Jersey might. A lot of states do not tax promotional play.

The second question I had was, on the other tax that's being proposed, it seems rather high at one time. I mean, it looks to me like there was no discussion on what we should do, it was just let's pick this number.

MR. RICCI: You're referring to the slot tax?

CHAIRMAN PAYNE: No, no, no, no, the assessment, ---

MR. RICCI: Oh, the assessment?

CHAIRMAN PAYNE: --- the assessment tax, where the letter just came out and surprised us all. I mean, I don't know what rationale they picked on what that assessment should go to and how they got there. It clearly isn't in the Gaming Control Board's expenses if that extra money is needed. And I'd venture a guess, that that money is not going to be earmarked for that. So could you just tell us a little bit about the impact to you here personally, what that tax means?

MR. RICCI: That would create another --- the assessment?

CHAIRMAN PAYNE: The assessment?

MR. RICCI: That would be \$3 million from

Parx, overall in the industry about \$17 million.

CHAIRMAN PAYNE: Yeah, we heard yesterday the overall amount. We wanted to know specifically how many dollars ---?

MR. RICCI: \$3 million.

CHAIRMAN PAYNE: \$3 million on your bottom line right away going ---?

MR. RICCI: Correct. Correct.

CHAIRMAN PAYNE: Okay. Thank you. Any other questions? Kavulich?

REPRESENTATIVE KAVULICH: Thank you, Mr. Chairman. He had one question that I wanted to ask about other states. But would comps be taxed, do you know, such as restaurants comps or if you had a hotel here --- a hotel conference?

MR. RICCI: Sales tax. There's sales tax on the comps.

REPRESENTATIVE KAVULICH: There is?

MR. RICCI: Yes.

REPRESENTATIVE KAVULICH: Okay. All right. So then you would ---? So you're ---?

MR. RICCI: And there is no deduction against the gaming tax for comps for food and beverage. We do get deductions if we give away free items.

REPRESENTATIVE KAVULICH: Okay.

MR. RICCI: They're considered to be similar to promotional play. But food and beverage is excluded from that. So it would be food and beverage comps, which we're in about the \$8 or \$9 million range. They're not deductible for gaming tax purposes.

REPRESENTATIVE KAVULICH: Thank you.

CHAIRMAN PAYNE: Thank you. And thank you. Now, Mr. Green.

MR. GREEN: First, let me say, Mr. Chairman, Tony mentioned one thing that I think may have slipped under the radar and said --- it was a throw away line of philanthropic endeavors. And we actually don't go into a great deal of publicity about any philanthropic things that we do. But just to give you an idea of this. Because we are a private corporation, we don't have a big head office structure, we don't --- the people who own and run this business are here. Within the last ten years, we have given \$55 million to charity. And that's a local level, a national level and international level. So we not only reinvest in our business and the community, we also are a very substantial philanthropist at that level.

You often see, turn on the news and see something terrible out there. And it may be an earthquake in Haiti. And you see some kids stuck under

stone, they can't move. But we're in a position where we can say that we'll send a jet as soon as that scene played out on TV to get earth moving equipment. So there's another side to a business. Not only about how you conduct yourself and what you do, but also in giving back to the community at a state or local level that we believe is appropriate.

The other thing I'll mention is a business is --- and it's an old expression, if you like, but businesses are only part of the people who perform that business, who valet your car, who make a sandwich at lunchtime. All those people --- the 3,000 people we employ. We're very proud of the fact that in any survey that is done with the public in the hospitality sector, same in hotels, we've come in far ahead of any owners. So the actual level of commitment of our employees is absolutely magnificent. And it would be amiss if I didn't mention that in this public session today.

Any of the other, if you like policy positions or issues or proposals that are out there, I'm very happy to answer any questions that you may have. Thank you.

CHAIRMAN PAYNE: Thank you.

Representative DiGirolamo, come on up here,

REPRESENTATIVE DIGIROLAMO: Are you sure?

CHAIRMAN PAYNE: Each Chairman does things different. But you my friend, can sit up here. Pleased that you could join us.

REPRESENTATIVE DIGIROLAMO: This isn't all paycheck protection, is it?

CHAIRMAN PAYNE: No, no, no. Nor is it on prevailing wage. Thank you. Thank you for allowing us in your district, Representative. We appreciate that.

REPRESENTATIVE DIGIROLAMO: You're welcome.

