

HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

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House Bill 2121

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House Gaming Oversight Committee

Ryan Office Building  
Room 205  
Harrisburg, Pennsylvania

Thursday, May 15, 2008 - 10:08 a.m.

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BEFORE:

Honorable James Harold, Majority Chairman  
Honorable Florindo Fabrizio  
Honorable Joseph Brennan  
Honorable Eddie Day Pashinski  
Honorable Will Gabig  
Honorable Fred McIlhattan  
Honorable Curtis G. Sonney  
Honorable William Keller

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LaTasha Williams  
Majority Research Analyst

Mandi Love, Esquire  
Majority Consultant

Becca Sammon  
Majority Research Analyst

Garth Shipman  
Minority Executive Director

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1 CHAIRPERSON JAMES: Good morning. Good  
morning. I'm Howard James. I'm Majority Chairman  
2 of the Gaming Oversight Committee. We're going to  
call the Committee meeting to order at this time  
3 as we hold this public hearing on -- informational  
hearing on House Bill 2121, the second of the  
4 hearings on this bill.

I'm going to ask -- Becca, do you want  
5 to call the roll call?

MS. SAMMON: Representative James.

6 CHAIRPERSON JAMES: Present.

MS. SAMMON: Representative Waters.

7 (No audible response.)

MS. SAMMON: Representative Fabrizio.

8 REPRESENTATIVE FABRIZIO: Here.

MS. SAMMON: Representative Biancucci.

9 (No audible response.)

MS. SAMMON: Representative Brennan.

10 (No audible response.)

MS. SAMMON: Representative Goodman.

11 (No audible response.)

MS. SAMMON: Representative Keller.

12 (No audible response.)

MS. SAMMON: Representative Leech.

13 (No audible response.)

MS. SAMMON: Representative Myers.

14 (No audible response.)

MS. SAMMON: Representative O'Brien.

15 (No audible response.)

MS. SAMMON: Representative Pallone.

16 (No audible response.)

MS. SAMMON: Representative Parker.

17 (No audible response.)

MS. SAMMON: Representative Pashinski.

18 REPRESENTATIVE PASHINSKI: Here.

MS. SAMMON: Representative Readshaw.

19 (No audible response.)

MS. SAMMON: Representative Sainato.

20 (No audible response.)

MS. SAMMON: Representative Wansacz.

21 (No audible response.)

MS. SAMMON: Representative Clymer.

22 CHAIRPERSON JAMES: Keller just came.

MS. SAMMON: Representative

23 Benninghoff.

(No audible response.)

24 MS. SAMMON: Representative Creighton.

(No audible response.)

25 MS. SAMMON: Representative Gabig.

REPRESENTATIVE GABIG: Here.

1 MS. SAMMON: Representative Harris.  
(No audible response.)

2 MS. SAMMON: Representative Maher.  
(No audible response.)

3 MS. SAMMON: Representative Marshall.  
(No audible response.)

4 MS. SAMMON: Representative McIlhattan.  
REPRESENTATIVE McILHATTAN: Here.

5 MS. SAMMON: Representative Mustio.  
(No audible response.)

6 MS. SAMMON: Representative Pyfer.  
(No audible response.)

7 MS. SAMMON: Representative Quinn.  
(No audible response.)

8 MS. SAMMON: Representative Schroder.  
(No audible response.)

9 MS. SAMMON: Representative Sonney.  
REPRESENTATIVE SONNEY: Here.

10 CHAIRPERSON JAMES: Okay. Thank you.  
The Minority Chairman Clymer,

11 Representative Clymer, couldn't be here because he  
had a Policy Committee meeting in his district.

12 So I'm going to make some remarks and then  
Representative Gabig is going to make some remarks

13 on behalf of the Minority Chairman.  
I want to thank you for attending this

14 informational hearing of the Gaming Oversight  
Committee. As we continue to work together, we

15 must remember that we have the same goals in mind:  
To make gaming in this Commonwealth a model for

16 other states and to make the lives of Pennsylvania  
citizens better.

17 Today we will be discussing House Bill  
2121. Our purpose here is to discuss this issue

18 from different perspectives thoroughly and  
completely. Within a matter of weeks, citizens of

19 this Commonwealth will start to receive property  
tax relief. This relief cannot come soon enough

20 for most of our working families.  
Pennsylvania horsemen have seen purses

21 increase and interest in their sport rise. These  
improvements have been made possible through

22 gaming.  
The Committee takes very seriously it's

23 role in showing that the Legislative mandates of  
Act 71 of 2004 are carried out. We as legislators

24 are uniquely situated and in a position to improve  
the lives of our neighbors, communities,

25 districts, and the Commonwealth.  
And in this time of economic distress,

1 we must always keep their fiscal well-being  
2 foremost in our minds. The \$613 million in  
3 property tax relief is certainly a stride in the  
4 right direction.

5 Is table gaming the next step towards  
6 additional property tax relief? I do not know.  
7 But it is only through working together that we  
8 can come to a consensus.

9 I do believe that all Pennsylvanians  
10 should benefit from gaming, whether it's through  
11 property tax relief, wage tax relief, employment  
12 or economic development; but they should benefit.

13 Thank you again for your time and  
14 consideration, and I look forward to working with  
15 all of you.

16 Representative Gabig.

17 REPRESENTATIVE GABIG: Thank you,  
18 Mr. Chairman.

19 I would like to address a couple of  
20 housekeeping matters initially. The Committee  
21 rules require any hearing agenda to be provided to  
22 each Committee Member's office by 48 hours prior  
23 to the hearing.

24 It's my understanding, according to  
25 staff, that this was not done for this hearing;  
although I do see here in front of us that there  
is an agenda.

Further, it's my understanding that the  
practice has been that testifiers should provide  
written testimony to staff that can be distributed  
to Members a day or two prior to the hearing.  
Again, I've been informed by staff that we did not  
receive any of the testimony till we walked in  
here to the hearing today.

I think it is important that we  
continue these rules in this era of reform so that  
we can have constructive dialogue on these  
important public policies matters.

In terms of the substance of the  
hearing, I appreciate the opportunity to hear from  
today's testifiers; however, the House Republicans  
are not willing to consider any expansion of  
gaming before we address the Pennsylvania Gaming  
Control Board's licensing process, which has been  
in the news ever since Dauphin County District  
Attorney Ed Marsico filed charges against one of  
the Board's licensees.

In that light, it seems to me that  
those in attendance today, the testifiers who  
support table gaming expansion, should also

1 support and address the legitimate questions about  
2 the Board's licensing process. It is imperative  
3 that that be done before we consider expansion of  
4 gaming into table games.

5 Thank you, Mr. Chairman.

6 CHAIRPERSON JAMES: Okay. Thank you  
7 for those remarks. This hearing is on House Bill  
8 2121. I do apologize for the fact that we did not  
9 get the information to you within 48 hours. I  
10 think it was only 24. But we do apologize for not  
11 getting that information to you within 48 hours.

12 So we're going to call -- in regards to  
13 the Republicans' unwillingness to consider any  
14 kind of expansion, we as the Democrats feel as  
15 though that we need to hear the concerns as it  
16 relates to House Bill 2121 so that we can be  
17 prepared for and with and if there's any more  
18 consideration for expansion of our -- we don't  
19 want to call it expansion, but additional table  
20 games, as is indicated by, and you probably will  
21 hear in the testimony, as a willingness for some  
22 to want to have that.

23 So with that, I'm going to call on  
24 Robert Soper, the General Manager of Mohegan Sun  
25 at Pocono Downs to come up and to state your name  
for the record.

Do we have his testimony?

VOICE: Um-hum.

MR. SOPER: Thank you, Representative.  
Good morning, Mr. Chairman and Members  
of the Gaming Oversight Committee. On behalf of  
the Mohegan Tribal Gaming Authority and Mohegan  
Sun at Pocono Downs, I want to thank you for  
allowing us once again to provide testimony  
concerning House Bill 2121.

The Mohegan Center Pocono Downs is the  
first casino to open in the Commonwealth when we  
opened our doors on November 14th, 2006.

Within the next ten weeks, we will be  
opening our permanent gaming and entertainment  
complex which will include 300,000 additional  
square feet; incorporate several full-service  
restaurants, including a Ruth's Chris Steakhouse,  
a 300-seat buffet, a high-end foot court, gaming  
space to accommodate 2,500 slots units, night life  
amenities, retail shopping, parking to accommodate  
4,000 vehicles, and enhanced employee  
accommodations, as well as other amenities.

Since opening, we have hired 425 new  
employees, almost all of which are full time. We

1 are now in the process of hiring an additional 700  
employees for our new complex.

2 We have paid over a \$137 million in  
3 taxes to the state and local government and horse  
4 racing industry since opening 17 months ago. On  
5 average, over 6,000 individuals per day have  
enjoyed our facility, many of which would  
otherwise go to Atlantic City, New York, or some  
other gaming jurisdiction.

6 Notwithstanding these volumes, we have  
7 seen no appreciable increase in crime or traffic  
8 congestion to the area. Of course, a significant  
9 number of people from our area and other parts of  
10 Pennsylvania still make many visits to other  
11 gaming jurisdictions simply because we do not  
12 offer table games as an option.

13 As I noted in my testimony last  
14 September to this Committee, the No. 1 question we  
15 receive from residents and visitors in Northeast  
16 Pennsylvania, whether in the casino or out in the  
17 community is, When are we going to have table  
18 games? This continues to be the case today.

19 House Bill 2121 would permit the  
20 operation of table games in the properties of  
21 licensed gaming operators. Clearly, this  
22 legislation would have a significant positive  
23 impact for our community and the Commonwealth.

24 Aside from the question of political  
25 feasibility, the reality is there's simply no  
logical or defensible reason to differentiate  
slots and table games except for, perhaps, that  
table games arguably may have a relatively greater  
impact than slot machines.

So what is that impact? Well, as I  
enumerated in the fall, some of the impacts  
include the following: First, table games will  
provide significant job creation.

Generally, over three shifts at a 24/7  
casino operation, each blackjack game requires on  
average 4 dealers and 3 floor supervisors; each  
craps game requires on average 12 dealers, 3 box  
persons, and 3 floor supervisors; and each  
roulette game requires 4 dealers and 3  
supervisors.

To put it in perspective, at Mohegan  
Sun in Connecticut where we have over 300 table  
games, we operate with 2,800 employees dedicated  
specifically to table game operations.

Perhaps what is more impressive are the  
wages of these positions. Including tips, dealers

1 are paid on average \$22 per hour, the floor  
2 supervisors are paid on average \$25 per hour, and  
3 pit managers are paid on average \$32 per hour.  
4 Keep in mind, we train all of these positions so  
5 that almost all of these positions we hire from  
6 the local workforce.

7 Even at a smaller operation where we  
8 likely would have closer to 75 table games we  
9 would still need to hire an additional 600 on 700  
10 employees.

11 Again, these would be high-paying jobs  
12 hired from the local community. Of course, this  
13 does not include the creation of additional jobs  
14 in the other departments necessary to support a  
15 table games operation, including cocktail servers,  
16 security, and cage operations.

17 Number 2, table games will inject new  
18 capitol in the host community and surrounding  
19 communities. Because of their size, table games  
20 require significant capital infrastructure to  
21 house their operation.

22 In addition, it is likely other nongame  
23 amenities such as additional restaurants, hotel,  
24 and retail would be developed alongside a table  
25 games offering to accommodate the additional  
26 volumes and different demographic of the table  
27 games player.

28 This in turn will have a positive local  
29 economic impact not only through the creation of  
30 construction jobs to build the infrastructure, but  
31 the additional revenue generated by local  
32 suppliers and vendors to support this new  
33 development.

34 Number 3, table games will create  
35 additional revenue for the local economy.  
36 Economic studies indicate that generally all  
37 incremental revenue generated from casino project  
38 has a multiplier effect of approximately 1.5,  
39 meaning that the revenue created by the facility  
40 will be re-generated by 150% of the initial  
41 revenue generated for the local economy through  
42 the incremental disposable income earned and spent  
43 by employees, monies paid to local vendors and  
44 suppliers, and tax revenue generated for the host  
45 community.

46 This multiplier effect is likely even  
47 higher and more significant with the table games  
48 operation since employee wages are relatively  
49 higher and the patron demographic for table games  
50 on average have a higher disposable income than

1 slot players.

2 Number 4, table games will generate  
3 additional tax revenue for the Commonwealth.  
4 Clearly, table games will have significant -- will  
5 be a significant source for tax revenue.

6 It is important to note, however, that  
7 when considering the implementation of table games  
8 in the Commonwealth, because of the labor  
9 intensive nature of these games, it is simply not  
10 feasible to operate profitably with substantial  
11 tax rates such as those imposed for slot revenues.

12 In our view, a fair and equitable tax  
13 rate would be at a level imposed by New Jersey,  
14 which is approximately 8 to 9 percent gross  
15 revenues.

16 A tax rate substantially beyond the  
17 Atlantic City rates impact the table game  
18 offering, the magnitude of capital investment made  
19 to accommodate these new games, and the ability of  
20 Pennsylvania operators to compete with lower tax  
21 rate jurisdictions such as New Jersey.

22 This is especially true since a  
23 majority of Pennsylvania casinos compete with  
24 Atlantic City and almost 70 percent of the  
25 aggregate projected gross terminal revenue will be  
generated from casinos that are competing with  
Atlantic City.

At a 9 percent tax rate, there will be  
significant tax revenues generated throughout the  
Commonwealth. Assuming a reasonable and  
conservative win per unit of \$2,500 for 1200 table  
game units across the 12 Category 1 and Category 2  
locations throughout the state, taxes generated  
from tables would be over \$98 million annually.

Perhaps even more significant, however,  
is the additional tax revenues generated from  
increased slot play brought upon by the  
introduction of table games. Simply by adding  
table games, operators are able to offer the  
complete product.

Clearly there are synergies to be  
gained by having both table games and slot  
machines. For example, a couple interested in  
visiting a casino where one spouse prefers table  
games and one prefers slot machines will likely  
choose a casino in Atlantic City or West Virginia  
over one in Pennsylvania simply because they both  
can enjoy their own preferences.

This synergistic effect has been  
empirically reflected in the state of Iowa, which

1 has had the experience of adding table games after  
opening slots-only race tracks.

2 As reflected in the illustration that  
I've included, as table games were introduced and  
3 greater table game supply was added over time, the  
percentage of slots growth increased substantially  
4 in Iowa.

In fact, with all three tracks  
5 operating with table games, this most recent  
calendar year -- actually, last year, has seen an  
6 increase of almost 17 percent of slot revenue  
compared to a growth rate of 1.7 percent prior to  
7 the introduction of table games.

Extrapolation similar results in  
8 Pennsylvania where slot taxes are significantly  
greater, it is not unlikely that the intervention  
9 of table games would increase slot taxes by more  
than a hundred million dollars annually after all  
10 properties are operating.

Of course, not only would table games  
11 increase the tax revenue of the Commonwealth, they  
will also help protect the current tax revenue  
12 stream.

As other states potentially introduce  
13 gaming or authorize other forms of gaming, it  
becomes that much more important to allow  
14 Pennsylvania operators to provide the complete  
gaming product in Pennsylvania.

For example, there's much speculation  
15 that Maryland will introduce slots and, of course,  
16 Atlantic City will be introducing a substantial  
supply of gaming and nongaming amenities over the  
17 next several years with the opening of new  
multibillion dollar projects.

