

RG SB452-21 Rocky Gap Tax Testimony

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Position: FWA



February 2, 2021

The Honorable Guy Guzzone, Chairman and Members of Senate Budget & Taxation Committee

RE: SB 452 Allegany County - Video Lottery Terminals - Distribution of Proceeds

POSITION: STRONG SUPPORT w Amendment

The Rocky Gap Casino and Resort would like to thank Senator Edwards for introducing SB452. This legislation would simply make permanent changes to the distribution of revenues from the VLT operations at Rocky Gap.

Key Points for support of SB452:

- Unique location and competition challenges from PA and WV.
- Failed casino vendor before Golden Entertainment purchased license and property.
- Smallest of the 6 casinos yet we generate over \$21 mil per year for the state.
- Major employer in Western MD providing over 337 full time jobs and over 500 jobs at peak season.
- Over half of the customers at Rocky Gap Casino come from outside of Maryland.
- No other Maryland casino faces the level of competition from PA and WV that Rocky Gap does.
- The requested legislative change will allow for adjustments to the distribution of VLT revenues and actually increase the level of funding generated for the Education Trust Fund by over \$500,000 per year, and will ensure the viability of the Casino and Resort and future investment in this state property.

It is very useful to understand the history of this property and subsequent casino license. The Rocky Gap Resort was built and financed by the State of Maryland as a Hotel and Conference Center back in the mid 1990s. Unfortunately, due to many factors it was not successful and viable as a Resort and Conference Center owned by the State of Maryland. This facility became a significant drain on the State finances.

The following is drawn from a 2012 Maryland Economic Development Corporation report:

“Rocky Gap Golf and Resort (Status: Non-Performing) The project began construction in 1996, on land ground leased to MEDCO by DNR, and funding was derived through a combination of MEDCO bonds, State grants and loans and a grant from Allegany County. From its inception, the project experienced operating difficulties resulting in its inability to meet required debt service payments. The project experienced a significant drop in revenues and has been struggling to regain its market share. The project failed to generate a positive operating cash flow for the calendar years ending 2010 and 2011.

In 2013. The State Video Lottery Facility Location Commission issued a Video Lottery Operation License for the operation of terminals at the Rocky Gap Facility.

When the State of Maryland authorized the six casino licenses and locations in 2012 it was understood that due to the unique nature of the Rocky Gap location a special tax rate would need to be set for the casino operator at this location. This was an experiment to see if this project would attract a licensee who would purchase the property from MEDCO and the State of Maryland and operate a successful casino benefitting the State of Maryland and the Western Maryland Region.

The experiment has been a success for everyone. We have an entity, Golden Entertainment that purchased the debt laden property from the State and who has invested in significant improvements to the property that sits on state owned land. Rock Gap Casino provides over \$21 million dollars per year to the State and the Education Trust Fund, employs over 337 people in Allegany County and is a true economic stimulus to the Western Maryland region of our state.

A recent report from the Maryland Lottery and Gaming Commission recognized the unique and significant challenges faced by the Rocky gap Casino & Resort from the surrounding states of Pennsylvania and West Virginia; *“Rocky Gap could see customer erosion to Pennsylvania and West Virginia since both states now offer sports betting at their casinos; Rocky Gap could also see an impact from the roll-out of "mini-casinos" in Pennsylvania. We would encourage the legislature to consider these competitive changes, unanticipated in the 2012 legislation, in looking at tax rates for the smaller casinos.”*

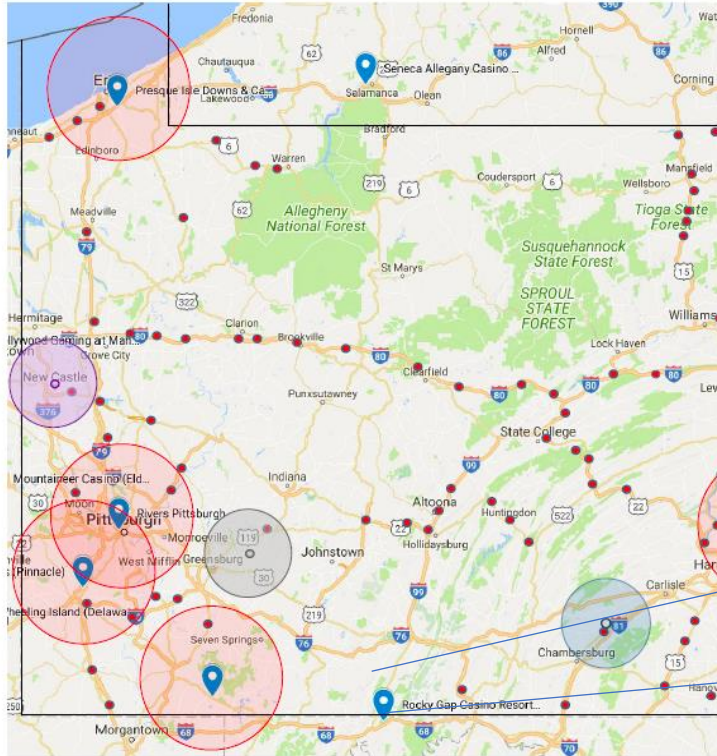
There needs to be an amendment to HB532/SB452 to correct a drafting error:
 Page 3 Line 5. (II) ~~58.25%~~ **48.25% TO THE VIDEO LOTTERY OPERATION LICENSEE;**

FUNDS & ACCOUNTS	Current Law	2023 w/o Change	Proposed SB452/HB532 Solution
Casino	50%	43%	48.25%
Procure VLTS to Casino	10%	10%	10%
MLGCA Admin	1%	2%	1%
Local Impact	3.75%	5.5%	5.5%
Purse Dedication	2.5%	6%	2.5%
SMWOBA	0.75%	1.5%	.75%
RFRA	0%	1%	0%
ETF	32%	31%	32%

Any questions please call PJ Hogan 301-741-8590. pjhogan@cgagroup.com

If there are any questions please contact P.J. Hogan at 301-741-8590 or pjhogan@cgagroup.com.

PA Gaming Expansion Landscape



- Exclusivity Zone for existing properties
- Excluded Counties
- Potential "Qualified Truck Stop" Locations
- Penn satellite casino
- Cordish / Greenwood satellite casino
- Mt. Airy satellite casino

Competition from surrounding states

PA – 5 Full Casinos
22 Truck Stop VLT Locations
Sports Betting in operation.

WV – 4 Full Casinos
Pending legislation to add additional satellite casinos.
Sports Betting in operation.

Rocky Gap Casino & Resort