

House Gaming Oversight Committee

February 24, 2021

Testimony of Kevin O'Toole, Executive Director
Pennsylvania Gaming Control Board

Good morning Chairwoman Helm and Chairman Conklin and members of the Gaming Oversight Committee. I am Kevin O'Toole and I serve as the Executive Director of the Pennsylvania Gaming Control Board ('Board'). With me today is Doug Sherman, Chief Counsel to the Board. It is our pleasure to be with you this afternoon.

The Gaming Oversight Committee has requested the Board provide testimony on how the casinos fared throughout the pandemic as well as provide any indicators as to the financial outlook for the casinos in the future.

It is important to note that prior to the pandemic, Pennsylvania's 12 brick and mortar casinos continued a five-year pattern of growth in generating gaming revenue through calendar year 2019. Calendar year 2019 generated \$3.41 billion dollars in Total Gaming Revenue from all sources of regulated activity, the highest single year total to date. (See Exhibit A). This pattern of growth was aided by the Gaming Expansion Act of 2017 that brought additional gaming opportunities to Casino Licensees by authorizing online gaming – first with sports wagering and then with interactive gaming in the form of online slot games, table games and poker.

Other positive developments from a pre-pandemic perspective included the start of construction on four new casino locations. Three of these locations that began construction are new Category 4 casinos awarded by the Board via the auction process mandated by the Gaming Expansion Act of 2017. The fourth new casino location under construction at the beginning of 2020 was Live! Casino and Hotel Philadelphia, the fifth and final Category 2 casino.

In a very unexpected turn of events, however, 2020 became the most challenging year for the casino industry in Pennsylvania. In fact, it was a challenging year for every gaming jurisdiction in the United States. All 12 casinos in Pennsylvania were required to temporarily close starting in mid-March 2020 in an effort to limit the transmission of the COVID-19 virus¹. When this occurred, the casinos mobilized their staff to secure the gaming floor in all aspects including the safeguarding of key gaming equipment such as gaming chips, dice and playing cards.

The COVID-19 temporary closures resulted in the casinos placing a greater emphasis on existing and new partnerships with experienced online gaming operators. Revenue gains from online gaming activity show that the gambling public moved to the online casino offerings when the casinos temporarily closed in mid-March. While this new revenue source did not fully replace land-based revenues,² it certainly represented somewhat of a life raft to the industry.

Throughout 2020, the Board continued its work on licensing online and sports wagering operators. With proper licensing in place, Board staff coordinated the launch of online casino and sports wagering platforms in a timely manner. The launch of an online gaming or sports wagering platform always includes a test period where Board representatives test the system and compare the operator's practices with the approved internal controls.

In May of 2020, and in expectation of the casinos moving into the Green Phase of the COVID-19 Mitigation Plan which would allow the reopening of land-based casinos, the Board issued an informational document detailing the necessary steps that licensees needed to implement in order to adequately promote the safety of casino patrons and employees upon reopening. The

¹ In mid-March 2020, the Governor and Secretary of Health issued COVID-19 mitigation steps that were implemented through a 3-phase approach – Red, Yellow and Green Phases. Since the casinos were located in a Red Phase County in mid-March, the casinos were directed to temporarily close.

² For the full year 2020, slot revenue and table game revenue reached approximately 55% to 58% of the previous year's revenue. See Press Releases: [PA Casino Shutdowns Mandated by Covid-19 Precautions Leads To Overall Revenue Reduction in March](#) (April 16, 2020) and [PGCB Reports Total Pennsylvania Gaming and Fantasy Contest Revenue for Calendar Year 2020](#) (January, 19, 2021). (See Exhibit B).

protocols included new operational requirements based on best-practices guidelines along with the various reopening plans that were submitted to the Board from each casino licensee operating in Pennsylvania. To reiterate, these guidelines for casino licensees were designed to be effective in mitigating and reducing the risk of exposure to COVID-19 for all employees, patrons, and other guests of the casinos.

While you will find a detailed outline of the protocols attached to this testimony, I will paraphrase the guidelines. The guidelines, which are based upon information from the Centers for Disease Control and the Pennsylvania Department of Health, are designed to emphasize the safety of patrons, employees and others; including the use of masks, enhanced cleaning and sanitation throughout the casino and of gaming equipment, social distancing and barriers between patrons actively engaged in gaming.

The casinos were authorized to reopen under the COVID-19 mitigation protocols and that process began on June 8, 2020.³ Casino gaming revenues and the tax assessments to the Commonwealth from that revenue began to recover. Later in 2020, due to an increase in positive COVID-19 tests, the 12 casinos were closed a second time starting on December 12, 2020. This second period of closures lasted a shorter period of time and ended on January 4, 2021.

On the positive side before the end of 2020, the first Category 4 casino, Live! Casino Pittsburgh located in Greensboro, Westmoreland County, and owned by The Cordish Companies opened to the public on November 17, 2020 after a successful 2-day test of operations. The Cordish Companies also opened their Category 2 casino, Live! Casino and Hotel Philadelphia on January 19, 2021 after a successful 2-day test of operations. These two casinos have shown a positive revenue stream in their short period of operations which does bode well for the future.

³ Rivers Casino Pittsburgh reopened on June 8, 2020. A month later, on July 3, 2020, the Rivers Casino Pittsburgh closed at the direction of the City of Pittsburgh for one week due to a spike in COVID-19 cases in the Pittsburgh area. The casino reopened on July 10, 2020.