Table games just went live in West  
18 Virginia. It will not only be an opportunity cost  
to be behind this inevitable growth curve of  
19 gaming options, but ultimately could cost the  
operators and the Commonwealth customer loyalty  
20 and substantial revenues.

Notwithstanding the significant  
21 positive impacts, there are those who object to  
introducing table games in the Commonwealth due to  
22 the potential of increased or new criminal  
elements associated with table games. In this  
23 modern day of gaming, this, of course, is simply a  
24 myth.

As I testified to this Committee in  
25 September, we have seen no appreciable  
crime -- increase in crime in our community due to

1 the introduction of slot machines. Any criminal  
2 acts that have occurred are minimal and petty and  
3 contained within the premises, not unlike any  
4 other commercial establishment.

5 Also keep in mind that this is the most  
6 regulated industry existing, frankly, probably the  
7 worst place for any criminal to commit any crime  
8 due to the on-site presence of security, police  
9 and, of course, hundreds of surveillance cameras  
10 along with the newest and best security  
11 technology.

12 Introducing table games into the  
13 facility simply does not change this. Our  
14 experience along with other operators' experience  
15 proves this.

16 In fact, pointing to Iowa again which  
17 represents a recent and similarly-situated  
18 example, crime did not suddenly increase with  
19 table games. This is reflected in the crimes  
20 statistics for the host communities of the tracks.

21 Prior to my testimony in September, I  
22 had the opportunity to personally speak to Dennis  
23 Anderson, Sheriff for Polk County, Iowa, and John  
24 Gray, the Police Chief of Altoona, Iowa, where the  
25 Prairie Meadows Casino is located. Both of them  
confirm that table games did not introduce any  
increase in crime to the area.

The reality is the only logical reason  
proffered on why not to introduce table games is  
one of political feasibility. Most common is the  
assertion that we first need to fix our current  
issues prior to expanding gaming in the  
Commonwealth.

I would make two points in that regard.  
First, contrary to the assertion which is often  
portrayed in the popular media, table games are  
not an expansion of gaming in the Commonwealth.

The fact is poker, blackjack, craps and  
roulette are merely additional choices among many  
choices in the same locations where gaming is  
currently permitted, where the offerings include  
many variations of video and reel slot machines,  
video poker, electronic blackjack, and electronic  
roulette.

These are locations which are very  
highly regulated and safe. These are controlled  
environments which prohibit minors from  
participating and implement comprehensive  
compulsive gambling programs with training for all  
employees in the facility.

1           Second, any issues concerning the  
2 gaming industry in Pennsylvania that are raised by  
3 public officials and discussed in the media are  
4 unrelated to the operation itself.

5           Rather, they concern licensing matters  
6 regarding who should be allowed to own the  
7 operations and which regulatory body should have  
8 the authority to regulate the operations.

9           Again, introducing table games is  
10 merely an additional choice within an existing  
11 operation which has no impact or relationship to  
12 that debate.

13           In Northeast Pennsylvania, support of  
14 table games is overwhelming, as I'm sure a number  
15 of Representatives on this panel representing  
16 districts within our region would concur.

17           Candidly, it has actually become a real  
18 challenge trying to explain to many of your  
19 constituents why we are not permitted to offer  
20 table games when asked.

21           Answers related to political  
22 feasibility and social concerns are always viewed  
23 with much skepticism and, at a minimum, very  
24 paternalistic.

25           Perhaps one solution is simply to  
26 permit a referendum on table games at the  
27 operator's host municipality similar to what was  
28 done in West Virginia.

29           In summary, the Commonwealth has  
30 already begun to see the benefits of slots with  
31 six casinos currently operating. As operators, we  
32 have been able to help establish a significant  
33 source of tax revenue to provide property tax  
34 relief, funds for economic development projects,  
35 and funds to improve the horse racing industry.

36           Also, we have been able to recapture  
37 some of the dollars that leave the jurisdiction  
38 every day for other gaming jurisdictions such as  
39 New Jersey, though the opportunity is much greater  
40 with the introduction of table games.

41           Simply, there is no reason to not allow  
42 gaming operators to provide more choices to the  
43 people of the Commonwealth who are asking for them  
44 but, just as enumerated, there are certainly many  
45 good reasons to do so.

46           Once again, thank you for allowing our  
47 organization to participate in that process. And  
48 I'll be happy to answer any questions.

49           CHAIRPERSON JAMES: Thank you for your  
50 testimony again. We have seven operating now,

1 just bring that up.

2 And I liked the fact that -- I liked  
3 the way you framed and take out expansion, because  
4 I think I indicated in my opening remarks that  
5 it's really not expansion; but I couldn't think of  
6 another word until you come up with additional  
7 choices. And I think that is appropriate.

8 And that's probably what we're going to  
9 be using because it is giving people additional  
10 choices, because people are looking for that when  
11 you go in there. And I've heard people ask about  
12 how come they don't have those folks from out of  
13 town and when are we going to have that.

14 Now, the question on -- when you  
15 say -- you said something about a complete  
16 product. Can you just tell me what you mean by  
17 the complete product?

18 MR. SOPER: Yeah. People familiar with  
19 the gaming product, the entertainment of gaming,  
20 you know, generally have two fundamental choices:  
21 Slot machines or table games. And they are  
22 fundamentally different games. They serve a  
23 fundamentally different demographic.

24 And, you know, often, in the example I  
25 gave in the testimony, you may have a group of  
26 friends, a couple, spouses, one who prefers one of  
27 those choices and another prefers the other  
28 choice.

29 And, you know, the reality is, you  
30 know, in the most recent history, table games have  
31 become, you know, more popular. Most of the  
32 growth in the gaming industry has been through  
33 table games just because it's been a choice that  
34 the mainstream demographic has enjoyed and become  
35 accustomed to.

36 And not being able to offer one of two  
37 forms of gaming really I think handcuffs our  
38 ability to provide the complete product.

39 CHAIRPERSON JAMES: Thank you. That  
40 explains that.

41 And also in your testimony you talked  
42 about the fact that whatever concerns or issues  
43 that we have does not take away from the fact that  
44 we're dealing with slot machines and we're trying  
45 to help and get property tax relief.

46 So whatever issues that, you know, the  
47 other side may have as it relates to the Gaming  
48 Board, etc., it shouldn't take away from the  
49 benefits that we want our residents in  
50 Pennsylvania to have.

1           So I was -- you know, it was just like  
2 you must have already heard this before because I  
3 think it's a good way to respond because, you  
4 know, once that \$600 million that's  
5 start -- people start receiving for property tax  
6 relief, we don't want to stop that, you know.

7           We can still deal with the issue as it  
8 relates to the Gaming Board or what the problems  
9 are, because we are doing that. We're doing it  
10 through possible hearings that this Committee may  
11 have.

12           We're also doing it through a special  
13 task force that has been set up, chaired by  
14 Senator Earl and myself and which we had a hearing  
15 yesterday and we're going to have additional  
16 hearings.

17           So we're working on that and we want to  
18 continue to work on trying to increase revenues so  
19 that we can benefit the residents of Pennsylvania.

20           Okay. Representative Pashinski.

21           REPRESENTATIVE PASHINSKI: Thank you,  
22 Mr. Chairman. And thank you, Mr. Soper, for your  
23 testimony.

24           Since the issue was brought up about  
25 licensing, could you explain for the record both  
26 positive or negative differences between the  
27 Pennsylvania licensing process and, let's say, for  
28 example, Connecticut, which is your -- that's your  
29 home state, so to speak?

30           Do you have 'em in any other states?

31           MR. SOPER: We currently do not.

32           REPRESENTATIVE PASHINSKI: So it's  
33 Connecticut and Pennsylvania, right?

34           MR. SOPER: Correct. We have gone  
35 through some licensing process in other  
36 jurisdictions; but as far as our actual operation,  
37 it's only Connecticut.

38           REPRESENTATIVE PASHINSKI: Are you  
39 familiar with other state license --

40           MR. SOPER: I'm generally familiar.  
41 I'm not an expert, but I have general knowledge  
42 about licensing. And to your question, different  
43 jurisdictions have different ways to do things.

44           I don't have any strong objections to  
45 the process here. Obviously, there was  
46 significant due diligence and background, our  
47 organization. And we're a very open organization  
48 and we certainly have never had anything to hide.  
49 So the licensing process has never been a concern  
50 to us.

1                   We have -- there are a few challenges  
2 throughout the licensing process. Some of the  
3 fees associated with applications, especially  
4 through vendors and so forth, have been concerns  
5 expressed to us.

6                   There's local businesses, for example,  
7 that simply cannot afford the licensing process  
8 and therefore aren't able to participate in the  
9 benefits of gaming simply because the thresholds  
10 are too high. I think relative to most  
11 jurisdictions Pennsylvania's probably one of the  
12 higher ones.

13                   There are some issues such that as  
14 that. But fundamentally I think there's more  
15 similarities to other jurisdictions than  
16 differences, and we've really had no issue with  
17 the licensing here.

18                   REPRESENTATIVE PASHINSKI: Is there any  
19 major flaw to our system that would cause us to  
20 take pause as was suggested earlier and hold up  
21 the processing in order to change the licensing  
22 process?

23                   MR. SOPER: From our  
24 perspective -- again, I cannot speak neither for,  
25 you know, the public officials who may have a  
26 different opinion or other gaming operators who  
27 have participated in the licensing process.

28                   But, you know, we've found it a very  
29 thorough process. We certainly believe everyone's  
30 vetted out and, you know, we feel comfortable with  
31 it. And the answer is -- the short answer is no.

32                   One thing I will point out and I did  
33 touch upon as it relates to the table games, if  
34 this legislation was about introducing new  
35 licenses, new locations, clearly, I think the  
36 concern of whatever needs to be addressed in  
37 relationship to the licensing process would be to  
38 me a legitimate concern because it would be, in  
39 fact, an expansion of gaming.

40                   Here, you know, we've gone through a  
41 licensing process. We've been very open. We've  
42 spent a lot of money on licensing, including a \$50  
43 million licensing fee; and we believe we've  
44 provided a good product.

45                   We run an operation that is safe,  
46 secure, and in a place where integrity is  
47 protected. And it really is about just providing  
48 another game that the people have asked for,  
49 people in our community. And so that's what I  
50 think is important to differentiate.

1                   This is not legislation that introduces  
2 new licenses and requires a whole new process to  
3 be introduced. It's simply you have current  
4 operators that have gone through this process and,  
5 you know, in our case; and it's just adding new  
6 choices.

7                   REPRESENTATIVE PASHINSKI: Okay. I  
8 appreciate that very much. Is there another state  
9 that you're aware of that garners in excess of 55  
10 cents on every dollar that's taken in and then in  
11 one shape, form, or another is then returned back  
12 to the people of Pennsylvania?

13                   MR. SOPER: I believe -- to go to the  
14 heart of your question, I believe we are the  
15 highest tax jurisdiction in the country now that  
16 New York has reduced their tax rate.

17                   There may be exceptions for those one  
18 or two jurisdictions where the state has  
19 ownership; it's sort of a lottery system where the  
20 state has -- but again, in the case where the  
21 private entity pays a license fee and it's  
22 privately operated, I believe Pennsylvania is the  
23 highest tax jurisdiction.

24                   We effectively are paying between 60  
25 and 61 percent in some of the local share taxes on  
gross revenues. Of course, that doesn't include  
property taxes and all the other corporate taxes  
that everyone else pays.

                  But just on gross revenues, we're  
approximately 60, 61 percent. Clearly, that's the  
highest, you know, tax rate in any jurisdiction in  
the United States.

                  REPRESENTATIVE PASHINSKI: Do you know  
of any other business that is as successful as the  
gaming industry that would be paying 61 plus more  
percent?

                  MR. SOPER: No, I don't. I do say  
this: Part of our challenge is people see numbers  
and they see -- handle numbers. And they're large  
numbers, but they don't appreciate the math.

                  The margins in this state are not very  
good. Probably some of the lowest margins in the  
gaming industry. And when you're talking about  
investments of in our case over \$500 million, it's  
very difficult to generate a reasonable return on  
investment at that tax rate.

                  Of course, we knew that coming in and  
so we're not complaining about it. But I think it  
is important to know. And that's exactly why when  
we talk about table games that that has to be one

1 of the issues addressed.

2 REPRESENTATIVE PASHINSKI: You also  
3 have to agree that Pennsylvania's a great place  
4 and that 61 percent is certainly worth it.

5 I also have to say that I don't think  
6 anybody, including myself, ever imaged that the  
7 gaming system would be as successful so quickly  
8 considering that we only have 7 out of 14  
9 facilities that are up and running and already we  
10 have a property tax rebate that's going to be, to  
11 many, significant; to others, not so.

12 In my particular district, each  
13 property owner will receive \$220. So I'm assuming  
14 that if all 14 -- if things continue on, they have  
15 the potential of receiving \$440, which in my  
16 district and I think most people would agree, \$440  
17 can still buy a lot of food, less gas today; but  
18 it is significant.

19 I'm saying this because I have  
20 personally observed Mohegan Sun in Northeastern  
21 Pennsylvania. I'm proud to say that Mohegan Sun  
22 is in my district, and you may consider me  
23 slightly biased.

24 But I'm slightly biased and actually  
25 very supportive because I have watched the  
26 operation of Mohegan Sun. I've seen the  
27 employment. I've seen the growth. Local vendors  
28 are profiting by Mohegan Sun's position in our  
29 community.

30 I feel that if all the casinos were  
31 operated at the level that Mohegan Sun is we have  
32 a tremendously positive industry in Pennsylvania.

33 I'm concerned about further delays,  
34 because since the time that we started this  
35 process, there have been a number of delays which  
36 has also prevented further new resources, new  
37 monies to be returned to the people of  
38 Pennsylvania.

39 34 percent of every dollar is coming  
40 back in property tax relief. But let's not forget  
41 the local economic development. I'm saying this  
42 for the record because I can attest to the fact  
43 that my district is now benefitting an additional  
44 \$11.7 million in economic growth and development  
45 in the Wilkes-Barre area.

46 These kinds of dollars are not  
47 available anyplace else. And without this  
48 industry, my area would be suffering, shall we  
49 say, from lack of dollars. I don't have to tell  
50 anybody in this room it's very difficult to find

1 new sources of money.

2 I want to thank you, Mr. Soper, for  
3 being here. I also want to thank you for what you  
4 do back in my community. For the record,  
5 Mr. Soper was also -- took the responsibility of  
6 being the Chairman of our annual United Way drive  
7 which helps about 40 different agencies.

8 Thousands and thousands of folks back  
9 home are benefitting from that, and it was very  
10 successful through your efforts. I believe it was  
11 about 4.5 million that was generated. Again, good  
12 community partner.

13 Those of you that may not like gaming,  
14 you may not also like liquor. You may not like  
15 some of the other things that are involved. It's  
16 a matter of life and it's one's own personal  
17 responsibility to control your fate.

18 I thank you. Thank you very much.

19 MR. SOPER: Thank you.

20 CHAIRPERSON JAMES: Thank you,  
21 Representative Pashinski. We allowed you a little  
22 leeway because this is your district.

