



November 18, 2020

**SUBMITTED TESTIMONY TO THE OHIO STATE SENATE GENERAL GOVERNMENT AND AGENCY REVIEW COMMITTEE BY D. ERIC SCHIPPERS, SENIOR VICE PRESIDENT, PUBLIC AFFAIRS & GOVERNMENT RELATIONS FOR PENN NATIONAL GAMING, INC. IN SUPPORT OF S.B. No. 111, THE BILL TO LEGALIZE AND REGULATE SPORTS WAGERING IN OHIO**

Dear Chairman Schuring, Vice-Chair Rulli, Ranking Member O'Brien, and members of the Committee:

My name is Eric Schippers and I am the Senior Vice President of Public Affairs and Government Relations for Penn National Gaming, the nation's largest regional gaming operator, with 41 facilities in 19 states.

While I would prefer to testify in person today to discuss the benefits of sports betting, I am mindful of the increased COVID-19 positivity rate in Ohio and across the country and felt the responsible choice was to submit written testimony.

As you know, Penn National is proud to operate four of the 11 licensed gaming facilities in Ohio. We have invested more than \$1 billion in the development and operations of Hollywood Casino Columbus, Hollywood Casino Toledo, Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course.

As I mentioned in previous testimony in 2019, we believe legal sports betting has the potential to provide a meaningful shot in the arm to Ohio's gaming industry and to provide a new revenue stream to help fund important state programs and services. If successful, Ohio would join twenty-five other states and Washington, DC that have moved to authorize sports betting in the wake of the May 2018 U.S. Supreme Court decision striking down the Professional and Amateur Sports Protection Act, or "PASPA." Penn National currently operates sports books in nine of these jurisdictions – Colorado, Illinois, Indiana, Iowa, Michigan, Mississippi, Nevada, Pennsylvania and West Virginia. In total, Penn National has sportsbooks at 19 of our 41 properties. This past February, Penn National entered into a strategic partnership with Barstool Sports, whereby Barstool is exclusively promoting the Company's land-based and online casinos and sports betting products, including branded retail sportsbooks and the Barstool Sportsbook mobile app, which is currently active in Pennsylvania. The app is also expected to launch in Michigan in the coming weeks and in every legal sports betting jurisdiction in which we operate by the end of 2021.

The repeal of PASPA came at an opportune time for the gaming industry. Across the country, regional casinos continue to face increased competition and cannibalization from ongoing gaming expansion both within our states and across the border in neighboring states. The gaming industry has also been continuing to try to find ways to attract a newer, younger demographic to complement our existing customer database.

We have found that in the nine states in which we're currently operating sports betting that it has become an effective new customer acquisition tool, particularly when we are able to offer mobile wagering. And while sports betting is a low margin, highly volatile business, we've seen an incremental boost of nearly 10% to our food and beverage offerings and as much as a 15% increase in our table games operations at our brick-and-mortar facilities from these new customers, which obviously strengthens the overall gaming tax revenue for those states.

In looking at SB 111, we believe the bill checks all the right boxes to make a sports betting operation successful. Those include having:

- A reasonable tax rate;
- Limited to existing gaming licensees and their skin partners; and
- Mobile wagering.

First, there has been much discussion about what an appropriate tax rate and license fees should be for sports betting, with some claiming that the tax rate contained in SB 111 is too low. However, those arguing for an unreasonably high tax rate clearly don't understand the economics of sports betting. On an average \$100 wager (or "handle"), \$95 goes back to the bettors, with the casino receiving \$5 (or "hold"). We must then pay a federal excise tax, state tax, and an array of operating expenses: betting data, data analytics, labor, marketing, etc., resulting in approximately \$1 in actual revenue.

Second, we believe it is critical that the operation of sports betting be limited to existing licensed gaming operators and our skin partners. Ohio's gaming operators have invested billions of dollars in their brick-and-mortar establishments in this state and are major drivers of job creation and economic activity in our host communities. We have well-established, rigorous compliance and responsible gaming protocols in place to ensure a safe wagering environment for consumers.

For example, in addition to comprehensive and stringent state gaming regulations, as licensed casino and racino operators, we are required to undergo extensive federal anti-money laundering (commonly referred to as "AML") training programs. Since 1985, commercial casinos have been defined as "financial institutions" under the Bank Secrecy Act (BSA). As such, we have in place sophisticated customer identification procedures, which includes reporting suspicious transactions while further regulating, supervising and monitoring anti-money laundering operations.

Operating such a complex security system is expensive and extremely labor intensive. We spend millions of dollars annually on surveillance equipment, surveillance personnel, and security officers at each of our properties to maintain a safe and secure environment for our customers.

Third, I'd like to emphasize the importance of having the ability to wager on a mobile device. According to the American Gaming Association, the black market off-shore sports betting industry is, at minimum, a \$150 billion-dollar business. These illegal bookmakers are no longer lurking in back alleyways – they're online and taking bets from Ohio citizens today. If the state chooses to close its eyes and limit this opportunity to only in-person betting, it will be the illegal offshore operators who stand the most to gain. In states where mobile sports wagering is legal, more than two-thirds of all bets placed in the state are done so online. And, from a responsible gaming standpoint, we actually know more about our customers who register for accounts online than those who play at our casino but don't sign up for a player's card.

In closing, I'd like to take the opportunity to update you on the latest information regarding "Official League Data". Most, if not all, of the leagues have sold their data to the major suppliers like Sportradar and BetGenius whom the operators are compensating for the data feeds they provide our sportsbooks. In addition, many gaming operators, including Penn National, have signed commercial deals with the Leagues for specialized, proprietary in-game data -- such as how fast a puck is traveling or who had the hardest slap shot -- to grow interest in sports wagering. This proves that these deals can be reached privately and should not be Legislatively mandated at what third parties declare to be "commercially reasonable" terms. What may be "commercially reasonable" to the leagues – who face no competition – may be inconsistent with the thin margin reality of sportsbook operators in a hyper competitive environment.

Thank you again for allowing me the opportunity to provide written testimony, and please do not hesitate to contact me with any questions. I wish you and your families a safe holiday season.

Sincerely,



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