Two additional Category 4 casinos, Hollywood Casino Morgantown and Hollywood Casino York, both owned by Penn National Gaming are currently in construction mode. Their opening dates are uncertain at this time especially with the difficult winter weather.

As of the current date, 14 casinos are open and operating pursuant to the mitigation measures in place to minimize the COVID-19 virus. While revenues are reduced from the pre-COVID period, we anticipate that as mitigation measures are modified or lifted, revenues will continue to rebound.

In closing, the COVID-19 pandemic has dealt Pennsylvania's casino industry an unexpected and unprecedented blow and the Board is committed to assisting each of Pennsylvania's licensed casino operators and facilities to operate in a safe and efficient manner and to assure the safety of gaming patrons and employees. The casinos have stepped up and taken this challenge head on and have done everything asked of them under difficult circumstances.

Thank you for the opportunity to provide this testimony. Chief Counsel Sherman and I are available to answer any questions you may have.

Exhibit A

Combined Revenue Calendar Year 2010-2020

Year	Slot Machine Revenue	Table Games Revenue	iGaming Revenue	Sports Wagering Revenue	Fantasy Sports Contests	VGT's Revenue	Total Gaming Revenue
2010	\$2,273,934,190	\$212,473,870					\$2,486,408,061
2011	\$2,405,867,897	\$618,905,062					\$3,024,772,959
2012	\$2,470,935,317	\$687,382,546					\$3,158,317,863
2013	\$2,384,098,225	\$729,830,365					\$3,113,928,590
2014	\$2,319,534,380	\$749,543,217					\$3,069,077,597
2015	\$2,365,651,659	\$808,137,112					\$3,173,788,771
2016	\$2,360,184,122	\$853,238,055					\$3,213,422,178
2017	\$2,336,212,902	\$890,704,254					\$3,226,917,156
2018	\$2,369,885,203	\$878,796,174		\$2,516,589	\$15,309,615		\$3,266,507,581
2019	\$2,363,085,678	\$903,594,181	\$33,599,749	\$84,112,967	\$25,872,124	\$2,329,540	\$3,412,594,239
2020	\$1,355,924,785	\$504,309,266	\$565,776,908	\$189,703,465	\$21,148,707	\$16,647,898	\$2,653,511,029

Exhibit B

Slot Machine and Table Games Revenue – 2020 v. 2019

Slot Machine Revenue by Operator	Slot Machine Revenue 2020	Slot Machine Revenue 2019	% Change
Parx Casino (closed 125 days)	\$262,581,118	\$421,854,299	-37.76%
Rivers Casino Pittsburgh (closed 112 days)	\$160,294,434	\$297,654,784	-46.15%
Wind Creek Bethlehem (closed 122 days)	\$150,815,262	\$284,925,194	-47.07%
Hollywood Casino at Penn National (closed 120 days)	\$120,532,358	\$203,110,934	-40.66%
Harrah's Philadelphia Casino (closed 123 days)	\$116,912,653	\$191,392,632	-38.91%
The Meadows Casino (closed 103 days)	\$111,879,760	\$199,885,573	-44.03%
Mohegan Sun Pocono (closed 117 days)	\$110,716,694	\$193,353,624	-42.74%
Mount Airy Casino Resort (closed 116 days)	\$103,141,984	\$144,071,602	-28.41%
Rivers Casino Philadelphia (closed 165)	\$81,116,657	\$180,455,250	-55.05%
Presque Isle Downs and Casino (closed 121 days)	\$58,932,559	\$114,242,721	-48.41%
Valley Forge Casino Resort (closed 124 days)	\$57,113,919	\$102,663,050	-44.37%
Lady Luck Casino Nemacolin (closed 106 days)	\$18,153,829	\$29,476,016	-38.41%
Live! Pittsburgh (closed 19 days)	\$3,733,558	--	n/a
Statewide Total	\$1,355,924,785	\$2,363,085,678	-42.62%

Table Games Revenue by Operator	2020 Table Games Revenue	2019 Table Games Revenue	% Change
Parx Casino (closed 125 days)	\$118,090,791	\$192,056,742	-38.51%
Wind Creek Bethlehem (closed 122 days)	\$103,998,874	\$237,227,583	-56.16%
Rivers Casino Philadelphia (closed 165 days)	\$66,883,028	\$131,498,282	-49.14%
Rivers Casino Pittsburgh (closed 112 days)	\$47,729,358	\$82,036,496	-41.82%
Harrah's Philadelphia Casino (closed 123 days)	\$41,445,479	\$59,207,100	-30.00%
Mount Airy Casino Resort (closed 116 days)	\$27,619,374	\$38,050,354	-27.41%
Valley Forge Casino Resort (closed 124 days)	\$23,924,751	\$38,579,486	-37.99%
Hollywood Casino at Penn National (closed 120 days)	\$23,036,175	\$37,186,767	-38.05%
Mohegan Sun Pocono (closed 117 days)	\$19,751,533	\$33,453,321	-40.96%
The Meadows Casino (closed 103 days)	\$19,285,360	\$35,702,001	-45.98%
Presque Isle Downs and Casino (closed 121 days)	\$9,933,047	\$15,135,601	-34.37%
Lady Luck Casino Nemacolin (closed 106 days)	\$2,087,282	\$3,460,446	-39.68%
Live! Pittsburgh (closed 19 days)	\$524,213	--	n/a
Statewide Total	\$504,309,266	\$903,594,181	-44.19%