23 Okay. Representative Gabig.

24 REPRESENTATIVE GABIG: Thank you,  
25 Mr. Chairman.

I've been looking at House Bill 2121,  
which I believe is the purpose of the hearing  
today, and I think -- it looks like it has 228  
pages to it. So I appreciate you taking the time  
to come in to talk on behalf of your organization.

Have you had a chance to review House  
Bill 2121?

MR. SOPER: I can safely say I have not  
read all 220 pages of House Bill 2121. I have  
seen a synopsis and summaries of the bill.

REPRESENTATIVE GABIG: So based on your  
review of the synopsis, etc., are you in favor of  
it or opposed to it or are you in favor of it  
generally with certain conditions or amendments?  
Or what's your position on House Bill 2121?

MR. SOPER: On all the specific  
language, clearly and consistent with my  
testimony, I am supportive of the general idea of  
permitting table games. There are specifics  
within the bill such as the tax rate that I think  
would need to be reconsidered.

But the general notion -- I have  
general support for introducing table games. And  
I think House Bill 2121 does a good job of  
starting -- as a starting point; but I do believe

1 there would have to be some modifications to the  
bill itself.

2 REPRESENTATIVE GABIG: And the  
3 modifications, significant modifications -- I'm  
not talking about details, but the broadbrush  
4 modifications that you would make in 2121 would be  
what?

5 MR. SOPER: Well, a couple off the top  
of my head, without having it in front of me, the  
6 tax rate I think needs to be altered. I'm a  
little concerned about some of the licensing --

7 REPRESENTATIVE GABIG: What do you mean  
by that? Because we hear a term 61 percent and I  
8 hear you say 8 percent. What are you talking  
about when you talk about tax relief?

9 MR. SOPER: First of all, I'm talking  
about the taxes that we pay on the gross revenues  
10 generated. In slot terms it's called gross  
terminal revenues, we'll just call it for purpose  
11 of the table games. But essentially, it's the  
gross revenues generated on the table games.

12 Clearly, and I think everybody would  
agree that there's no way you could operate table  
13 games at the slot tax rate. The real question is,  
What is a reasonable rate, what is -- and what is  
a confiscatory rate?

14 I believe the rate -- I can't remember  
if it's 35, 38 -- what it was in House Bill 2121 I  
15 believe is confiscatory. It makes it almost  
impossible to generate any reasonable return. I  
16 do believe --

17 REPRESENTATIVE GABIG: You're talking  
about the original legislation, which was 34  
percent --

18 MR. SOPER: Yeah.

19 REPRESENTATIVE GABIG: And you think  
that's confiscatory. I think some of the people  
20 that supported that bill here thought we were  
being partners and some of us that opposed it  
thought we were being partners.

21 And we didn't need to be partners and  
we shouldn't be partners. We should just let you  
22 go out there on your own and see how you do.

23 But you think that's confiscatory. And  
so what would you change it to now?

24 MR. SOPER: Obviously, as I suggested,  
I think, you know, for a number of reasons. One  
25 is for competitive equity. I think the economic  
impacts would be even greater if we were able to  
have a rate that was similar to New Jersey, which

1 is about 8 to 9 percent.

2 When asked this question -- or I don't  
3 know if it was a question or a statement I made in  
4 the fall in front of this Committee related to  
5 what I believe was onerous but doable, I said I  
6 think it was 15 percent to 20 percent.

7 But once you get to 20 percent and you  
8 do the analysis, it requires an alteration of the  
9 product itself. And I'll give you an example.

10 One of the more popular games,  
11 especially in a community such as mine, would be a  
12 \$5 minimum bet. It allows players to bet a  
13 minimum of five dollars. You don't often see that  
14 if you go to Las Vegas or even Atlantic City,  
15 especially in peak times you rarely see that even  
16 though it's popular.

17 The reason why you rarely see that is  
18 it's a supply and demand question. It's also a  
19 question of whether or not it's even feasible from  
20 an economic standpoint.

21 If we had a significant tax rate, the  
22 ability to offer a low denom. table games becomes,  
23 you know, problematic simply because you can't  
24 generate enough revenue. It's a volume-driven  
25 question in order to accommodate.

So there's a point where the tax rate  
requires you to alter the product offering. I  
happen to believe it's somewhere in the 15 to 20  
percent rate. The higher you go, the less  
opportunity you have to offer these table games.

So it's a question not only of  
generating some reasonable return on investment,  
it's also a question of what type of offering you  
can provide to your users.

18 REPRESENTATIVE GABIG: So you would  
19 have different tax rates for different revenue  
20 streams? The slots would be taxed at this 34  
21 percent rate, and you're suggesting 8 or 9 percent  
22 but certainly no more than 15 to 20 percent for  
23 the table games; is that right?

24 MR. SOPER: That is correct, in an  
25 ideal world, I'd like to have 8 or 9 percent for  
slots and table games. But since we already have  
a slot tax rate, the answer is yes.

26 REPRESENTATIVE GABIG: Now, I guess if  
27 we introduce this, these licenses, you think that  
28 you as a business would make more money than you  
29 currently are able to make; is that correct?

30 MR. SOPER: Again, depending on the  
31 variables, the tax rate and so forth. If it was a

1 reasonable tax rate, we'd hope to generate  
additional profit, correct.

2 REPRESENTATIVE GABIG: So you're going  
to make more revenue and then you're going to make  
3 a higher profit margin, or more profit, bigger  
profit?

4 MR. SOPER: Again, it depends. Table  
games generally have lower margins if you were to  
5 compare apples to apples with slots machines if  
the tax rate was the same. So I'm not sure. It  
6 all depends on ultimately if and what the final  
legislation looks like.

7 But, you know, if it is a reasonable  
tax rate, because the taxes are so high in slots,  
8 we may have an opportunity to generate greater  
margins with table games.

9 REPRESENTATIVE GABIG: And certainly  
you're going to have greater profits and bigger  
10 profits; is that right?

11 MR. SOPER: We would hope we would.  
But --

12 REPRESENTATIVE GABIG: Well, you're  
certainly not coming here to ask us to pass laws  
that are going to reduce your profits, are you?

13 MR. SOPER: That is correct.

14 REPRESENTATIVE GABIG: You're asking us  
to pass laws that you think are going to help your  
company make more money, is that a fair --

15 MR. SOPER: I think that is a fair  
assessment.

16 REPRESENTATIVE GABIG: And that's -- I  
don't think you're just speaking for your own  
17 company. That would be across the industry here  
in Pennsylvania, that they want to make more money  
18 at their operations and they feel that passing  
this bill will help them make more money; is that  
19 right?

20 MR. SOPER: Ultimately, it is  
about -- it is about -- or part of it is about the  
bottom line, generate more profits.

21 But in the long-term picture, it's also  
about accommodating the customers and providing  
22 the, you know, the product that they have asked  
for because, in the long run, that will ultimately  
23 increase your bottom line. So --

24 REPRESENTATIVE GABIG: That's right.  
You want to serve your customers and get more  
customers so that you can make more money --

25 MR. SOPER: Correct.

REPRESENTATIVE GABIG: -- that's the

1 free market system that we all know and love here  
in America. I understand that concept.

2 MR. SOPER: Yeah.

3 REPRESENTATIVE GABIG: But don't you  
agree, when you say there's no expansion -- and  
4 the Chairman just loves to hear that -- that even  
though you're not expanding geographically or  
we're not adding more sites to already quite a few  
5 number of sites, you're growing this industry.  
You want to grow the industry. You want to get  
6 more profits; make more money; grow your business.

7 And that's expanding your business is  
the term I think I used to hear. Isn't that what  
you want to do?

8 MR. SOPER: Here's how I would respond  
to that --

9 REPRESENTATIVE GABIG: Just respond  
truthfully and you'll be fine.

10 MR. SOPER: I will. I will.

11 We're going to add -- you know, in the  
next ten weeks, we're going to add 1300 slot  
machines. If you consider that expanding gaming,  
12 we're expanding gaming anyways, which is  
permitted.

13 So, you know, for purpose of  
consistency, I don't believe there's any  
14 difference from adding the 1300 slots machines  
we're going to add --

15 REPRESENTATIVE GABIG: I agree. I'm  
not arguing that point, whether it's good or bad  
16 to expand gaming; but I don't think we should deny  
to the people in Pennsylvania that that's what  
17 this bill attempts to do.

18 It attempts to grow the business, grow  
the industry, expand gaming. And some people  
19 think that's good and some people have concerns  
about it.

20 But my final point has to do with this  
licensing, because three-quarters of this bill  
that I know you haven't had a chance to review  
21 and, quite frankly, I haven't read every line in  
here either yet, has to do with licensing and the  
22 licensing process.

23 As I understand it, these are going to  
be new licenses. The original licenses cost \$50  
million to get a license fee. This is going to  
24 have new licenses that I think are -- how much is  
it? -- \$10 million additional, which is 20 percent  
25 of what the original one was.

But it's only the existing licensees

1 that get 'em under the original one that can apply  
2 for this, as I understand it. You're one of those  
3 lucky ones. And so you say, Oh, this is great.  
4 I'm one of the ones that can be.

5 But what if there's someone else out  
6 there that, say, didn't commit perjury in front of  
7 the Gaming Board and had all the qualifications  
8 and could apply for it, they're going to be  
9 excluded under this bill from competing in this  
10 free market. Does that seem right to you?

11 MR. SOPER: Well, I would say this, you  
12 know, because I want to sound objective. This is  
13 to me almost a normative question.

14 I believe that there's a regulatory  
15 process for licensing and, you know, that should  
16 be, you know, as you would agree, I would think, a  
17 process that protects the integrity of the  
18 Commonwealth and it is an effective way to ensure  
19 that you have license operators that do protect  
20 the integrity of the assets and protect the  
21 customers that go to those front doors.

22 I have absolutely no objection to that  
23 and I believe that's good for everyone. To me,  
24 that's one question.

25 Once someone is licensed -- and  
presumably you have a process that works and  
everybody feels comfortable with.

Once you are licensed, the question of,  
in this case, table games is just -- you know,  
it's a question of a piece of paper saying now you  
have table games license with additional fees.

The background that's going to happen  
with table games is not going to be any different  
for us and the results are not going to be any  
different. I think they're going to find the same  
thing they found before, which is essentially  
nothing.

REPRESENTATIVE GABIG: I appreciate  
that response. I just make one comment to  
conclude is that I think there's been  
seven -- there's been seven stand-alone casinos  
licenses issued so far? Seven?

VOICE: Five.

REPRESENTATIVE GABIG: At least one of  
those seven has been indicted. So I think there's  
something wrong with the licensing process that we  
need to get a hold of.

Thank you very much, Mr. Chairman.

CHAIRPERSON JAMES: Representative  
Keller.

1                   REPRESENTATIVE KELLER: Thank you,  
2 Mr. Chairman. Thank you, Mr. Soper, for your  
3 testimony. I'm glad you're here not complaining  
4 about the tax rates because, as you know, the  
5 reason gaming is in Pennsylvania is for two  
6 reasons:

7                   One is a new revenue stream to reduce  
8 property tax and wage tax in Philadelphia, and the  
9 other one is to create jobs.

10                  First, you know, when they were granted  
11 the licenses -- and you know from day one that was  
12 a privilege. It's not a right. So this still  
13 belongs to Pennsylvania and it is for the benefit  
14 of the citizens of Pennsylvania.

15                  And the second one was for jobs. And  
16 you had mentioned that table games will create  
17 jobs, a lot of jobs. You mentioned that they  
18 start at \$22 an hour with tips. Could you tell me  
19 what they create without tips, the starting rate?

20                  MR. SOPER: Just for clarification,  
21 that was an example in our Connecticut facility.  
22 So depending on -- they are high-paying jobs in  
23 every jurisdiction. And it's because it's --

24                  REPRESENTATIVE KELLER: What do you get  
25 paid without tips?

26                  MR. SOPER: Without tips, I'm not a  
27 hundred percent certain; but it's somewhere  
28 probably somewhere around 6, \$7 an hour is my  
29 guess. Most of the revenues are driven by tips,  
30 which in our case in Connecticut are grouped  
31 together. They're called the tocray (phonetic).  
32 So they, you know, know exactly what they're --

33                  REPRESENTATIVE KELLER: Would you say  
34 that would be a starting rate in Pennsylvania  
35 also?

36                  MR. SOPER: I don't know the answer to  
37 that. I'd have to do an analysis. But I suspect  
38 it would be a lower starting wage just because we  
39 know that the tips are going to be significant.

40                  REPRESENTATIVE KELLER: Well, tips come  
41 out of the customer's pocket, not out of the  
42 casino's pocket. Would those jobs also include  
43 benefits: Health and welfare, pension?

44                  MR. SOPER: Yes, they would.

45                  REPRESENTATIVE KELLER: And my other  
46 question -- you're the expert. I know very little  
47 about this. But it's my understanding that  
48 there's going to be a next generation because of  
49 all the electronic stuff that's coming out.

50                  Will there be table games -- roulette,

1 blackjack -- that will not need people to run  
2 them?

3 MR. SOPER: That's a good question,  
4 and --

5 REPRESENTATIVE KELLER: Don't say -- I  
6 hate when people say that's a good question  
7 because then they usually never answer the  
8 question.

9 MR. SOPER: I'm going to answer the  
10 question. There's two schools of thought on that,  
11 whether or not ultimately technology is going to  
12 supplant human labor on table games.

13 I happen to believe that's not going to  
14 happen. I happen to believe the experience of  
15 having a human being, you know, with cards,  
16 dealing out, the interaction, the social  
17 experience of table games is integral to the game  
18 itself.

19 And I think the reaction from our  
20 customers both here and in Connecticut reflects  
21 that position.

22 And so perhaps there's a role for  
23 electronic table games even in an environment  
24 where traditional table games exists, but I think  
25 the role is small. I think when it's all said and  
26 done live table games will still dominate the  
27 table games offering.

28 REPRESENTATIVE KELLER: All right. But  
29 it goes back to my original point. The reason the  
30 gaming industry is in Pennsylvania is for tax  
31 relief and for job creation.

32 MR. SOPER: Yes, correct.

33 REPRESENTATIVE KELLER: Thank you.

34 CHAIRPERSON JAMES: All right. Thank  
35 you. Next, Representative McIlhattan.

36 REPRESENTATIVE McILHATTAN: Thank you,  
37 Mr. Chairman. I guess we can say around and  
38 around we go and where it stops, nobody knows.

39 I can think back on the way we talked  
40 about introducing gaming in Pennsylvania, we were  
41 talking about putting a few slot machines in five  
42 existing tracks.

43 Then we thought we might add two more  
44 tracks and we'd put slots machines at seven and  
45 that was going to be it. By the time we passed  
46 the bill, we had seven or eight casinos, five  
47 casinos and two resorts. Up to 14 we're only  
48 going to put slot machines in.

49 Now all of a sudden we don't have our  
50 casinos all up, we don't have our resort

1 licensees; we gotta go to table games now. Never  
was part of the plan and I don't think we ever  
2 conceived and never was supposed to be. But I  
guess we are here begging for more and the cancer  
3 continues to grow.

4 Bob, let me ask you a couple of  
questions about table games, because I'm not in to  
the table game business. But you talk about  
5 minimum bets.

6 I assume that, my son likes to gamble,  
he can go up to Mohegan Sun and I know he's going  
to go in there and play a slot machine and he can  
7 play the pennies and play the quarters and play  
the dollars.