CHAIRMAN PAYNE: Questions for Mr. Green? I want to make a quick comment, if I could. Yesterday and this morning, with the horseman, two things came up that were identical. So that tells me the --- from my days at Hershey chocolate, your marketing campaign is not working. The message isn't working. At both locations, the assumption was there were these slot machines like we have in casinos that were going in the entrances at airports. That's not true. That's not the way the Bill was written. The Bill was written, that the casinos could supply gaming devices to an airport on a contractual basis. The state will stay out of that. We'd take a third, the casino and the airport would negotiate the other 66.

Whatever went in the airport, whether it was a tablet with gaming on the tablet, which is what Philadelphia wants, or a hard machine, they would have to be on the secured side back at the gate, so that not to complete with a casino, not to hurt anything that's currently established. It was designed that ---. Many of us have been to Vegas. So what's the first thing you see when you get there? It's the slot machine in the airport. Yet, you still go to the casino. It was designed to help our casinos supply slot machines or tablets to those airports.

But we heard yesterday and today again, that people thought that those machines were going as soon as you walk in. I am here to assure you, since I was the maker of the bill, that's not true. You'd have to buy a ticket. You have to check luggage. You have to go through security. You got to go to the gate. Now, I can't stop somebody like Gene, from going to Philadelphia Airport and playing the slots, flying to Vegas playing the slots and flying back. But I don't think that's going to happen, if you know what I mean. Representative Helm?

REPRESENTATIVE HELM: Thank you, Mr. Chairman. I represent the 104th Legislative District of Dauphin County, some of Lebanon County where

Hollywood Casino is located, which also has a racetrack. So I just wondered what you thought would be beneficial to the horse race industry and the casinos, to lower the required number of race dates? And I've heard this bantered back and forth, and I kind of see it two different days. I just wondered what your opinion of it was.

MR. RICCI: We have Mr. --- DeBunda here --- Sal DeBunda, who is the President of the Parx THA. And we actually have worked together with our horsemen to lower the number of racing days. What we've seen in the industry is a decline in foal, and separately a decline in the overall handle, yet events are still very, very popular.

Take this past weekend. We had a tremendous day for the Kentucky Derby. Our Pennsylvania derby grows larger every year. So we know there's still interest in horse racing. It's a day in and day out interest in --- particularly, in competition with casino gaming. It's hard to maintain. And what we've done together is to agree rather than fight over it. And we've come together, and we reduced the number of days from around 200 to roughly 153 to 160. We're still working through that now. But it shows that if you do work together, you can achieve the

goal. And we're pleased with the results so far.

MR. DEBUNDA: Can I add something?

MR. RICCI: Did you want to put something in there?

MR. DEBUNDA: Yes. What Tony said is accurate. The thing we had --- the challenge we have, is that because both here and at Penn National, we're year-round facilities. Our people are part of the community. They live here. They go to school here. As opposed to other common states, where people are --- it's more transient and people move from track to track. We have year-round facilities here. And we have year-round people. So if we start cutting the number of days, we can start losing that fabric of our community and they can become more moving from place-to-place. And the risk is that they won't come back.

So what we're trying to do is find the balance between lowering the days because the population is down, but also keeping our people here year-round. And that's the challenge we face. We think we've come up with a good solution. But we have to always keep in mind, that these people live here, go to school here. They vote for the mayor. They voted for Gene. And we want to keep them here. And we

don't want them to be moving around the country. And that's one of the reasons that we have what we have here.

CHAIRMAN PAYNE: How did I know that the DiGirolamo family would somehow be involved in making sure they voted the correct way? Huh? Let me follow up. When did you start the 153? Is this the first season or ---?

MR. RICCI: We came late last year, sometime in August or September. We came out with the fall festival. We're trying to do something that will create customer interest. And you know, by concentrating the days, and taking that money and really deploying it with, you know, a more powerful presentation on an event-type structure. And we're still playing with it. But the good thing is, we're working together to achieve something that a customer appreciates.

CHAIRMAN PAYNE: I appreciate your testimony. Because I know Senator Tomlinson and I have had this discussion, Senator Ward and I have had this discussion. And we're trying to find that happy medium. You know, what is the --- you know, if 200 and whatever isn't the right number, 60 isn't a right number. You know, what is that right number? So you

may be the model that we follow.

