



**TESTIMONY BY ERIC SCHIPPERS, SENIOR VICE PRESIDENT OF PUBLIC AFFAIRS  
& GOVERNMENT RELATIONS FOR PENN NATIONAL GAMING, BEFORE THE  
HOUSE GAMING OVERSIGHT COMMITTEE  
May 1, 2017**

Chairman Petri, Chairman Harkins, and members of the House Gaming Oversight Committee:

Thank you for affording me the opportunity to testify today regarding retail gaming, otherwise known as VGTs, in Pennsylvania. My name is Eric Schippers and I am the Senior Vice President of Public Affairs and Government Relations for Penn National Gaming.

As you may know, Penn National Gaming is headquartered in Wyomissing, just outside of Reading. We're proud to operate Hollywood Casino at Penn National Race Course in Grantville, our namesake property, in which we've invested nearly \$350 million and employ a workforce of approximately 1,000 Pennsylvania residents.

We also have 28 other facilities in 17 jurisdictions across North America, including three casinos in Illinois, where we experienced firsthand the advent of retail gaming, which has grown into more than a billion dollar industry there over the last five years.

Initially, we stood by and watched as our three land-based casinos in Illinois were cannibalized by the proliferation of retail gaming around the state. Meanwhile, this new industry was being embraced by the state gaming regulators and the host communities in which the VGTs were located. Recognizing retail gaming was here to stay and that we had a choice of either burying our heads in the sand and taking our losses, or trying to mitigate the impact and generate value for our shareholders, we eventually decided to purchase a retail gaming route operation in 2015 and today operate over 1,500 VGTs in Illinois in addition to our casinos.

Unfortunately, the casinos in Illinois had no seat at the table during the retail gaming debate and the VGT legislation that ultimately passed contained nothing to address the negative impact that it has had on our casinos. Several impact studies have looked at the range of cannibalization. All I can tell you is that for us the impact has been approximately 8-10% of our business.

Having learned our lesson in Illinois, we were willing to sit down with those advocating for retail gaming here to see if we could find common ground on things such as regulatory parity in terms of background checks and other licensing

requirements, as well as compliance, self-excluded patron issues and political contribution bans, all of which Pennsylvania casinos must adhere to. And, most importantly, to include provisions that will help offset the impact to the casinos here should the legislation be approved.

It is obvious with my solo appearance today alongside a panel of VGT advocates that we are clearly the only casino operator who believes there is merit in this approach. The Commonwealth's 11 other casino operators have stated they're united in opposition to VGTs and we certainly understand and respect their position. We will be the first to acknowledge that our casino in Grantville is more rural than many of their locations, and we are already in the retail gaming business in Illinois so we are unique in that regard. Still, we firmly believe we'd be doing a disservice to our shareholders given the perennial debate on gaming expansion in bars and taverns here if we did not try to find a way to protect our existing investment in Pennsylvania and seek to generate value from this new industry should the Commonwealth decide to go down this path.

As it specifically relates to addressing cannabilization at the casinos, House Bill 1010, which to be clear we support in its current form, will lower the base slot machine tax rate for casino operators by 5%. In addition, given the rapid expansion of the gaming footprint in Pennsylvania, it will eliminate the final Category 3 resort license and delay the possible relocation of the final Category 1 license for three years. This will provide time for the Commonwealth to absorb and better understand the impact of the new competition that the authorization of retail gaming would bring.

HB 1010 also creates a robust regulatory framework that includes a player tracking system and a proactive effort to eliminate up to 40,000 illegal machines currently in use in licensed beverage establishments, which will both drive increased revenues for the Commonwealth and crack down on illegal gambling being conducted in Pennsylvania.

Thank you for your attention and consideration of my testimony this morning. We recognize the complexity of this issue and appreciate the concerns of the other casino operators in the Commonwealth. However, as both a casino and retail gaming operator, we believe HB 1010 strikes a good balance between helping to mitigate the negative impacts to the casinos while providing a new source of tax revenues to the Commonwealth.

With that, I will be happy to answer any questions you may have.