

**Statement of Ron Baumann, Senior Vice President and General Manager
Harrah's Philadelphia Casino and Racetrack
Prepared for the Pennsylvania House Health Committee
Hearing on HB 682
June 15, 2015**

Harrah's Philadelphia Casino and Racetrack ("Harrah's Philadelphia") opposes provisions in HB 682 that would eliminate the limited smoking ban exemption now and historically afforded to Pennsylvania licensed gaming facilities. While no one questions the health issues involved with smoking, the impact of casino smoking prohibitions on government budgets, local communities, and families of workers reveals the need for balance in this area, which we believe current Pennsylvania law achieves.

Historical evidence from around the world demonstrates conclusively that whenever smoking has been banned in gaming establishments, the bans have resulted in immediate and significant negative effects on the businesses, the tax base, the jobs base, and host communities. The track record from the United States is remarkably consistent and permits us to be confident about the magnitude of the negative effects of a full smoking ban in Pennsylvania casinos.

- Researchers at the Federal Reserve Bank of St. Louis examined the effect of smoking bans on individual casino revenue in Delaware, finding that casino revenue declined significantly at each of Delaware's three casinos, with a total negative revenue impact of 15 percent.¹ Other researchers publishing in the respected, peer-reviewed journal *Economic Inquiry* independently evaluated the Delaware experience, and their findings corroborated those of the Fed researchers that the smoking ban caused a double-digit decrease in gaming revenue.²
- Similarly, researchers at the Federal Reserve also evaluated the effects of a smoking ban at Illinois casinos, finding that because of the ban, revenue and admissions at Illinois casinos declined by more than 20 percent (\$400 million) and 12 percent, respectively.³
- The most recent casino smoking ban was established earlier this year by the City of New Orleans, which banned smoking in the single land-based casino in Downtown New Orleans. Other casinos in the immediate New Orleans marketplace, just outside of the city's boundaries, were unaffected by this ban. Year over year revenues at the downtown New Orleans casino are down 16 percent, while revenues at the nearby riverboat casinos increased.

¹ Michael A. Pakko, "Smoke-Free Law Did Affect Revenue From Gaming in Delaware," Research Division, Federal Reserve Bank of St. Louis, June 2005.

² Richard Thalheimer and Mukhtar M. Ali, "The Demand for Casino Gaming with Special Reference to a Smoking Ban," *Economic Inquiry*, Vol. 46. No. 2., April 2008, 273-282.

³ Thomas A. Garrett and Michael A. Pakko, "The Revenue Performance of Casinos after a Smoking Ban: The Case of Illinois," Research Division, Federal Reserve Bank of St. Louis, June 2009 (Revised March 2010).

Using Pennsylvania's reported 2014 revenues as a base, and projecting an impact similar to that experienced in New Orleans would mean lost revenue of \$57 million annually at Harrah's Philadelphia and \$611 million at all Pennsylvania casinos, translating into lost gaming tax revenue to the Commonwealth of \$22 million from Harrah's Philadelphia and \$233 million from all Pennsylvania casinos.

The deleterious effects of casino smoking bans should already be well-known in Pennsylvania. Originally, Pennsylvania casinos were permitted to have smoking on 25 percent of the casino floor, but could increase that to 50 percent after 90 days provided the casino could demonstrate that machines in the smoking section were busier than those in the nonsmoking section. All of the state's casinos demonstrated this disparity in performance and have been granted smoking section expansions to the maximum 50 percent, some after showing the machines in smoking sections generate nearly triple the money of the machines in nonsmoking areas.

The evidence is clear: a blanket prohibition on smoking in Pennsylvania casinos will mean less spending by casino customers, job losses for Pennsylvania residents, and state and local tax revenue losses. For these reasons, we oppose HB682's elimination of the limited smoking ban exemption.