MR. RICCI: I'd like to think we are. If I may, for each track it could be different. And I'm pleased that we have someone like Sal, the representatives of THA, that get it and care about the customer. But you have to think that a statute that refers to the number of days in 1985 is probably out of date and, you know, you need to come together and deal with today's realty.

CHAIRMAN PAYNE: Well, we're trying to address the '85 statute, along with one from 1981 is the last time we changed the bingo law.

MR. RICCI: Right.

CHAIRMAN PAYNE: Things might have changed since '81 and '85.

MR. RICCI: Maybe.

CHAIRMAN PAYNE: Representative Davis?

REPRESENTATIVE DAVIS: Good morning.

MR. RICCI: Morning.

REPRESENTATIVE DAVIS: Morning. I just want to thank you guys for being here, and commend you for --- especially Ron. Well, I have to say something about the Mayor because he'll kill me if I don't. How wonderful he's been. But Ron and his staff --- every event that we see in the community, whether it's Red

Cross or Veterans event or whatever it is, they're always there supporting the community, giving money and time. And I just wanted to thank you for that.

I also wanted to talk about the play. I don't play here very often, because it's dangerous for me sometimes. But my brother-in-law, he comes every week for that promotional play, and he loves it. And he would not be here if he did not get that. So I just wanted to thank you guys.

CHAIRMAN PAYNE: Thank you.

MR. DEBUNDA: Thank you.

REPRESENTATIVE DAVIS: And of course, Bob.

CHAIRMAN PAYNE: Thank you. Representative Santora?

REPRESENTATIVE SANTORA: It's just that --- and I know you're constantly just looking at utilization, your spaces and your casino floor. Are you at a point where you've got the right amount of slots and expansion of something that could benefit, but make it not necessary? Is the 24-hour thing that we looked at, a good thing for you? Do you think you would utilize that?

MR. GREEN: I think the adaptation of the machines under the statute is fine. And our numbers increased significantly when we moved from a temporary

casino here, over to the main casino.

In terms of 24 hours, from our perspective, it's more significant, the hours after 2:00 a.m. I wouldn't be bothered if our hours in total were the same. At the moment, we can serve a beer at 7:00 in the morning. Now, there's very few people who order beer at 7:00 in the morning. I may be the exception.

But you have heard, for example, make the hours from 9:00 until 4:00. It's really a convenience for those people who come out to play at midnight or 1:00 in the morning. And there are people who give --- they do shift work or whatever. So from my perspective on the 24-hour, it's not a value per se of liquor, it's more a value of convenience for that customer who may have come in at 1:00 or 2:00. Because you see a significant drop in handled gaming going on at that time. So from my point of view, we would like to have it. In terms of its monetary value, the way it's been proposed, I don't think any casino would take it up, because it isn't worth it.

REPRESENTATIVE SANTORA: And I heard you saying you're going to an expansion for entertainment?

MR. RICCI: Yes, that's correct.

REPRESENTATIVE SANTORA: So at that point,

do you feel that your casino floor is big enough or do you need ---?

MR. RICCI: There's about 10,000 square feet of shell space that would be left after that, that we do intend to create for additional gaming, and food and beverage amenities also. But it would incorporate some of the skill-based games that are being discussed and some of the things that hopefully would attract millennials. But I think on the whole casino floor is the right size, yes. We're seeing more growth on tables than slots currently. And I think the rest of the industry is experiencing the same thing. So we will be looking to expand tables in the near term. But I think our slot number is about right.

REPRESENTATIVE SANTORA: Thank you.

CHAIRMAN PAYNE: Representative Neilson?

CHAIRMAN NIELSON: Thank you, Mr.

Chairman. Thank you, gentlemen. And I think it would remiss if we didn't bring up the subject, that is being talked about in the House as we're doing right now today, and talk about the jobs that you have here and what the expansion of the VGT's would do to the employment opportunity that you provide to the community regularly.

And then also, as you know, because you're

part of the new expansion. And it's a little different environment down at live than it is here in Bensalem. And maybe you can explain to the Members, what you think that would do to your full-time employees and give a little perspective on how you feel about that.

And then after that, I'm going to give you a little one, because internet gaming expansion, we know --- we're talking about it heavily. Hopefully we'll get something there soon. And just a brief on your feelings on that would be perfect, to sum up this committee hearing.

