



Maryland House of Delegates Bill #1048
Written Testimony of Michael S. Kim
Managing Partner – GGHM Denver

Thank you Chairman & Delegate Committee. My name is Michael Kim, Managing Partner – GGHM, a private consulting & advisory firm, based in Denver, Colorado. As a career banker, for over 30 years I have raised or invested over \$40 billion of investment capital for the real estate, racing, hospitality & gaming, restaurant, leisure & entertainment industries.

Among other initiatives, we have been actively involved in the roll-out of skill-based & historical horse racing (HHR) industries across most major jurisdictions including Kentucky, Virginia, New Hampshire, & Wyoming, among others. As such, we have observed the positive impact implementation of HHRs has had – especially on smaller rural communities, such as those in which the Maryland OTBs currently operate, and which are generally more remote or distant from major urban population centers. This positive impact can be broken down into 3 primary areas:

- **Investment** – in addition to the investment of substantial capital into the core HHR facilities themselves, implementation of HHRs has often been accompanied by substantial additional investment in surrounding infrastructure including roads, utilities, schools, police, fire & EMS as well as ancillary commercial real estate development including new housing, hotels, retail & entertainment and other supporting businesses – especially in smaller rural communities where much of this may be outdated or lacking.
- **Taxes** – are the great equalizer and of course need to be carefully balanced to ensure new businesses are placed on “level footing” with existing operations while at the same time providing a clear path to profitability – especially in more remote jurisdictions – to support the required capital investment. As such, an all-in effective tax rate ranging from 20%-30% appears reasonable.
- **Jobs** –HHR investments have always been accompanied by new jobs – both direct & indirect – which are critical to supporting growth and sustainability of these operations. As set forth in slide 10 of GGHM’s presentation, the implementation of HHRs at Maryland OTBs not only has the potential to create 500+ new direct jobs but also an additional multiplier of indirect jobs including construction and additional supporting service-based industries based upon the final scope and economics of the implementation framework.

While each situation (including individual location impact) is unique, as set forth in slide 4 of GGHM’s presentation, the proposed implementation of HHR at Maryland OTBs has the ability to grow the overall existing market in MD by \$35 million annually as well capture significant demand (>\$62 million) which currently exists at out of state casinos. Any cannibalization impacts to the casino VLT revenues are negligible as the markets are likely to coexist without meaningful disruption.

In short there is plenty of “room in the sandbox” with the proper framework - a case in point is the Wyoming HHR industry (located right across border from my hometown in Denver) which has flourished at the same time while the CO casino industry has continued to grow. Additionally,



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Virginia Casinos have had no trouble growing their year over year revenues while the HHR industry that existed before them in the state continues to grow as well.

My apologies that I could not be present to testify in person and thank you for your consideration of my testimony.