



February 20, 2020

The Honorable Anne Kaiser, Chair and Members of House Ways & Means Committee

RE: HB 435 Allegany County - Video Lottery Terminals - Distribution of Proceeds

POSITION: STRONG SUPPORT

The Rocky Gap Casino and Resort would like to thank Delegate Jason Buckel for introducing HB435. This legislation would simply make permanent the tax rate on the Video Lottery Terminal operations at Rocky Gap.

Key Points for support of HB435:

- 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 maintain the status quo 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. In order to address these operating difficulties, as well as the project’s need for additional capital improvements to enhance operational competitiveness, MEDCO concluded a restructuring of the debt in December of 2008. 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. The State Video Lottery Facility Location Commission issued a Video Lottery Operation License for the operation of terminals at the Rocky Gap Facility and, since State law requires that the licensee purchase the facility, in connection with the sale of the facility, the 2008 Bonds will be redeemed or otherwise satisfied and cancelled. In January 2012, the MEDCO board approved the sale of the facility to the eventual licensee. MEDCO closed on a sale of the leasehold interest in the property to the licensed gaming operator on August 3, 2012. Debt related to operating facilities includes revenue bonds payable of \$47,877,100 and \$46,857,100 as of June 30, 2012 and 2011, respectively, related to Rocky Gap. Rocky Gap has an accumulated deficit of \$59,971,000 and \$54,202,000 as of June 30, 2012 and 2011, respectively, and incurred operating losses of \$3,888,000 and \$4,308,000 during the years ended June 30, 2012 and 2011, respectively.”

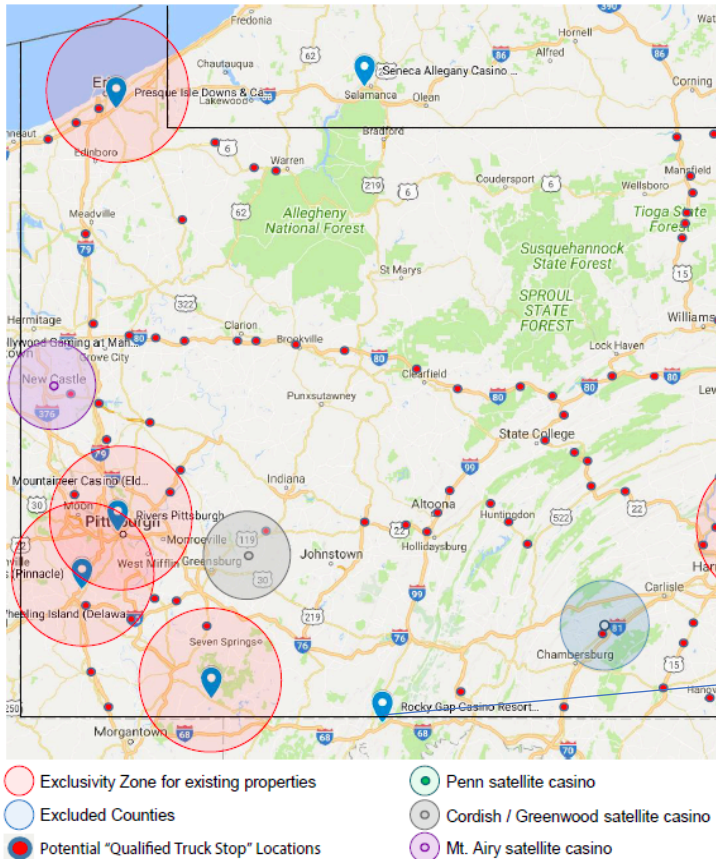
When the State of Maryland authorized the six casino licenses and locations in 2012 it was understood that due to the unique nature of the Rocky Gap location a special tax rate would need to be set for the casino operator at this location. This was an experiment to see if this project would attract a 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. Rocky 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.”*

We ask for your favorable report on HB435.

PA Gaming Expansion Landscape



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