MR. RICCI: Well, we're deathly afraid of any implementation of slots at taverns. What was experienced in Illinois was about a 30 percent drop in employment and revenue. We believe it could be worse here, because of the deployment of the casinos throughout the state. It's pretty easy for someone in this area to come to Parx. You see the easy access and egress, the great road system we have. We're in a densely populated area. And if people no longer had to come here, even though it's very easy to get to, which is one strengths of the business. But if they can go to their corner or a mile away, why would they come. And we see it even being worse than 30 percent decline in that.

Separately, I don't believe that the state is going to get more tax revenue, it will get less, because of the 55 percent tax rate that we pay. What was proposed in Illinois, was a 33 percent rate. And in Illinois, the state did receive a little more tax revenue as a result. But that's because the casinos only pay 30 percent, and in some cases, even less.

So it's a completely different phenomenon here, that you will see the worst case scenario, which would be less tax revenue for the state, less job creation. We would have to reassess all of our investment criteria. And it's not a threat. But without a doubt, in South Philadelphia you would have to reassess whether you could even undertake that project.

But some of these additional investments I talked about. If this were going to proceed, we'd have to reassess all of it. So we see destruction of jobs, loss of tax revenue to the state, loss of investment, economic development. Clearly, a lot of the philanthropic work that we do would have to be reduced because we'd have less capacity to pay. And clearly, the taverns aren't going to add more people. And you're not going to create jobs as a result of this. They're just going to put them in their tavern.

You know, I will comment on the social element of that, that you're fully capable of making that determination. But clearly from an economic standpoint, it would be devastating.

CHAIRMAN NIELSON: And how about the internet gaming portion of that? What are feelings on the internet gaming?

MR. RICCI: Well, a similar concern for legislators would be the dynamic of the 55 percent tax at brick and mortar and 14 percent on internet. That's a legitimate concern that you would have. Because you'd have to get it four times multiple to even break even, for any revenue that you lost at a brick and mortar casino through internet gaming.

I spoke earlier about the orderly marketplace we have, which allows for us to compete. We compete with SugarHouse. We compete with Valley Forge and Harrah's Chester, and ultimately with the south Philadelphia property. And then you have Sands, which has Bethlehem, Mount Airy, Mohegan Sun. They each have their markets.

We're not really fighting over each others customers. The internet changes all that. And you've got a level of playing field today. Everybody's paying 55 percent. They have their market. They compete

effectively that way. They invest in their brick and mortar to attract customers, who would be in the best competitive position they can be.

The internet, it doesn't matter where you are. You don't have to make a big investment. And if you're only paying a 14 percent tax, you can really attack the market to try to gain more business, with probably a lot of free play. That's really your only tool when you have internet operation. That could destabilize the entire market. We have an orderly market today. We're definitely afraid of that dynamic occurring.

While we like the concept of internet gaming, we're very concerned about its impact on the orderly marketplace. And I keep going back to this original legislation, how well thought out it was, where you have a level playing field and we can compete with each other without going out of business. If you put that dynamic into the equation with somebody in the area, the first place they're going to go is to the Philadelphia market, without a doubt. And they have a lot of drive pattern to go after these customers in this area.

So we had a very legitimate concern of the impact on Bucks County, on the jobs we have here, on

the tax revenue that goes to Bensalem, on the revenue that goes for horses --- purses for the horsemen. It could all undermine that. And in the end, generate less revenue for the state. Because you have 14 percent being offered for internet gaming versus 55 at a brick and mortar casino.

So we are very concerned about that. We're not fundamentally opposed to internet gaming. But it's a very complicated issue that really threatens all the success we've achieved to date. And you're not going to hire people. The internet gaming is not going to create a lot of jobs either. And these brick and mortar casinos have.

CHAIRMAN NIELSON: That's it for me, Mr. Chairman. Thank you, gentlemen.

MR. RICCI: Thank you.

CHAIRMAN PAYNE: Thank you. Any questions. Gene?

REPRESENTATIVE DIGIROLAMO: Just a comment.

CHAIRMAN PAYNE: I mean, Representative DiGirolamo.

REPRESENTATIVE DIGIROLAMO: Thank you, Mr. Chairman. I really don't have any questions. And I'd just like to just make a brief statement. I don't know

if the Mayor told you this or not. But Bensalem Township was voted one of the 50 best places to live in the United States. Not in Pennsylvania, in the United States of America by Money Magazine last year. And we're very, very proud of what we have here in Bensalem. Bensalem, I believe I'm the only legislator in Pennsylvania. This is my whole legislative district, one township, Bensalem Township. And we're very, very proud of Bensalem, and certainly Parx Casino and Racing is a big part of what makes Bensalem a special place to live and work and raise your family.