8 But he's not going to last with a  
dollar bet down and one -- and lose it all and get  
9 hooked and start playing and playing and losing  
big money. Am I correct or not in my thought  
10 process?

11 Is that not -- the table games are  
totally different? You can put a minimum bet in  
there. You're going to have big winners, but  
12 you're also going to have in proportion big  
losers. Am I correct or not correct in that?

13 MR. SOPER: Yeah, well, clearly, you're  
going to have to have more losers than winners;  
14 otherwise, we wouldn't make any money.

15 But just real quick, the math, if every  
blackjack player, for example, played to maximize  
their odds, what they call basic strategy -- they  
16 hit when they're supposed to, double down when  
they're supposed to, split when they're supposed  
17 to -- the house advantage would be one half a  
percent, meaning that out of every hundred dollars  
18 wagered the house would get back \$98.50.

19 Of course that doesn't happen; people  
play on instinct and so forth. So generally the  
house holds about 14, 15 percent on table games.  
20 So for every hundred dollars wagered --

21 REPRESENTATIVE McILHATTAN: I walk  
in -- as I understand it, I walk into a place and  
there are table games and I throw a \$5 bill down,  
22 the guy laughs at me and says, What are you doing  
here? You can't play. I mean, I'm curious --

23 MR. SOPER: I mean, it all depends.  
There's usually a little sign on the table that  
24 says minimum bet --

25 REPRESENTATIVE McILHATTAN: What is  
usually the minimum bet?

MR. SOPER: It varies. It depends on

1 how busy -- where the casino's located, how busy  
2 it is. If it's not very busy and it -- it really  
3 is a question of supply and demand. If there's  
4 not the demand, the lower the minimum bet's going  
5 to be. Obviously, casinos prefer higher minimum  
6 bets because it creates greater volume.

7 But, you have to offer prices that are  
8 going to generate the correct demand. And so you  
9 do have a lot of individuals that enjoy the game  
10 but maybe cannot afford a 10, 15, \$25 minimum bet.  
11 The casino's only going to offer a \$5 minimum bet  
12 if they're able to generate any profit.

13 They're only able to generate profit if  
14 they can make a positive margin on it, which means  
15 that they have to have a reasonable tax rate. So  
16 the answer is it all depends, the supply and  
17 demand question.

18 Some casinos will have \$5 minimum bets.  
19 Some don't; it just doesn't make sense  
20 economically.

21 REPRESENTATIVE McILHATTAN: Well, if I  
22 become addicted, I'd be better off addicted to the  
23 machine than I would be to the -- to what you're  
24 talking about, right?

25 MR. SOPER: I'm not necessarily sure.  
I'm not a clinical expert on what games are more  
addictive than others. You know, my personal  
belief is that, you know, slot machines are a  
faster game. Table games require you to think a  
little bit; it's a slower process.

So I'm sort of of the opinion that if  
one was more addictive than another -- and again,  
this is not an expert opinion -- I would happen to  
believe slots, you know, just because of the speed  
of the game, you know, may be more addictive. But  
again, I don't know that -- the clinical side of  
that; so it's a layperson's opinion.

REPRESENTATIVE McILHATTAN: You have a  
operation in Connecticut that has table games and  
slots, correct?

MR. SOPER: That is correct.

REPRESENTATIVE McILHATTAN: What  
percentage of your profit comes from the slots and  
what percentage of your profit comes from table  
games in that casino?

MR. SOPER: As a profit, I don't know  
the exact number now; and it has changed over time  
as table games has grown and slots have been  
somewhat stagnant.

But it is -- it's disproportionate.

1 You know, slots generate significant more profit  
than table games. At one time it was  
2 approximately -- the mix was probably somewhere in  
the mid 70s slots, you know, 20, 25 table games.

3 REPRESENTATIVE McILHATTAN: Let me ask  
you one final question.

4 MR. SOPER: Sure.

5 REPRESENTATIVE McILHATTAN: I don't  
understand the gaming industry; you do. What's  
6 next? If you get table games, what's left?  
What's the next step up the pyramid here? Educate  
us here a little bit.

7 MR. SOPER: From a gaming product  
standpoint, there really is nothing -- I mean,  
8 obviously, the games evolve over time; so there's  
different technology.

9 You know, for example, there's a new  
trend in the next three or four years that will  
10 occur with server-based, what they call  
server-based gaming for slot machines that allow  
11 flexibility on the slot machines.

But the reality --

12 REPRESENTATIVE McILHATTAN: Whoa, whoa.  
What's that now?

13 MR. SOPER: It -- in this new  
technology age or internet-based age, the new slot  
14 technology allows -- will hopefully allow if it  
does, in fact, materialize like the manufacturers  
15 want it to materialize, allow slot machines to be  
software-based so that each game will allow  
16 operators to change the game within the box unit  
without having to move the box and purchase a new  
17 box, if you will. And so that's the new trend.

18 But the answer to your question is  
casino gambling has always been slot machines and  
table games for many, many, many years. And I  
19 think really -- they are going to continue to be  
slot machines and table games.

20 They may improve and there may be new  
technology adjustments and so forth; but when it's  
21 all said and done, it is slot machines and table  
games. So I don't know if there is anything  
22 next --

23 REPRESENTATIVE McILHATTAN: How about  
sports betting or anything like that, you going to  
get that in casinos or --

24 MR. SOPER: Well, the issue with sports  
wagering is it's a federal issue. Only four  
25 jurisdictions under federal law are permitted to  
introduce sports wagering. Of course,

1 Pennsylvania's not one of 'em.

2 So I would say the near-term potential  
3 for sports wagering, you know, is I think very  
4 unlikely.

5 REPRESENTATIVE McILHATTAN: Thank you,  
6 Mr. Chairman.

7 CHAIRPERSON JAMES: Thank you.  
8 Representative McIlhattan, if you are considering  
9 the sports thing, I mean, you just get us a bill  
10 together and we'll --

11 REPRESENTATIVE McILHATTAN: We've gone  
12 way overboard already. We don't need anything  
13 else. Please don't put me in that category,  
14 Mr. Chairman. Thank you.

15 CHAIRPERSON JAMES: Representative  
16 Sonney.

17 I just want to remind the Members we  
18 have five people to testify and we're already at  
19 the 11 o'clock hour. So we want to kind of hold  
20 our questions.

21 REPRESENTATIVE SONNEY: Thank you,  
22 Mr. Chairman. I'll keep it short. I think most  
23 of the questions have been asked already.

24 I'm from Erie County and, of course, we  
25 do have a casino. And in the area I can  
26 absolutely say that there are a tremendous amount  
27 of benefits because that casino is there.

28 I'd just like to just touch base a  
29 little bit with you on your particular operation  
30 when it comes to the revenue; in other words, when  
31 you obtained your license and started to build  
32 your facility, you had projections on revenue.

33 And I was just kind of curious as to  
34 how you were doing on those projections? Are you  
35 above 'em? at 'em? below 'em?

36 MR. SOPER: We have exceeded our  
37 initial projections. We stay cautiously  
38 optimistic, however, because we do have a limited  
39 supply. We only have 1200 units. And so the real  
40 question for us, when we do grow and move into our  
41 permanent facility this summer, what the demand  
42 will be.

43 Will we be able to sustain, you know,  
44 revenue numbers that are consistent with our  
45 projections? So the answer's yes, we have. But  
46 we're now moving into the phase of our project  
47 that will be the true test.

48 REPRESENTATIVE SONNEY: And you said  
49 you're going to move into a new facility shortly.  
50 So, obviously, your expenses are going to go up

1 considerably?

MR. SOPER: Correct.

2 REPRESENTATIVE SONNEY: Thank you.

3 Mr. Chairman, I would just like to say  
4 that I'm glad to hear that you've been talking  
5 with Senator Earl concerning the licensing issue.

6 I want to say that I do think that it's  
7 absolutely imperative that the public have  
8 confidence in the Gaming Control Board and I  
9 really believe that we have to make sure that  
10 confidence is there as we move forward.

11 I think that it is very good to have  
12 these hearings, and I am very much looking forward  
13 to having hearings concerning the Gaming Control  
14 Board so that we can get this issue behind us.  
15 Thank you.

16 CHAIRPERSON JAMES: Yes, thank you.  
17 And we are doing that. As I indicated, we had our  
18 second hearing yesterday, the Gaming Task Force,  
19 as Senator Earl and I are calling it. And we are  
20 going to continue to have hearings as we continue  
21 to get information. And that doesn't preclude  
22 this Committee from having additional hearings.

23 Okay. We thank you so much for your  
24 testimony and for the -- talking about additional  
25 choices. I liked that.

MR. SOPER: Chairman, thank you, and  
I'd like to thank all the Committee again for the  
opportunity.

CHAIRPERSON JAMES: Thank you. And now  
we're going to call Robert Mims, Gaming  
Consultant.

MR. MIMS: Good morning, everyone.

CHAIRPERSON JAMES: Go ahead and  
identify yourself and you can start.

MR. MIMS: Yes, sir. My name is Robert  
Mims --

CHAIRPERSON JAMES: Did you bring  
testimony today?

MR. MIMS: Yes, I brought a statement.  
I can read it to you.

CHAIRPERSON JAMES: Okay. Go ahead.

MR. MIMS: My name is Robert Mims, and  
I am a gaming consultant. I'm a native of west  
Philadelphia and I graduated from Penn State  
University.

My expertise involves gaming  
corporations, developing business partnerships,  
and working with educational institutions. Based  
on that experience, I have watched Pennsylvania

1 ambitiously become a leader within the four years  
of the enactment of the Gaming Law.

2 In order for this path to  
3 continue -- allowing a competitive advantage to  
stunt the growth process, an assessment of House  
4 Bill 2121 merits consideration.

5 In order for the two casinos in  
Philadelphia and the one in Pittsburgh to attract  
and retain customers, table games must be part of  
6 the environment. This will allow more funding for  
marketing to a clientele that resides outside of  
Pennsylvania.

7 Out-of-town guests will spend more than  
the local gaming patron within a 50-mile radius.  
8 This will spur economic development for the two  
largest cities in the state. Studies project that  
9 40 percent of the gaming dollar currently spent  
elsewhere is leaving from the Commonwealth.

10 Some of the benefits associated with  
table games would include new revenue; job  
11 creation, not only from the state level with  
gaming regulators, but down to gaming positions,  
12 dealers and supervisors.

Also will be an increase in tourism.  
13 This benefit is important to Philadelphia with  
expansion of the Convention Center. These  
14 benefits can be achieved by incorporating the best  
practice method.

15 -- cities such as New Orleans, Kansas  
City, and Detroit and do what works given the  
16 proper regulatory measures.

We should also stay mindful that  
17 economic development in any situation occurs when  
the standard of living in a given area rises for  
18 everyone.

In closing, a Senate bill should  
19 accompany House Bill 2121 with money allocated to  
improve higher education. I thank you for the  
20 opportunity to speak and will be open to any and  
all questions.

21 CHAIRPERSON JAMES: Thank you. Now,  
you said something about a Senate bill should  
22 accompany. I mean, what is your suggestion on the  
Senate bill?

23 MR. MIMS: To expedite the process. If  
this is successful here where this bill moves  
24 forward, it could only move forward -- was not  
implemented if it had a sister bill accompanying  
25 it. On a stand-alone basis, it could just sit  
here in the House, if I'm not mistaken.

1           So something in the Senate is rivaling  
2 or on the same par as this bill, they can move  
forward and be implemented much faster.

CHAIRPERSON JAMES: Okay. Thank you.

3           REPRESENTATIVE GABIG: Thank you, sir,  
4 for your testimony. And as I understand it, you  
5 said you were from the City of Philadelphia; is  
that correct?

MR. MIMS: Yes, I am.

6           CHAIRPERSON JAMES: Welcome to  
Harrisburg.

MR. MIMS: Yeah. Thank you, sir.

7           REPRESENTATIVE GABIG: One of the  
8 issues that we've dealt with up here and you might  
be able to shed some light on has to do with the  
9 preemption of zoning, local zoning that's in the  
existing Gaming Bill and I think is retained in HB  
2121.

10           So that Philadelphia -- Philadelphia's  
11 local government, for example, can't decide where  
to put these casinos; that's done at the state  
12 level. Their local zoning, etc., is preempted  
under this law.

13           Is that an issue in Philadelphia or not  
in terms of the siting of these --

14           MR. MIMS: It's a issue to some. It  
appears that the big issue there is how close to  
neighborhoods. I think that's the primary issue.

15           REPRESENTATIVE GABIG: And it's my  
16 understanding, for example, the Governor, who was  
former mayor of Philadelphia, has threatened to  
17 veto our smoking ban because it did preempt on a  
statewide basis. Is that an issue at all in  
Philadelphia?

18           Do they want to keep their local  
19 control of the smoking but not their local control  
of where they site the casinos? How does that  
play out in the City of Brotherly Love?

20           MR. MIMS: It would play out in terms  
21 of if that ban is actually expanded and exempts  
the casinos. But for the most part, gaming  
22 patrons like to smoke. And that being the case,  
it's part of that environment. Seems like smoking  
and gaming seem to go together.

23           So if there could be an exemption for  
24 casinos, I think that would be significant enough  
to be --

25           REPRESENTATIVE GABIG: Right. But  
there is some type of exemption in there as a  
percentage. But Philadelphia has its own smoking

1 ordinance, its local ordinance; and I guess that  
2 would apply to the casinos in Philadelphia is what  
I'm saying.

3 The Governor says he's not  
gonna -- he's going to veto that if Philadelphia  
4 doesn't retain its stronger, quote/unquote,  
smoking ban local. But wouldn't that -- under  
5 your analysis, wouldn't that negatively impact the  
casinos there in Philadelphia to make money if he  
did that?

6 MR. MIMS: To a degree it would,  
because a large clientele do want to smoke. So  
7 when you market, you say, well, you can't smoke  
here. We don't have a designated smoking area. A  
8 person might think, no, I don't want to go there.  
I don't want to gamble there.

9 REPRESENTATIVE GABIG: And especially  
if you're at these table games you want to smoke  
10 because you got to think about what your next play  
is and you need to --

11 MR. MIMS: -- smoking because you're  
comfortable smoking, not because of your next  
12 play. The play has nothing to do with the  
smoking. So while you're relaxing and gambling,  
13 you smoke.

14 REPRESENTATIVE GABIG: So I guess the  
Governor sounds like he's anticcasino then in  
Philadelphia with this smoking thing. He's kind  
15 of hurting the industry there. I don't know --

16 MR. MIMS: I wouldn't say he's  
anticcasino. I think he's just looking at it from  
a general standpoint as to what may be best for  
17 all and that the rules apply not just in Erie,  
they should apply in Philadelphia as well.

18 REPRESENTATIVE GABIG: Gotcha. All  
right. Thank you very much.

19 CHAIRPERSON JAMES: Thank you. Any  
other questions?

20 (No audible response.)

21 CHAIRPERSON JAMES: Thank you for your  
testimony.

22 We want to call on Sal DeBunda, First  
Vice-president, Board Member, Pennsylvania  
Throughbred Horsemen's Association.

