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TESTIMONY TO THE OHIO STATE SENATE SELECT COMMITTEE ON GAMING BY ERIC SCHIPPERS, SENIOR VICE PRESIDENT, PUBLIC AFFAIRS & GOVERNMENT RELATIONS FOR PENN NATIONAL GAMING, IN SUPPORT OF LEGALIZING AND REGULATING SPORTS WAGERING IN OHIO

Good afternoon. My name is Eric Schippers and I am the Senior Vice President of Public Affairs and Government Relations for Penn National Gaming. I appreciate the opportunity to appear before this Committee once again to testify in support of legalized sports betting. Since 2009, our Company has invested more than \$1 billion in the development of Hollywood Casino Columbus, Hollywood Casino Toledo, Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course.

We're proud to employ nearly 2,000 team members in Ohio, with an average annual wage of \$43,000, which can climb as high as \$64,000 per year at Hollywood Casino Columbus, for example, when tips and tokens are included. Our average hourly wage is \$26 per hour at our facilities. Over the last four years, which includes all of our casinos being closed much of last year due to COVID-19, we paid more than \$307 million in wages to our Ohio team members.

On the community front, our facilities have contributed more than \$3.3 million to local charities. Some of our many charitable partners include the Ronald McDonald House Charities of Central Ohio, the Department of Veterans Affairs in Columbus, the United Negro College Fund and the Problem Gambling Network of Ohio. Here in Columbus alone we hosted multiple drive-throughs for the Mid-Ohio foodbank during the state ordered closures from COVID-19, which provided relief to more than 1,600 central Ohio Families with approximately 90,000 pounds of food. Our other three properties hosted similar events in their communities. In short, while our parent Company may be headquartered in Pennsylvania, our four properties, their local management teams and valued team members here have been outstanding corporate citizens in their communities. These are Ohio businesses and they're proud of it. I have here with me today Jason Birney, our General Manager of Hollywood Casino Columbus and Brad Hirsh, our GM at Hollywood Casino Toledo, who can help answer your questions at the end of my testimony.

As I've previously testified, we firmly 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 education or other important programs. If successful, Ohio would join twenty-five other states and Washington, DC that have moved to authorize sports betting in the wake of the U.S. Supreme Court overturning the Federal ban on sports wagering.

The subsequent passage of state sports betting legislation around the country has provided much needed assistance to the regional casinos who have been continuing to face increased competition and cannibalization from endless gaming expansion and a rampant proliferation of illegal slot machines and convenience gaming machines in places like bars, taverns and convenience stores around the states. And that was before the pandemic hit which closed our casinos for months.

Sports betting has always been viewed by our industry as a complementary amenity to the gaming we already offer at our licensed and highly regulated casinos, and it presents an opportunity to significantly boost our overall tax revenues to the state if done right. For example, since launching our Barstool Sportsbook app in four states thus far, we have registered more than 440,000 customers -- the vast majority of whom were either brand new customers or had been inactive in our database. Once these customers visit our casinos, we've seen an incremental boost of more than 25% to our table games and the higher taxed slot machines in the areas adjacent to our retail Barstool sports books, thus strengthening the overall tax benefit to the state.

While the current draft of the sports betting legislation here gets a lot right in terms of a reasonable tax rate and license fees, we respectfully ask for consideration of the following key points:

First, we believe the sports betting licenses should be tethered to the existing licensed gaming operators, who have invested billions in economic development in Ohio and have in place well-established, rigorous compliance and responsible gaming protocols to ensure a safe wagering environment for consumers.

For example, 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. And we spend millions on our robust security teams and high-tech surveillance systems. You simply can't say that about other businesses who may be eligible for these licenses under the current draft of the bill.

According to recent news reports about sports betting in Tennessee, where unlimited untethered licenses are allowed, a fly-by-night company was awarded a license, claiming they had strong internal controls. They did not and criminals were able to launder tens of thousands of dollars before anyone noticed. This same company, tied to a payday loan scheme, withheld sports betting winnings to pay off the loans of some customers.

This company had no incentive to follow the strict rules and regulations that casino operators and their tethered sports betting operating partners must follow. If we lose a license in one jurisdiction, or are even penalized by regulators for a mis-step, it has consequences in all the

other jurisdictions in which we're licensed. As public companies, our licenses are our most precious commodities.

Second, the proposed bill eliminates tax free promotional credits for the casinos and we've heard some concerns expressed over the use of tax free promotional credits for sports betting as well. Capping or eliminating promotional credits, or reducing the tax deduction on promotional credits, would nullify one of the very weapons the state needs to help keep Ohio competitive in the ongoing regional gaming and sports betting arms race.

A big factor in our success at Hollywood Toledo, for example, has been our ability to utilize tax free promotional credits to draw customers away from the Michigan gaming market, which has helped lead to a 22% increase in revenue since the first quarter of 2019.

A significant amount of analysis goes into how much and to whom promotional credits are issued and our marketing programs and promotional spend are carefully scrutinized by our gaming regulators. A promotional credit is used to incentive a customer to generate an incremental visit to our facility and/or their incremental spend while there. A customer cannot simply cash the coupon and leave, and if we don't boost our incremental revenue from the use of a promotion – which is in the state's interest too as our 33% partner – that customer will not receive credits going forward or those credits will be greatly reduced. As it relates to sports betting, promo credits are typically used more at the outset and it's a vital tool for customer acquisition and retention and to compete against operators in neighboring states that have the same tax-free promotional tools at their disposal.

Finally, on the subject of eBingo, we continue to hope that language will be included that clearly and firmly closes the door to the possibility that these machines could end up simulating the licensed, taxed and heavily regulated slot machines we have on our floors in the casinos.

I want to thank you for your time this afternoon and my colleagues and I would be happy to answer any of your questions.

Thank you.