I talk about what Parx has done for the community. And you know, the phrase it's been A Home Run, I use the phrase It's Been A Grand Slam for our community and for Bucks County. The Township gets two percent of the revenue --- the gross terminal revenue, or \$10 million, which has been a bonanza for Bensalem Township and the quality of life here. We have over 100 police officers here in Bensalem Township. One of the largest police forces in the State of Pennsylvania. The County of Bucks gets two percent off of gross terminal revenue. That revenue has been going to Bensalem and the surrounding communities for police work, for EMS services, for fire services, for road improvement. It has really, really been outstanding

for our community, to say nothing of the thousands upon thousands of jobs that the casino here has created. And most of those jobs have gone towards local residents.

So I can't say enough about what the casino has done. Ron Davis is there. And he's the Director of Government and Community Relations. They have put so much money, as Representative Davis has said, back into the community in the form of grants and other money. It's just been nothing short of amazing, what Parx Casino has done for our community.

And if I could just leave Chairman Payne and the other members of the committee, just a little message. I know there is a rush up in Harrisburg to find money to balance the budget in Pennsylvania. And I know there is also a movement not to raise taxes, as far as income taxes go or sales taxes go. So we're constantly looking to generate more money to balance our budget in Pennsylvania.

And I would just warn everyone, to please, please not in that rush to find additional revenue to do anything that is going to hurt our --- not only our casinos, but our horse racing industry also. Because many of us originally got into this because we wanted to save the horse racing industry, which I think we

have. And that industry also creates thousands upon thousands of jobs.

Now, I know you've worked really, really hard. And I want to commend you on the work that the committee here has done, in looking at other alternative ways to get revenue from gaming. But please, let's not do anything that's going to hurt the casino industry and the horse racing industry in Pennsylvania.

And I'd just point out, that they've paid an enormous amount of money for the licenses to operate the slot machines and then again, an enormous amount of money for the licenses to operate the table games. And they do pay a 54 percent tax rate, which is the highest in the country.

So again, I appreciate the committee to be here. I want to welcome you. And if you continue --- again, just please let's not do anything that's going to hurt this industry. Thank you

CHAIRMAN PAYNE: Thank you, Representative. Representative Kavulich?

REPRESENTATIVE KAVULICH: Thank you, Mr. Chairman. I'll pass on my question. But for the record, I'd just say that Representative DiGirolamo is listed as the number one reason Bensalem is so

attractive.

CHAIRMAN PAYNE: Gee, now you just brought up ---. I was going to tell Gene that, you know, the Mayor mentioned that they probably could be in the top 25 if they had stronger state representation.

REPRESENTATIVE DIGIROLAMO: I must have read a different report. Thank you. With all those noisy joints, I'd break into things.

CHAIRMAN PAYNE: Let me wrap this up. I appreciate everybody's attendance with the committee, with the people from Parx, the public. Let me close on three comments. When the Speaker of the House, and I'm going to turn it back to Acting Chair for a closing comment.

But when the Speaker of the House called me and asked me what committee I wanted, I told him. And he said, well, that's nice, but that's not what you're getting. I said, okay. He said, you're going to do gaming. And I said, I don't know anything about gaming. I mean, other than a few times when I'd go in, and I spend my 10 bucks and that lasts about a minute until I lose my 10 bucks. Now, my wife can spend that 10 bucks and be there all day winning and losing, you know.

So I wanted to launch on an education for

me and for the committee. We had six freshman Republican members and three freshman Democratic members. So nine of the Members of the Committee were freshman. So we had 25 hearings last year. The most of any committee, except for Appropriations.

And the intent was, and I might add the bulk of those 25 were done before June 1st, because we gave the Leaders of the House, Democrat and Republican, a menu that we got from the hearings, that you the casino people told us we would like the ability to do this. We'd like to use off track betting bars and put slots in them. We'd like to have other distance that --- and our competitors weren't in our turf. And you know, while we were worried about iGaming and the tax rate, Jersey is doing it, they're going it, and now this state is going to do it. It kind of goes back to the airport thing, where we've talked about it. All last year, the only ones that were doing it, Nevada and now we've got Chicago and New York putting them in.