23 MR. DeBUNDA: Good morning again,  
Chairman James --

24 CHAIRPERSON JAMES: Good morning.

25 MR. DeBUNDA: -- and Members of the  
House Gaming Oversight Committee. Thank you for  
this opportunity to share our thoughts on House

1 Bill 2121.

2 This was not going to be part of my  
3 testimony, but I did want to clarify one thing  
4 from an earlier discussion. The original slots  
5 bill was called the Pennsylvania Racehorse  
6 Development Gaming Act.

7 I've heard it mentioned it was supposed  
8 to reduce real estate taxes and provide jobs. It  
9 also was supposed to save the 30, 40,000 jobs in  
10 Pennsylvania that are associated with the horse  
11 racing business. So I just wanted to clarify that  
12 for those who may have forgotten that from four  
13 years ago.

14 My name is Salvator DeBunda. I am here  
15 today as the Director of First Vice-president of  
16 Pennsylvania Thoroughbred Horsemen's Association,  
17 which represents the owners and trainers of  
18 Philadelphia Park.

19 I have been a horse owner and breeder  
20 of thoroughbred horses in the Commonwealth of  
21 Pennsylvania since 1988 and Director and Officer  
22 of the PTHA since 1995. By the way, I did grow up  
23 in South Philadelphia. So you may wonder how I  
24 got into horses, but that's a long story.

25 As an officer and breeder and as an  
officer of the PTHA, I have participated in races  
or attended races at almost every racing  
jurisdiction in the United States and Canada.

The business of conducting live  
thoroughbred and horse racing within Pennsylvania  
provides tens and thousands of job opportunities  
for Pennsylvanians; provides ten and thousands of  
acres of pasture land for the care, feeding, and  
stabling of horses.

Virtually everyone who is -- who  
advocated for the expansion of slot machines and  
racetrack cited the need to save this important  
Pennsylvania-based agricultural industry.

Allocation of revenues from gaming  
proceeds to support live horse racing is the best  
and most effective means of generating broad-based  
economic stimulus throughout our Commonwealth.  
Horsemen are dispersed throughout the Commonwealth  
in numerous communities, not just in the few  
municipalities that host the racetrack.

Through the allocation of gaming  
revenues to purses and for health care programs  
within the equine industry, the economic benefits  
of gaming are spread beyond the immediate sites  
where tracks are located.

1                   That is why we support House Bill 2121  
2                   and its allocation of 6 percent of table gaming  
3                   revenues to support our state's horse racing  
4                   program.

5                   The infusion of revenues generated from  
6                   table game entertainment throughout Pennsylvania's  
7                   equine industry and many farm-related communities  
8                   can only be accomplished through our purse and  
9                   breeding programs.

10                  Money will stay in the state and  
11                  circulate throughout the economy as horsemen,  
12                  breeders, trainers, groomers, and all other people  
13                  associated with the care, feeding, and racing of  
14                  horses pay their bills and their taxes.

15                  As a horse owner, please allow me a  
16                  minute to illustrate how I would allocate my purse  
17                  funds were I fortunate enough to win a \$15,000  
18                  purse. By the way, the best horses only win about  
19                  six times a year. So this is not something that  
20                  happens every week or every day, but I wanted to  
21                  give you an illustration.

22                  I think in my testimony if you have it  
23                  you'll see in my chart that indicates how that is  
24                  spent. About \$4200 of that would go to my  
25                  trainer. He hires -- he pays for feed, supplies,  
26                  the groom, the exercise rider, the hot walker, and  
27                  his own services out of that fee.

28                  That fee is about \$70 a day per horse.  
29                  Before slots, I used to pay \$45 a day. So the  
30                  increase in revenues is also being passed on to me  
31                  in cost and that is now generating higher wages,  
32                  higher cost for supplies all throughout the  
33                  Commonwealth.

34                  The photographer, if I have to have a  
35                  win picture to remember this event, would get a  
36                  hundred dollars for that photograph. The jockey  
37                  could get 10 percent of that, or \$1500. Again,  
38                  when purses were lower, that 10 percent was a  
39                  smaller amount.

40                  We also have what we call barn stakes.  
41                  When you win a race, you have an amount of money  
42                  that would go to the employees who work on your  
43                  horse in addition to getting -- being paid by the  
44                  trainer. That's about \$300 out of that money.

45                  The trainer also gets a 10 percent  
46                  bonus for winning because he gets a day rate plus  
47                  the bonus. He would get \$1500. The  
48                  veterinarian -- you have to take care of the  
49                  horses whether they win or not -- would be about a  
50                  thousand dollars.

1                   The blacksmith would be about \$200.  
2                   You have to have transportation, van  
3                   transportation, to get the horses back and forth  
4                   to the race track. That's about \$500.

5                   You have to have liability and  
6                   mortality insurance. There's no health insurance  
7                   for horses, by the way, only liability or  
8                   mortality. And that would be about \$600.

9                   So of that \$15,000, I would get to  
10                  keep, whenever my horse won, about \$5,000. That  
11                  I'd have to use to pay for buying the horses and  
12                  for horses that I buy and injured horses that I  
13                  buy and sell.

14                  So I'm really getting about a third of  
15                  that money, but that's only when I win. Whether I  
16                  win or not, a lot of these expenses continue.

17                  So I just gave you an illustration of  
18                  how the money is really going down to all  
19                  different members of the economy, not just to the  
20                  horse owner.

21                  Of those tens of thousands of  
22                  Pennsylvanians who make their living withing the  
23                  State's equine industry, the vast majority derive  
24                  all or a portion of their salaries through the  
25                  distribution of purse winnings and breeding fund  
26                  payments.

27                  As noted earlier, it is through these  
28                  monies that horse owners and breeders pay their  
29                  trainers, jockeys, hot walkers, grooms, feed  
30                  dealers, and veterinarians as well as preserve  
31                  open spaces for pasture and feed crops.

32                  Questions have been raised about the  
33                  amount of purse funds going to out-of-state  
34                  owners. Recently we completed a study of purses  
35                  paid to trainers for horses finishing first,  
36                  second, or third at all raises at Philadelphia  
37                  Park in 2007.

38                  Pennsylvania-based trainers and horses  
39                  accounted for 82 percent of the purses paid in  
40                  Philadelphia Park during 2007.

41                  Further, if you removed from  
42                  consideration the large purses paid in our two  
43                  premiere events -- the Pennsylvania Derby, which  
44                  is a million dollars, and the Cotillion Handicap  
45                  is \$750,000 -- which draw high-caliber horses from  
46                  throughout the country, Pennsylvania-based  
47                  trainers would have accounted for 85 percent of  
48                  the purses paid.

49                  It is for these reasons that the  
50                  members of the Pennsylvania Thoroughbred Horsemen's

1 Association urge you to support House Bill 2121  
and direct 6 percent of table game revenues to the  
2 purses and our health and pension plan.

3 Again, I want to depart from my  
testimony for one minute and just explain  
4 something so everybody understands something. We  
now get 18 percent of the slot revenue at our  
particular race track, Philadelphia; but we only  
5 get 12 percent now.

6 To have a level playing field, that 12  
would only grow to that 18 percent when the  
stand-alones came on board. So with only one  
7 stand-alone on board, we're not getting 18  
percent; we're getting a little bit like 13  
8 percent at this point.

9 And without the other stand-alones  
coming on board, we're not getting the full amount  
we would be entitled to because they have not come  
10 on board.

11 Just like a real estate tax relief may  
be getting hit by the fact that the other casinos  
haven't come on board, so is the horse racing  
12 industry in Pennsylvania. So I wanted to clarify  
that.

13 This 6 percent is less than the 12, but  
a critical thing here, it's -- so it is a cut in  
14 half of what we would be getting from slots. But  
again, since this is incremental to some extent,  
15 we have no problem supporting this 6 percent  
rather the 12 percent as it applies to the table  
16 games. I just want to make it clear that they  
have the math numbers there.

17 However, as a technical matter, the  
current language of 2304 in the bill relies on too  
18 many references to the existing Race Horse  
Development and Gaming Act. Because these two  
19 acts operate differently, the cross references  
would be difficult if not impossible to interpret  
20 in a clear and consistent manner.

21 We are proposing revisions to section  
2304 to include the specific assessment  
22 calculation and distribution process, that all  
relevant provisions are clearly and unambiguously  
23 contained in the Table Game Authorization and  
Control Act itself.

24 So that is attached to my testimony,  
that couple paragraphs with the changes in that  
language.

25 In addition, if you want to grow this  
investment in our state's equine industry into an

1 economic driver like it is in Kentucky, Florida,  
2 California, and New York, we would ask for your  
3 consideration of imposing another 1 percent  
4 assessment on table game revenues to fund a new  
horse racing marketing fund as our industry is  
faced with an entirely new paradigm as a result of  
gaming.

5 Again, with one little departure: When  
6 someone bets not with slots, but bets on horse  
7 racing, the proceeds that are left after you pay  
8 back the better are paid to the state, to the  
9 horsemen, and to the track.

10 So that's why we think that this  
11 additional assessment should be made not coming  
12 out of one person's shares, because everyone would  
13 benefit if the handler (phonetic) for horse racing  
14 goes up at race tracks.

15 Track operators who previously were  
16 dependent upon track attendance and live handle  
17 wagering to generate their revenues aggressively  
18 promoted live racing.

19 With the advent of slots, track  
20 operators have a greater interest and financial  
21 return in promoting their slot facilities, not  
22 racing. This is evidenced at Philadelphia Park  
23 where our daily wagering and track attendance is  
24 down over 24 percent. This is despite an increase  
in purses.

25 In fact, our premiere race, the  
Pennsylvania Derby which the track aggressively  
marketed in the past, would attract 20 to 25,000  
fans.

Track management intentionally reduces  
these numbers through little advertising, even  
less marketing, and fewer fan-oriented attractions  
resulting in approximately 8,000 fans attending  
last year's race. A fraction of its previous  
attendance.

This would be similar to Churchill  
Downs deciding the Kentucky Derby had gotten too  
big and its grandeur had to be dampened.

Again, another departure from our  
testimony. This was because they didn't want  
those crowds to interfere with the people who  
would want to come and bet on slots because of the  
parking and other issues that would be related to  
that.

With the track operators now focused  
more intently on the promotion of their gaming  
facilities, we believe the State needs to

1 establish and direct a portion of the gaming  
2 proceeds to a statewide Horse Racing Marketing  
Fund.

3 We envision this fund being jointly  
4 administered and directed by a joint panel of  
5 governmental and industry representatives. Their  
6 goal would be to leverage the monies within the  
7 fund to promote Pennsylvania's outstanding racing  
8 programs and to grow our industry into an even  
9 greater economic driver than it is today.

10 To gain just a glimpse of the positive  
11 potential such an investment could mean in  
12 Pennsylvania, I call your attention to a recently  
13 completed study of the equine industry in New  
14 Jersey, which I think the Chairman does have or we  
15 can make available.

16 This study was jointly funded by the  
17 State of New Jersey and industry participants and  
18 was completed by the University of Rutgers. The  
19 results showed an industry that generated 1.1  
20 billion in annual economic activity.

21 New Jersey's equine industry is a  
22 fraction of ours and also does not feature  
23 year-around racing. So the results would be much  
24 more significant in the Commonwealth.

25 The Pennsylvania Thoroughbred Racing  
Horsemen's Association believes we have a moment  
in time to capture remarkable growth for our  
state's equine industry.

Growth that will position us with the  
best equine programs in the nation, provide  
thousands of jobs, preserve more farmland for feed  
crops and pastures as well as more broadly  
disperse these benefits throughout the  
Commonwealth.

Again, one other short departure here.  
Pennsylvania happens to have the same soil as they  
have in Kentucky. We could be just as significant  
a breeding state as the State of Kentucky. We  
just need to have these drivers to have that  
happen and for people to come here.

And just as an illustration, the  
highest stud fee now in Pennsylvania I think is  
\$10,000 per stallion. In Kentucky, it's \$500,000  
for one stallion. So it's a significant  
difference in the industry.

I thank you for your time and  
attention. I'd be happy to respond to any  
questions you may have.

CHAIRPERSON JAMES: Thank you. And

1 thank you for your testimony. The attachment that  
2 we have here with your testimony is your  
3 suggestion for the changes in House Bill 2121?

4 MR. DeBUNDA: Yes. That's to section  
5 2304.

6 CHAIRPERSON JAMES: Okay. Thank you.  
7 Representative Pashinski.

8 REPRESENTATIVE PASHINSKI: Thank you,  
9 Mr. Chairman.

10 I thank you very much for your  
11 testimony. Could you just give me an idea of what  
12 a trainer would make throughout the year?

13 MR. DeBUNDA: Again, it depends --

14 REPRESENTATIVE PASHINSKI: About.

15 MR. DeBUNDA: It would maybe --

16 REPRESENTATIVE PASHINSKI: Whether he  
17 wins or not.

18 MR. DeBUNDA: Well, the ones who don't  
19 win don't do very well. In the past -- when I  
20 said I paid \$45 a day, that was what we could  
21 afford to pay. They barely made money on that.  
22 If their horses didn't win, they would not make  
23 any money. They would break even.

24 Now with it going to \$70 a day -- and  
25 that's per horse, so it adds up -- I would think  
that their expectation would be that if they're  
fairly successful they could make 50 to a hundred  
thousand dollars a year.

Now, they also could benefit though  
from sometimes investing some of their own money  
in the ownership of the horses and benefit that  
they become valuable too.

REPRESENTATIVE PASHINSKI: How about a  
jockey?

MR. DeBUNDA: A jockey would probably  
make 2 to \$300,000 a year if he's successful. The  
other ones make 50 to a hundred thousand. And, of  
course, some of the national jockeys, by the way,  
that you see on television probably make a million  
dollars a year.

Don't forget, you get 10 percent for  
winning. If you win a million-dollar purse, you  
get a hundred thousand. 10, or \$20,000 purse, you  
get 2,000 --

REPRESENTATIVE PASHINSKI: I'm just --

MR. DeBUNDA: They're riding seven or  
eight races a day to do that, seven days a week,  
five days a week depending on where they are. And  
it's a employment that involves injury from time  
to time, and there's no income when they're

1 injured.

2 REPRESENTATIVE PASHINSKI: The  
blacksmith?

3 MR. DeBUNDA: Yes.

4 REPRESENTATIVE PASHINSKI: Give me an  
idea what they make.

5 MR. DeBUNDA: I know that they charge  
me between a hundred and two dollars -- what they  
6 make, how many they do in a day I don't have any  
idea. I don't see any of them living in mansions;  
I can tell you that.

7 REPRESENTATIVE PASHINSKI: How about  
the walker?

8 MR. DeBUNDA: The hot walker's -- after  
the horse is trained or run a race, he just walks  
9 him for twenty minutes; he would probably make I  
think 3 to \$400 a week. Until recently, he had no  
benefits; but now because of this program --

10 REPRESENTATIVE PASHINSKI: 3 to \$400 a  
week? That's what they make?

11 MR. DeBUNDA: Yes, but working six or  
seven days a week. Horses have to be cared for  
12 seven days a week. They don't take days off.  
They have to be fed, walked, trained every day of  
13 the week, every day of the year.

14 REPRESENTATIVE PASHINSKI: It's  
important to know because you have 34,000 people  
that are employed by this particular industry.

15 MR. DeBUNDA: And growing, in my  
opinion. Because with the advent of slots in  
16 Pennsylvania, horse breeders and farms that were  
in other states are now talking about moving to  
17 Pennsylvania, at least moving satellite operations  
here.