That brings me no number two. At no point ever, since I've been the Chairman, have I ever wanted to do anything but help grow the casino industry. Because we are the majority shareholder. We get 54 percent of what you make, at no risk, as you pointed out before the hearing started. What a sweet deal. So

it behooves us to make sure you make more money, so we make more money. I get it. Trust me. I worked at Hershey Chocolate, a for-profit corporation, for 30 years.

The last one is, there were those, and you'll find this not surprising, who from day one said, you know what if I could just get some amendments on this Bill, I could kill this idea. Because doing nothing is good. Not helping the casino, not helping the taverns, not helping the club, just let it alone. I've heard that from the beer people for the 12 years I've been on the Liquor Committee. We don't want to do anything. Just let it the way it is.

Do you really think the beer distributor is selling the amount of beer he sold 50 years ago, for the three major brands, Bud, Coors and Miller? Are they still saying --- selling kegs for those keg refrigerators in everybody's garage? No. I mean, the top three beer sales are down. It's a microbrewery. This is the new wave. This is millennials. They're my kids and my grandkids. Are they coming to bet the horses? No. Are they coming into the casinos as much as our age group? No. What do we got to do to attract them? So I devoted my last two years has a State Rep to try to do everything I could to help.

I can tell you with the amendment that was filed on my Bill 649 that put VGTs in every restaurant, tavern and club in Pennsylvania, ten per facility. And there's an argument of whether there was 14,000 or 17,000. But I'll take the low number, 14,000. That's 140,000 machines. We're only in the 25,000, 26,000 machines in the casinos. So I asked for negotiations. I wanted to work with them. Let's see if we can't compromise. Something that's missing in Washington and in Harrisburg, in my opinion right now, is the ability to work across the aisle, to work with each other, to compromise and work together.

As of today, I can tell you if 649 would come up to the House Floor next week, I will oppose it. I will stand and vote no on it. Because as it is amended, it's a bad bill. And that's a shame, that we as a committee have spent a year and a half, we're not up to close to 40 hearings to try to help an industry. And at the end of the day, those that want nothing may win.

I'll make a prediction, within ten years we won't have 15 casinos. We won't have the activity that we have now. Because while some people don't want to do anything, the world changes, the economy changes, life changes. It changes for us. I laugh at myself

when I look at a cell phone. When I was a kid, what was a cell phone? Let alone now, it's my life. It's in my hand, I need it all the time or the navigational system in the car. I mean, you used to use maps. I can't give state maps away now. So the world does change. So we'll see what happens. But I am, until November 30th, when I retire, I am totally committed to trying to help grow the Pennsylvania business.

I want to say this, too. We have to get enough of these for every member in the House. This is an unbelievable program that --- Representative Santora brought this up. We knew nothing about this, nothing. And my wife is a huge animal lover. There are millions of Pennsylvanians that are animal lovers. And if they knew that some of the money, some of the revenue is going to this kind of a program, let me tell you what, there would be more support for the casinos, the Category 1s, in Pennsylvania. So congratulations to you for doing this. And I'm going to encourage every other Category 1 to be doing the same thing.

MR. RICCI: Thank you. That's an example of working together with the horsemen, the relationship we have.

CHAIRMAN NIELSON: How do I follow that, Mr. Chairman? You must have been reading my paper. I

just want to thank you again for everything you do for the community, being out of the community, right next door on the other side of the State Route --- Street Road. And being in Economic Development, I'm going to say 60, 70 people right in my --- walking distance from my home, live --- work here. And unlike Tina, who doesn't lose \$10 here. I may have donated to Mayor DiGirolamo's Economic Development Engine. I said I would support the DiGirolamos and help them out when they need it. And the entertainment complex is going to be great. We do have great entertainment up here on the weekends. We come up as --- as neighbors, we come up, and we enjoy ourselves, and get to relax with our friends and relatives. And we thank you for all you do. And we look forward to working with you in the future. And for that, Mr. Chairman, I guess we will close the hearing and ---.

CHAIRMAN PAYNE: Yes, I will. I appreciate that. As the Majority Chairman, I will close the hearing.

CHAIRMAN NIELSON: Yeah, I'm only temporary Chairman.

CHAIRMAN PAYNE: We're friends and brothers, but that doesn't mean the Majority Chair doesn't hold the meeting. Thank you very much. This

hearing is adjourned.

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HEARING CONCLUDED AT 11:08 A.M.

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