18 I'm actually working with the Berks  
County Equine Council for them to try to have more  
19 horse farms. So there are activities that are  
being generated here for people wanting to come to  
20 Pennsylvania to breed and keep their horses.

21 For example, until this year -- I've  
been breeding now for twenty years -- I used to  
22 ship all of my horses out of state to be bred  
because there weren't stallions here that were  
significant enough to use.

23 So I would have to pay the  
transportation fee and send my mare to Kentucky or  
24 Maryland or Florida to be bred. This is the first  
year where all of my mares are being bred in  
25 Pennsylvania because the stallions have become  
significant enough that I can use those.

1                   So that's generating more revenue here  
for the breeders here in Pennsylvania.

2                   REPRESENTATIVE PASHINSKI: What was the  
cut of the breeders this year?

3                   MR. DeBUNDA: When you say the  
4 cut -- under the slots bill, the breeders get 16  
percent of the money that comes to the horsemen.  
5 It's 80 percent for overnight stakes, 16 percent  
for breeders, and 4 percent for health and pension  
plans.

6                   REPRESENTATIVE PASHINSKI: Do you have  
a total figure of -- what I'm trying to establish  
7 here is what the businesses were like before Act 1  
and now after Act 1.

8                   MR. DeBUNDA: I do not know that. I'm  
not in the breeders organization, but I can tell  
9 you that purses have probably gone up about 90  
percent since the Act came in. I would assume  
10 that the breeders' awards have gone up similarly.

                  REPRESENTATIVE PASHINSKI: But that has  
11 not generated more of an audience; is that  
correct?

12                   MR. DeBUNDA: Correct. Because -- in  
fact, I was just watching a TV show the other  
13 night and the ad for Philadelphia Park, even  
though it's called Philadelphia Park Casino and  
14 Racetrack, said Philadelphia Park Casino. It  
didn't even mention that there was a race track  
15 there.

                  You mentioned sports betting. But I  
16 think it's interesting that actually you can bet  
on horses at the race track, which most casinos  
17 don't have race tracks.

                  What's happened here as I think I  
18 mentioned in my testimony is that these are casino  
operators coming in to operate casinos at race  
19 tracks, but the race track part of it seems to  
take a back, second position and they're not  
20 marketing it. We've been --

                  REPRESENTATIVE PASHINSKI: How did you  
21 do it before, before the casino was there?

                  MR. DeBUNDA: That was their only  
22 revenue, so therefore they promoted it. The  
Pennsylvania Thoroughbred Horsemen's Association  
23 on its own, slowly with its own dollars, has a  
show on Comcast Sportsnet in Philadelphia to  
24 promote horse racing called "Let's Go Racing."

                  I happen to be the executive producer,  
25 because I thought I should promote it; but the  
money comes from the Pennsylvania Thoroughbred

1 Horsemen's Association. We spend \$4,000 a week,  
\$200,000 a year to promote horse racing.

2 The money goes to the Commonwealth, to  
the track, and to us; but we're doing all  
3 the -- we're spending all the money because we  
think it's something that needs to be done.

4 But the race tracks have not shown  
interest. They used to. They don't show interest  
5 in doing that now. That's why we think there  
should be a mandated 1 percent fund that's used to  
6 promote that because it will not only benefit the  
people in the industry, it will help the  
7 Commonwealth with more revenue and it'll actually  
help the race tracks with more revenue because  
8 more people come out.

And it was disturbing to us to see what  
9 happened to the Pennsylvania Derby which we  
increased from \$500,000 to a million dollars. By  
10 the way, that's our money. Not put out by the  
racetrack. That's the Horsemen put that money up.

11 We increased the purse to a million  
dollars and yet the attendance was a third of what  
12 it used to be in the past because they didn't want  
that many people to come out.

13 They used to have kiddy rides, dunk the  
jockeys in the water. They don't have any of  
14 that. They used to have the Pennsylvania Fair  
there during the Pennsylvania Derby. They don't  
15 have that at all.

16 There's no other attractions to attract  
people there now because they really just want to  
give the money away and go back to the casino, in  
17 our opinion.

18 REPRESENTATIVE PASHINSKI: You need a  
new marketing director.

19 MR. DeBUNDA: You can volunteer for the  
job.

20 REPRESENTATIVE PASHINSKI: And very  
quickly, if table games go in as you heard some  
21 testimony, you're looking at anywhere from, say, 8  
to 15 percent of that. You want 6 percent of  
that?

22 MR. DeBUNDA: The way the bill is  
structured now, the bill we support, it's 26  
23 percent I think to the state, 2 percent to local  
municipalities, and 6 percent to the  
24 horsemen -- the Race Horse Development Fund.  
That's less than it is under the slots bill.

25 And I do understand that it takes more  
personnel to handle table games, but the

1 facilities are already there. They wouldn't have  
2 to build new buildings or -- again, as you also  
had mentioned, the license fee is only 20 percent  
of what it was for the slot machines.

3 So I think that the bill as we see it  
4 is a fair balance. We get less, the state gets  
less, they get more, but there are some increased  
5 expenses. But we think the way the bill is  
drafted is a good balance of the allocation of  
those funds.

6 REPRESENTATIVE PASHINSKI: Thank you  
very much. Thank you, Mr. Chairman.

7 CHAIRPERSON JAMES: Representative  
Gabig.

8 REPRESENTATIVE GABIG: Thank you for  
9 your testimony. You're obviously very expert in  
this matter. I was trying to follow it fairly  
closely.

10 I think what's obvious is when we talk  
11 about the horse industry, it's pretty diverse and  
there are different segments of it. And maybe  
12 that's why Representative Pashinski's questions,  
you know, were a little confusing or maybe we  
asked the wrong person here.

13 And so I might fall in the same trap  
14 and ask you questions that really aren't in your  
area. So just, if I do that, please just say,  
15 hey, that's for the next testifier or somebody  
else who can handle it better.

16 But I had an amendment to the original  
bill. We were permitted I think six or seven  
17 amendments under the way the Parliamentary  
procedure went that night.

18 And one of 'em was trying to help the  
horse industry because, as you said, the original  
19 push for this slots was to save the horse  
industry. And then, you know, when Governor  
20 Rendell came in it was to give property tax relief  
and then it was for economic development. The  
targets changed a little bit there.

21 But you brought us back to that. That  
22 was one of the original purposes of this gaming  
was to try to save the horse racing industry here  
in Pennsylvania.

23 And the amendment I had, I just -- this  
24 is really brief, but I got -- on it. Isn't it  
true that at these horse races a certain  
percentage of 'em have to be Pennsylvania horses?

25 MR. DeBUNDA: No. No, that's not --  
what we have is an incentive program. For

1 example, if that horse that had won that race and  
2 won \$15,000 and I had a Pennsylvania bred, I would  
3 get an additional 40 percent of that for having  
4 the Pennsylvania bred.

5 If I had the mother, if I was the  
6 mother of that horse -- if I owned the mother of  
7 that horse at the time it was born, I would get an  
8 additional 20 percent of that purse. So that's  
9 the -- the incentive to have Pennsylvania-bred is  
10 to -- it's a separate program. It's separate from  
11 the purse. It's through the Horse Breeders Fund.

12 You get incentive for having a  
13 Pennsylvania bred, but it's not a requirement that  
14 you have a Pennsylvania bred run the race. If I  
15 own a Pennsylvania bred, I'm going to run in  
16 Pennsylvania rather than New Jersey because New  
17 Jersey gives me nothing for running in  
18 Pennsylvania; but I would get an incentive for  
19 keeping my horses here.

20 So it helps to keep the horses here by  
21 giving such an incentive for Pennsylvania bred.

22 REPRESENTATIVE GABIG: Is there  
23 anything we could do to increase that opportunity  
24 for Pennsylvania?

25 MR. DeBUNDA: This is, again, some  
background. When someone did wagering on horses  
before slots, 1 percent of that wager went to the  
Breeders Fund. We realized that when slots came  
in and the purses would go up, the wagering would  
not go up on horses. So we had to supplement  
that.

That's why the 16 percent was given to  
the Breeders, to supplement that 1 percent of the  
live handler. So that was -- so therefore, that's  
the money that's used to continue to keep the  
benefit level where it was, so because the 40  
percent was going way down to about half if you  
had not given them the additional money to do  
that.

So I think the way to do it is to make  
sure when you distribute this money there's a  
portion of it that's used for breeders as well as  
for health and pension and for purses.

As long as you keep the level at -- 40  
percent is a very significant rate --

REPRESENTATIVE GABIG: My point  
is -- I'm not interested in helping Kentucky's  
horse industry as much as I'm --

MR. DeBUNDA: Nor am I.

REPRESENTATIVE GABIG: -- interested to

1 help Pennsylvania's agriculture so to speak, if  
2 you will. So anything you could get to my office  
3 that would help Pennsylvania in this regard would  
4 be helpful to me.

5 I've talked to a couple of people over  
6 the years, and I am interested in seeing that  
7 Pennsylvania agriculture has a chance to compete.

8 MR. DeBUNDA: I'd be glad to  
9 send -- again, our organization with its own money  
10 did a summary of the marketing efforts to promote  
11 live horse racing in the United States which we  
12 gave to Senator Brubaker and Senator Piccola in  
13 that hearing we had with them.

14 It shows you what other race tracks  
15 have done to promote horse racing in Pennsylvania.  
16 Because if we can get that up, the Commonwealth  
17 would get more money; there'd be more money for  
18 Pennsylvania horses. So that's one of the ways to  
19 do it.

20 I think the program as it exists now is  
21 pretty strong in the sense that the 40  
22 percent -- I don't think there's a higher  
23 percentage in the country for Pennsylvania -- for  
24 horses bred in that state.

25 I think it's a pretty good program, but  
26 we need to have more people come to the races.  
27 And that was one of the purposes of increasing the  
28 purse is the problem, you need to tell people  
29 what's happening there. I'll be glad to send you  
30 a copy of that.

31 REPRESENTATIVE GABIG: I can get that  
32 from Senator Brubaker or Piccola. I appreciate  
33 you referencing that though.

34 All right, to get to the main part of  
35 your testimony, however, on the percentage, is  
36 this additional 1 percent that you're talking  
37 about to, say, to market horse racing as opposed  
38 to casinos, where is that coming from?

39 MR. DeBUNDA: I would add that onto the  
40 26, 2 and 6, to make it -- instead of 34, I would  
41 make it 35 by having an additional --

42 REPRESENTATIVE GABIG: You're a  
43 horseman. You're fast with numbers here, trifecta  
44 and all that. Is it coming out of -- who's it  
45 coming away from?

46 MR. DeBUNDA: I don't bet on horses  
47 because I get the purse whether it loses --

48 REPRESENTATIVE GABIG: Who's it coming  
49 from? Whose hide are you taking it out of, so to  
50 speak? Let's get down to brass tacks. Where's

1 that 1 percent coming from?

2 MR. DeBUNDA: Obviously, it's coming  
3 from, in this case, it would be the operator since  
4 I'm not increasing the stakes portion -- or I'm  
5 not lowering the stakes portion; I'm lowering our  
6 portion.

7 I'm suggesting an additional 1 percent  
8 to come out of the entire pot, which would make  
9 the operator have to pay 35 percent instead of 34  
10 percent.

11 REPRESENTATIVE GABIG: And that's only  
12 at the --

13 MR. DeBUNDA: But the operator was one  
14 of the people who would benefit from the fact that  
15 we have more -- at least the race track operators  
16 would benefit more from that.

17 REPRESENTATIVE GABIG: That's only at  
18 the race tracks we're talking about. The operator  
19 of the race track casino --

20 MR. DeBUNDA: Right.

21 REPRESENTATIVE GABIG: All right. And  
22 we already heard from a stand-alone that they  
23 think it's confiscatory. What it is right now,  
24 you want to jack it up another percent for the  
25 operators just at the casinos, right?

MR. DeBUNDA: They felt that New Jersey  
had a much better rate than Connecticut did; but  
yet as I think he pointed out, they were quite  
happy to come here. I don't see them shutting  
their doors.

REPRESENTATIVE GABIG: The other  
interesting thing that you said that I hadn't  
heard before was this business of less fans of  
horse racing in Pennsylvania than before. Is that  
just the market or is that -- are there policies  
or regulations that we could address?

MR. DeBUNDA: Well, some of it's  
somewhat unique to Philadelphia Park. Some of the  
race tracks have built new facilities from the  
beginning.

Philadelphia Park decided to have their  
slot machines as quickly as possible, so they  
basically -- and I would invite you to come to  
Philadelphia Park and see that for yourself.

They basically took the building that  
was built for racing and put the slot machines in  
that building and moved the racing facilities to  
only a third of that building.

And we were told that we would have to  
live with that for a couple years because that's

1 what was necessary to let them build a stand  
2 alone. Then they asked for an extension of  
3 another year to do that. So now we're going to be  
4 there for three years.

5 And it's just not a pleasant place to  
6 come if you're coming for horse racing because the  
7 casino now has two -- the two lower floors for the  
8 most part of that building and it's just not a  
9 great place to come.

10 As a horse owner, only recently did we  
11 get our boxes restored. If you came there as an  
12 owner, you had no place to sit, you didn't have  
13 any place to go, and you couldn't get food service  
14 or anything like that.

15 They were so intent on building the  
16 casino portion of it that the race track was,  
17 well, we'll get to that whenever we get to it.

18 Now, through the strength of the Gaming  
19 Commission and the Racing Commission, we now have  
20 in the agreement that they've signed when they  
21 build it that they will restore the building back  
22 to pretty much what it was and hopefully that will  
23 change in two of three years.

24 But at the same time, there's no  
25 advertising or promotion of racing at all in  
26 Pennsylvania. And I mean, --

27 REPRESENTATIVE GABIG: Why would you  
28 want to promote it if it's such a lousy facility  
29 for the fan to come? You're saying it's a bad  
30 facility --

31 MR. DeBUNDA: When I had a horse  
32 running, I would go for the day, spend there,  
33 bring friends. I don't do that now. I go, I'd  
34 watch my race, and leave. It's just not a  
35 pleasant place to be --

36 REPRESENTATIVE GABIG: You're an avid  
37 fan I guess, right? So you're not gonna attract  
38 any new fans no matter how much money you spend on  
39 advertizing if it's a lousy facility. Is that  
40 fair?

41 MR. DeBUNDA: You need to do both, but  
42 I think hopefully by the end of --

43 REPRESENTATIVE GABIG: Don't you need  
44 to do the first one first though? Don't you need  
45 to make it a nice place for people to come to  
46 watch the horses before you start marketing and  
47 saying come here to this lousy place --

48 MR. DeBUNDA: That's true of  
49 Philadelphia Park, but you have now at Penn  
50 National a gorgeous facility is there. The

1 facility's already there. I think you can  
start -- horse racing there and have people --

2 REPRESENTATIVE GABIG: Over here in  
Dauphin County --

3 MR. DeBUNDA: Yes.

4 REPRESENTATIVE GABIG: Okay.

5 Horse -- that was one of the big things to save  
the horse industry, and it sounds like that was  
6 given the back seat or the whip hand or whatever  
the term is in horse racing. It didn't really pan  
out --

7 MR. DeBUNDA: Well, the purses have  
increased --

8 REPRESENTATIVE GABIG: People are  
making money; I know that. But it's not  
increasing -- it's not saving the industry if  
9 people aren't going to come to see it. Thanks you  
very much for your testimony.

10 CHAIRPERSON JAMES: Thank you.

11 Also, how's Chester in terms of their  
racing? What do you think of that facility?

12 MR. DeBUNDA: That's a standardbred.  
I'm not an expert in that area. But I know that  
they built a new facility from the beginning. The  
13 interesting thing there is they -- you can  
actually see the horse races from the casino.  
14 Their restaurants, their viewing areas look at  
onto the track.

15 They're not a year-around racing  
facility, but it's mixed together so that  
16 really -- an interesting earlier testifier talked  
about people wanting to come and bet table games  
and slots.

17 Well, what if that guy wants to go to  
18 the races and slots or races and table games? The  
facility that helps that to happen will generate  
19 more better and better participation in both.

20 Again, what's happening in Philadelphia  
Park because they thought it was the right way to  
do it, it's going to be a separate facility for  
21 slots versus racing. You're going to have a  
600-yard walk between the buildings.

22 It won't quite be what we would have  
liked to have had; but they're going to have a  
23 shuttle service back and forth. But I think it's  
important to have a facility that emphasizing both  
24 forms of sport and gaming there, not just one, and  
to promote it that way.

25 It was very disturbing to me, as I told  
you when I was just watching a television

1 show -- this was a national show, by the way. I  
happened to be watching it with my wife. It was  
2 American Idol, which everybody knows.

3 And they had spent the money, whatever  
it costs, for American Idol, which is not cheap.  
4 And it said Philadelphia Park Casino. It did not  
mention horse racing at all. That was disturbing  
to me.

5 CHAIRPERSON JAMES: Can you also  
provide the Committee with that report you talked  
6 about --

7 MR. DeBUNDA: Yes, I'd be glad to.

8 CHAIRPERSON JAMES: -- make sure we get  
it to the rest of the Members.

9 MR. DeBUNDA: I'd be glad to do that.

10 CHAIRPERSON JAMES: Thank you for your  
testimony.

11 MR. DeBUNDA: Thank you for your time.

12 CHAIRPERSON JAMES: We're now going to  
hear from Robert DeSalvio, President of Sands  
BethWorks located in Bethlehem, Northampton  
13 County. Okay.

14 MR. De SALVIO: Good morning,  
Mr. Chairman and Members of the Gaming Oversight  
15 Committee.

16 Thank you for allowing me the  
opportunity to testify before your Committee to  
17 discuss House Bill 2121 and why it is important  
for the Commonwealth of Pennsylvania to approve  
18 legislation that will allow licensed gaming  
operators the ability to provide table games at a  
19 fair tax rate.

20 I am Robert DeSalvio, President of  
Sands BethWorks Gaming, LLC. I've been employed  
21 by Sands BethWorks since November of 2006.

22 Prior to the Sands, I was Executive  
Vice-president of Marketing for Foxwoods Resort  
23 Casino in Connecticut for nine years and spent the  
prior 18 years in executive capacities at the  
24 Sands, Bally's, and Caesars Atlantic City.

25 I'm a graduate of the University of  
Denver School of Hotel, Restaurant, and Tourism  
management.

The Sands Bethlehem is a mixed-use,  
26 integrated resort development including gaming,  
dining, retail, hotel, and conference components  
27 located on a hundred and twenty-four acres of land  
that was once the heart of the Bethlehem Steel  
28 plant.

The site has been vacant for over ten

1 years. We were awarded a Category 2 license in  
2 December of 2006 and have been under construction  
and preparing for our 2009 opening.

3 When completed, the Sands Bethlehem  
4 will be the largest gaming venue in the  
Commonwealth representing a total investment of  
5 \$800 million, providing an estimated 1800 and  
6 twenty-five permanent and 1200 construction jobs.

7 Our integrated resort development will  
be the largest Brownfield redevelopment in the  
8 country and will be one of the largest private  
commercial construction projects in Pennsylvania  
9 history.

10 The Sands Bethlehem is a Las Vegas  
Sands Corp development. Las Vegas Sands Corp is  
11 the largest integrated mixed-use development  
company in the world.

12 Our company currently owns and operates  
13 the Venetian, Palazzo, and Sands Expo Center in  
Las Vegas and the Sands and Venetian Macao. We  
14 are currently developing the Cotai Strip, Asia's  
Las Vegas, in Macao and Marina Bay Sands in  
15 Singapore.

16 The Sands Bethlehem will draw the  
majority of its customers from northern New  
17 Jersey, New York metro, and Lehigh Valley markets.  
We will be directly competing against the Atlantic  
18 City, New Jersey, casinos along with Foxwoods and  
Mohegan Sun, both in Connecticut.

19 All these destinations can  
20 differentiate themselves from the Sands Bethlehem  
because they can provide table game operations for  
21 their customers and their state tax rates on  
gaming are very favorable.

22 The New Jersey tax rate on table games  
and slots is 9.25 percent. In Connecticut, the  
23 tax rate is 25 percent for slots and zero on table  
games.

24 The 2007 report of the Video Lottery  
Advisory Council in the State of Delaware  
25 recommends that the State begin the process of  
authorizing table games at the three existing  
26 video lottery facilities.

27 The State of New York is considering  
several different proposals to expand gaming, and  
28 Maryland has been talking for a number of years  
about approving slots at their race tracks.

29 If any of these states approve new  
gaming legislation, we will have new competitors  
30 that will attempt to draw customers away from the

1 Commonwealth.

2 In today's highly competitive regional  
3 gaming marketplace, our customers will demand full  
4 amenity gaming, which includes table games.

5 If Pennsylvania's going to maximize a  
6 successful gaming industry that provides  
7 significant tax relief for its citizens,  
8 sufficient tax revenue for the state government,  
9 and generate new jobs and economic investment, the  
10 Pennsylvania General Assembly needs to approve  
11 legislation that will allow us to provide table  
12 games options to our customers at a fair tax rate.

13 If we are allowed to provide table  
14 games at a fair tax rate, we would be prepared to  
15 add up to 200 table games. Two hundred table  
16 games would translate into approximately 800  
17 full-time employees, all employed at excellent  
18 wages.

19 Please understand that we train all of  
20 these positions so that almost all of these  
21 employees will be hired from within our local  
22 community.

23 In addition to these full-time  
24 employees, Las Vegas Sands Corp will significantly  
25 increase its \$800 million investment, already the  
largest in Pennsylvania, in order to build new  
facilities to accommodate table games.

The new capital investment for table  
games would lead to additional investment on other  
parts of the integrated resort site to meet  
increased consumer demand.

It's likely other nongaming amenities  
such as additional restaurants, guest rooms,  
meeting space, and retail will be developed  
alongside the table games offering to accommodate  
additional visits and different demographics of  
the table game player.

Approval of table games at a fair tax  
rate will result in a multiplier effect by having  
a positive local impact not only through the  
creation of construction jobs to build  
infrastructure on our 124-acre site, but  
additional revenue generated by local suppliers  
and vendors to support this new development.

The multiplier effect is even more  
significant for table games operations since team  
member wages are relatively higher and a patron  
demographic for table games on average have a  
higher disposable income than slot players.

If table games are approved,

1 Pennsylvania will be more competitive in the  
2 regional gaming marketplace and will provide  
3 significant source of additional tax revenue.

4 It is important to note, however, that  
5 when considering the implementation of table  
6 games, because of the labor-intensive nature of  
7 these games along with our operating costs, it's  
8 simply not feasible to operate profitably with a  
9 substantial tax rate such as those imposed for  
10 slot revenues.

11 In our view, a significant but  
12 reasonable tax rate for table games would be 15  
13 percent of revenue. A tax rate beyond 15 percent  
14 will clearly impact the table game offering, the  
15 magnitude of the capital investment made to  
16 accommodate these games, and our ability to  
17 compete with lower tax rate jurisdictions such as  
18 New Jersey, which we'll be competing with the  
19 valuable New York metro and northern New Jersey  
20 customer.

21 It's important to note that due to  
22 salaries, benefit costs, employment taxes,  
23 marketing, and other expenses, it costs over three  
24 times more to operate a table game than a slot  
25 machine on a per seat basis.

Using a 15 percent tax rate model,  
there would be significant tax revenues generated  
for the Commonwealth of Pennsylvania.

Assuming a conservative win of \$2500  
for 1200 table games in 12 Category 1 and 2  
casinos throughout the state, incremental tax  
generated from the table games alone would be over  
a hundred and sixty-four million annually.

It's important to note that additional  
tax revenues will be generated from increased slot  
play through the addition of table game offerings.

A significant number of people from our  
potential trading area make visits to other gaming  
jurisdictions simply because we do not offer table  
games as an option. The addition of the table  
games would provide an opportunity for the  
Pennsylvania casinos to have a full-service  
product offering.

Any group of potential customers where  
some prefer table games, some prefer slots would  
likely choose Atlantic City over one of the  
Pennsylvania casinos simply because they could  
enjoy their own preferences.

And the best example of this  
table/slots synergistic effect is in the State of

1 Iowa which had the experience of adding table  
games after operating slot-only race tracks.

2 With the three tracks operating table  
3 games, the percentage of slot growth increased  
substantially. From December of 2006 till June of  
4 2007, there was an increase of over 16 percent in  
slot revenue compared to a growth rate of 1.7  
percent prior to the introduction of table games.

5 We also understand that the  
6 introduction of table games in West Virginia is  
expected to provide positive results in that  
7 jurisdiction. It's probably just a little bit too  
early to get a good number on that.

8 In summary, we urge the Members of this  
Committee to support table games in Pennsylvania  
at a fair tax rate.

9 Your decision to approve table games  
10 will be a great benefit to Pennsylvania's emerging  
gaming industry, allow our properties to be more  
11 competitive in the region, increase jobs in the  
Commonwealth, inject new capital in the host and  
12 the surrounding communities, and generate  
additional tax revenue for the Commonwealth.

13 I'd like to really thank the Members of  
the Committee for giving us this opportunity to  
14 speak. And certainly on behalf of everyone at Las  
Vegas Sands Corp, we're willing to take some  
questions.

15 CHAIRPERSON JAMES: Thank you. Thank  
you for your testimony. You indicate that your  
16 flat rate is -- fair rate -- fair rate is 15  
percent. And who provided -- can we have a copy  
17 of your testimony also?

18 MR. De SALVIO: Sure. I thought it was  
provided in advance.

19 CHAIRPERSON JAMES: No, it wasn't. We  
didn't get it.

20 MR. De SALVIO: I have copies here.  
Absolutely.

21 CHAIRPERSON JAMES: Sure. Then can  
somebody from our staff get it?

22 Did you provide us with the hourly  
track gaming revenues?

23 MR. DeSALVIO: I'm sorry?

CHAIRPERSON JAMES: Did you provide  
24 that to us?

MR. DeSALVIO: Track gaming revenues?

25 MR. SOPER: That was a part of my  
testimony.

CHAIRPERSON JAMES: I was just seeing

1 where the slot percentage growth in 12 months  
2 preceding table games was only 1.72 percent and  
3 after the introduction of table games it went to  
4 9.46 percent.

5 Was that over what period of time?

6 MR. DeSALVIO: It was a -- they looked  
7 at the -- if I'm not mistaken, the first full year  
8 after table games introduction.

9 CHAIRPERSON JAMES: Okay. All right.  
10 Thank you. Okay. Do we have any questions?

11 Representative Gabig.

12 REPRESENTATIVE GABIG: Thank you, and  
13 thank you for providing a copy of your testimony  
14 to us.

15 But I was listening. Although I didn't  
16 have the written copy in front of me, I was  
17 listening carefully and I heard -- just to go back  
18 to our original little debate whether or not this  
19 is an expansion of gaming or not.

20 I don't want to get into a semantic  
21 debate, but clearly you said there are going to be  
22 increases and additional and growth, I mean, those  
23 terms that you used.

24 How much growth are you anticipating if  
25 this bill was passed?

MR. DeSALVIO: Assuming that it were  
passed and at a recommended tax rate of 15  
percent --

REPRESENTATIVE GABIG: Well, let's talk  
about revenues initially. So forget about how  
much we're going to take from you. Revenues, how  
much growth are you looking at?

MR. DeSALVIO: It's --

REPRESENTATIVE GABIG: Ball park.

MR. DeSALVIO: Ball park revenue, I  
actually don't have the math in front of me; but  
we mentioned in the testimony \$2500 win per unit  
per day at an approximate 200 number of table  
games. I don't have a calculator, but clearly we  
just add up those numbers.

REPRESENTATIVE GABIG: And that's just  
with the table game component --

MR. DeSALVIO: That is the gross  
revenue from table games on a win-per-unit basis,  
correct.

REPRESENTATIVE GABIG: All right. But  
you also said, I think, that there is a impact in  
slots that when you introduce table games you also  
increase your slot revenue; is that right?

MR. DeSALVIO: That is correct. We

1 would estimate -- although I didn't estimate a  
2 number but we used Iowa as an example whereby if  
3 the introduction of table games is brought into a  
4 facility that already hosts slot machines, because  
5 of the available options and becoming a  
6 full-service facility, we would hope that you'd  
7 see also increases within slots along with the  
8 increases in the table games.

9 REPRESENTATIVE GABIG: All right. So  
10 when you combine those, it's a significant  
11 increase in revenue if this bill were passed; is  
12 that right?

13 MR. DeSALVIO: I want to clarify one  
14 thing. If the bill were passed in its current  
15 form at the tax rate that's proposed, I don't  
16 believe we would add the same number of table  
17 games that I proposed in my testimony.

18 In the testimony I suggested a 15  
19 percent rate. And at that rate, we would be  
20 willing to put in up to 200 table games. As the  
21 tax rate would increase, we would correspondingly  
22 decrease the amount of games we would put in and  
23 the potential for additional investment within the  
24 facility. And simply that's a matter of math.

25 In other words, the tax rate has a  
direct proportion to what we feel is our ability  
to provide additional investment dollars on top of  
the 800 million that we put in the facility.

REPRESENTATIVE GABIG: So if there was  
a fair rate, as I think the Chairman heard you say  
and I think I heard you say a couple of times, you  
would anticipate significant growth in your  
company's revenue for gaming both at the table, at  
the slots, at the food -- I mean, all of your  
revenue that you generate there at your business,  
if we pass this bill with the fair rate, you're  
anticipating significant growth in your revenue?

MR. DeSALVIO: Yes, I am.

REPRESENTATIVE GABIG: And some of us  
consider that to be an expansion and you're  
expanding your business and others want to quibble  
about that term. But I think the real argument is  
what should we do first to go back to where we  
were?

The licensing issue where we had  
reports just this week that the Board was sending  
back to its investigators six different times the  
investigative report until the investigators that  
worked for them got it right and they got a -- and  
they gave a license to them.

1                   So don't you agree since 2121 talks  
2 about licensing -- I went through this. At least  
3 Don't you think and agree with those of us that  
4 say whether you're for this expansion or not for  
5 it, it doesn't matter, that we have to address  
6 this issue of the licensing procedure here in  
7 Pennsylvania given the scandalous reports that  
8 we've had out there before we move on to whether  
9 or not we should expand it into table games?

10                   Don't you agree with that?

11                   MR. DeSALVIO: Actually, I feel and I  
12 believe our company feels that this is a question  
13 that is directly -- should be answered by the  
14 Legislature itself. Because our position is we  
15 were thoroughly, thoroughly licensed as part of  
16 the process as well as being in other  
17 jurisdictions.

18                   We are also a publicly-traded company.  
19 And so besides the normal regulations that come  
20 with gaming and gaming control boards, we have the  
21 SEC and all of the various issues, Sarbanes R.  
22 Oxley (phonetic) that are involved with public  
23 companies.

24                   We have been scrutinized up one side  
25 and down the other --

26                   REPRESENTATIVE GABIG: Your business,  
27 your business, in your particular business as far  
28 as I know, I have seen no public reports regarding  
29 your business at all.

30                   But you're in an industry here in  
31 Pennsylvania where one of the seven has been  
32 indicted. Doesn't that -- doesn't that concern  
33 you not just from the Legislature's point, because  
34 I've heard from my constituents.

35                   But I would think as a person in that  
36 business you would want to make sure that the  
37 process that is in there and the procedure that  
38 we're following is above reproach so that you can  
39 maintain your good business reputation. Isn't  
40 that fair?

41                   MR. DeSALVIO: I think it's fair to say  
42 that we feel that it's a very thorough process  
43 today. And I think it's really important for the  
44 Legislature to figure out what branch that it --

45                   REPRESENTATIVE GABIG: Okay. So it's  
46 our job?

47                   MR. DeSALVIO: It really is -- and as  
48 far as we are concerned, it really doesn't matter  
49 which branch is conducting investigations, because

1 we're going to be thoroughly investigated under  
any circumstance.

2 CHAIRPERSON JAMES: Right. And I want  
to thank you for that because I think,  
3 Representative Gabig, that those questions  
probably need to go to our Task Force or, if the  
4 Committee decides to have another hearing as it  
relates to that, as opposed to talking to an  
5 operator, a potential operator.

6 Because those reports that was in the  
paper were by unnamed sources. They're  
7 allegations. And I think that's what our Task  
Force is looking into. And I think it's unfair  
to, you know, to ask those questions. Though I  
8 know you're trying to make sure that he is okay  
with it.

9 But I think what we want to get is  
you -- in terms of what you're talking about the  
10 equity, you said that the way this bill is  
proposed you support the concept but you don't  
11 support the tax.

12 Is that because we are asking for in  
this bill, 2121, 34 percent and you're saying that  
it should be 15 percent?

13 MR. DeSALVIO: That's correct. And  
primarily due to the fact that it costs so much  
14 more to operate a table game than it does a slot  
machine. And so we want to make more investment.  
15 As we mentioned, we want to build a facility.

16 And by the way, I'm not talking about  
just gaming. I'm talking about the nongaming  
facilities. The great news about our site, it's a  
17 hundred and twenty-four acre site. Our first part  
of our project uses up about 56 acres of that  
18 site. And we have a significant master plan to  
continue to develop the site well past gaming.

19 The table games legislation could help  
us make decisions like that on a going forward  
20 basis that would expand the footprint to things  
even other than gaming.

21 So clearly there's some great  
opportunities for additional economic development  
22 in the -- not only in Bethlehem, but I think that  
would help the overall Lehigh Valley.

23 CHAIRPERSON JAMES: Thank you.

24 Representative Pashinski.

25 REPRESENTATIVE PASHINSKI: Thank you,  
Mr. Chairman. And thank you very much,  
Mr. DeSalvio.

MR. DeSALVIO: You're welcome.

1                   REPRESENTATIVE PASHINSKI: I'm going to  
2 try to set up an analogy here and see if this  
works for us. I might view the gaming industry as  
an amusement park.

3                   MR. DeSALVIO: Okay.

4                   REPRESENTATIVE PASHINSKI: Would it be  
a fair assessment to say as you open your Phase I,  
it included some food and it included some rides,  
5 the tilt-a-whirl and the Merry-go-round and so on.

6                   And now as -- and with that, you also  
have paid your taxes to the communities and to the  
state. And with that, you feel as though you'd  
7 like to continue the growth of your amusement  
park. So adding table games would be no different  
8 than adding the ferris wheel and the most exciting  
roller coaster.

9                   MR. DeSALVIO: That's an excellent  
analogy.

10                  REPRESENTATIVE PASHINSKI: And by doing  
that, those people that enjoy the excitement of  
11 the roller coaster would also bring their family  
with them and they could enjoy the tilt-a-whirl  
12 and the Merry-go-round while you enjoyed the  
roller coaster.

13                  And it would probably be your hope some  
day to become, you know, a Disney World. So this  
14 is an adult park and it's a great business. And I  
just had to say that because I think that that  
15 might --

16                  MR. DeSALVIO: It's a very good  
analogy.

17                  REPRESENTATIVE PASHINSKI: Thank you.

18                  CHAIRPERSON JAMES: Representative  
Pashinski, that's a great analogy and I think  
19 it's -- the game that goes on, additional choices.  
Thank you so much for your testimony.

20                  We're going to call our last testifier.

21                  MR. DeSALVIO: Thank you very much.

22                  CHAIRPERSON JAMES: Thank you so much.

23                  Dr. Paul Spears from the Standardbred  
24 Breeders Association.

25                  MR. SPEARS: Good morning, Chairman  
James and the other Members of the House Gaming  
Oversight Committee. My name is Paul Spears. I'm  
Executive Director of the Standardbred Breeders  
Association of Pennsylvania.

Our organization represents over 500  
breeders of standardbred horses in the  
Commonwealth and, as such, most of our membership  
are farmers with farms and facilities of various

1 sizes.

2 My main paying job is that of President  
3 of Standardbred Horse Sales Company. My company  
4 sells about 2200 standardbred horses, mixed fairly  
5 evenly between yearlings and other horses at the  
6 Pennsylvania Farm Show Complex every November.

7 Last year, our sale generated about \$70  
8 million in revenues. As a result of the new  
9 interest in breeding in Pennsylvania, we also  
10 started a special sale that focused on  
11 Pennsylvania yearlings called the Pennsylvania  
12 Preferred Yearling Sale, just started for the  
13 first time last year, which sold about 220  
14 yearlings and about 90 percent of them were bred  
15 in Pennsylvania.

16 This sale was started to accommodate  
17 the increasing numbers of yearlings that have been  
18 bred in the Commonwealth as a result of the  
19 anticipation of the benefits of slots revenues.

20 I also am Vice-president of Hanover  
21 Shoe Farms, which is the largest standardbred  
22 breeding farm in the world and actually has -- our  
23 progeny have more earnings at the races than the  
24 earnings of any farm of any breed anywhere.

25 We have about 3,000 acres in Hanover,  
PA, and we have about -- approximately 1300 horses  
on the farms. I also am managing partner of  
Windsong Stable, which is a small, family-owned  
breeding operation. We have about 25 brood mares.

We raise and sell our own yearlings.  
And I was fortunate enough to breed Windsong's  
Legacy, who was our 2004 Triple Crown Winner. So  
I have a lot of hats. I have experience in the  
marketing side and the breeding side as a large  
breeder and a small breeder.

But our base is a Pennsylvania farm.  
And this Pennsylvania farm has been impacted very  
significantly by slots legislation and will  
continue to do so in the future.

We appreciate this opportunity to  
address you about House Bill 2121 which would  
authorize table games in the Commonwealth. Our  
breeders organization supports the concept of  
licensing table games at licensed slots facilities  
under the stringent legislative guidelines.

House Bill 2121 will ensure the fair  
and lawful operation of these activities to  
benefit Pennsylvanians with property tax relief  
and support for the Pennsylvania equine industry.

However, when we look at the

1 distribution of the revenues, it quite frankly is  
2 a bit disturbing for those of us who originally  
3 envisioned slots legislation to be providing  
4 property tax relief for the citizens of the  
5 Commonwealth and support for the horse racing  
6 industry.

7 I think not being an expert -- and I  
8 will be the very first person to admit that -- not  
9 being an expert about what percentage is really  
10 the right percentage for operator  
11 revenue -- operator distribution for table games  
12 or whatnot, it's very difficult to overlook the  
13 fact that the share -- a lot of the benefit of the  
14 equine industry has fallen from the 18 percent  
15 that we will ultimately get at our own facilities  
16 after the stand-alones are established down to 6  
17 percent in table games. And that's bothersome to  
18 us, quite frankly.

19 Operators are lobbying for this  
20 increased distribution because they claim that  
21 table games are more expensive to conduct, and I'm  
22 sure that's probably true.

23 The thing is though, you know, we've  
24 started off I think with our very best deal, which  
25 is providing property tax relief for the people of  
the Commonwealth and support for the horse racing  
industry and slots legislation.

And I think it should be incumbent upon  
operators to prove that these increased costs that  
they're talking about require a different  
distribution in fact are justified.

The simple fact is, is that every  
business provides products and services at varying  
profit potential. And I think we should look very  
carefully when we're asked that the citizens of  
Pennsylvania should give up an additional share of  
gaming earnings to boost the profits of gaming  
companies.

Now, I think there are some  
observations that can be made about what has  
happened so far. Major capital construction  
expenditures have already established the bricks  
and mortar of slots facilities. I don't think  
I've heard anyone talking about needing to build a  
new facility to house table games.

As an outside person looking in, it  
would seem like any alterations to existing  
facilities would probably be minor.

I would ask the question, if in taking  
account of costs projections for table games, are

1 the costs that are associated with alteration of  
slots facilities all new?

2 Or are they redistributing some of the  
3 costs that were originally projected to go along  
4 with slots and putting them on the side of table  
games  
to -- cost?

5 Another example is that most of the  
6 additional costs should be that of personnel.  
7 We've already heard about how these people will be  
8 making \$22 an hour. And that's a really good  
9 wage. On the other hand, we also heard that the  
10 actual cost to the operator's more like \$6.50 to  
11 \$7.50 an hour.

12 Now, which of those costs is going to  
13 be reflected in the estimates that are going to be  
14 given to you to justify the increase in their  
15 revenue portion?

16 Again, I'm not an expert on that and I  
17 really don't know. To an outside person, to me,  
18 table games are kind of found money. They have  
19 their facility, they open up every morning, people  
20 come in, they play slots machines and now they can  
21 play table games.

22 The nice thing about table games is  
23 that they'll bring in a lot of people who don't  
24 like to play slot machines. I don't like to play  
25 slot machines. I think they bore me to tears.

26 I enjoy playing a little blackjack or  
27 even playing a little craps, but you couldn't get  
28 me into a gaming facility to pull a slot machine  
29 handle. But I will come to a table game. Maybe  
30 I'll bring a friend who also plays shot machines.

31 We've heard how there's a synergistic  
32 effect of the table games and slots machines in  
33 bringing in more slot machine money. Again, there  
34 is a positive benefit to table games over and  
35 above the actual revenues that they generate. How  
36 is that additional revenue taken into account on  
37 these projections? Again, I don't really know.

38 The fees for table game licenses are  
39 much reduced from those of slot licenses, which  
40 were already inexpensive in comparison with  
41 similar fees from other states.

42 We understand that one slots license  
43 applicant will be paying \$50 million for a PA  
44 license after paying \$400 million for a license in  
45 another state. I believe that operators have  
already received tremendous benefits from cheap  
licensing fees in Pennsylvania.

1                   Therefore, we strongly urge the PA  
2 House of Representatives and Gaming Oversight  
3 Committee to put the people of Pennsylvania first  
4 and take back the conversation here to talk  
5 instead about taxes and expenditures and  
6 confiscatory rates expenditures, and emphasize  
7 that this is a partnership whereby the people of  
8 Pennsylvania were supposed to benefit from this  
9 first. And in doing so, I think we will come to  
10 the best possible outcome for all concerned.

11                   And I thank the Committee very much for  
12 addressing you and I'd be happy to answer any  
13 questions.

14                   CHAIRPERSON JAMES: I want to first  
15 thank you for your testimony. Now, you're  
16 saying -- do you have -- are the figures that you  
17 suggest is in your testimony in terms of, you're  
18 saying that --

19                   MR. SPEARS: I'm saying that we're  
20 starting off with a good deal in slots. And  
21 honestly, after hearing everyone else, I think  
22 that I don't know what the figure should be. I  
23 have no access to industry figures for costs. I  
24 really don't.

25                   And I really honestly have a great deal  
26 of compassion for all of you not having your whole  
27 lives being able to be devoted to looking at each  
28 line item of what you're given because, gee, this  
29 is going to cost this and this is going to cost  
30 that and in New Jersey they're making "x"  
31 percentage.

32                   The fact is they have accountants that  
33 do nothing but this all day long, and you're at a  
34 disadvantage to know what you're really being  
35 given.

36                   We do hope that the State accountants  
37 will look very carefully at this and make sure  
38 that the people of Pennsylvania will maximize  
39 their benefits at the end of the day and that the  
40 gaming operators will receive a fair share that  
41 allows them to operate their business profitably.

42                   CHAIRPERSON JAMES: Okay. That's fair  
43 enough. Thank you.

44                   Representative Gabig.

45                   REPRESENTATIVE GABIG: The 400 million  
46 license that you referred to in another state,  
47 what other state was that, are you aware?

48                   MR. SPEARS: Indiana.

49                   REPRESENTATIVE GABIG: And was that set  
50 by the state? We set our 50 million and there's a

1 10 million in here I think I heard. Or was that  
2 auctioned off, or how did it get 400 --

2 MR. SPEARS: I would have to get you  
3 more information.

3 REPRESENTATIVE GABIG: Another one of  
4 our amendments that I thought was a good amendment  
5 whether you're for or against gaming was to  
6 auction off these licenses, because we didn't  
7 think that 50 million -- we thought we were giving  
8 away.

6 And I couldn't -- I was asking some of  
7 the operators, How much extra revenue do you think  
8 you're getting; and I wasn't getting -- I think  
9 the one gentleman said significant. I got him to  
10 say significant.

9 But, you know, I think that we need to  
10 look at that. \$10 million might be giving this  
11 thing away just like we gave the 50 million one  
12 away. And I think we should look at the  
13 opportunity to auction these licenses in addition  
14 to that.

12 And I appreciate your testimony. Thank  
13 you very much, Mr. Chairman.

13 CHAIRPERSON JAMES: Representative  
14 Pashinski.

14 REPRESENTATIVE PASHINSKI: I guess it's  
15 how you look at it. The lower the license fee,  
16 the higher taxes as opposed to get the money up  
17 front and then lower taxes less in the long run.  
18 Because Iowa or Indiana do not have again the tax  
19 rate. So I just want to make sure that that's  
20 said for the record.

17 So as long as gaming does extremely  
18 well, we could actually make out better over time.

18 CHAIRPERSON JAMES: Thank you.

19 MR. SPEARS: Thank you.

19 CHAIRPERSON JAMES: Okay. In light of  
20 the fact that there's no more questions, we're  
21 going to adjourn this hearing. And this will be  
22 mindful that we do have other hearings in the  
23 future.

22 We're possibly looking at having an  
23 additional hearing as it relates to additional  
24 choices, and table games are approximately on the  
25 28th in Representative Pashinski's district.

24 REPRESENTATIVE PASHINSKI: That's  
25 correct.

25 CHAIRPERSON JAMES: Thank you very  
much, and the hearing is hereby adjourned.

(The proceedings concluded at 12:22

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C E R T I F I C A T E

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