



April 30, 2021

**TESTIMONY TO THE JOINT COMMITTEE ON VETERANS AND LEGAL AFFAIRS
BY JEFF MORRIS, VICE PRESIDENT, PUBLIC AFFAIRS & GOVERNMENT RELATIONS
AT
PENN NATIONAL GAMING, INC.**

Good morning Chairman Lucchini and Members of the Committee, my name is Jeff Morris and I am the Vice President of Public Affairs and Government Relations for Penn National Gaming, the nation's largest regional gaming operator, with 41 casinos and racetracks throughout the United States, including Hollywood Casino Bangor. We have retail sportsbooks at nearly half of those casino or racino properties. In addition, we currently offer online wagering on sports in three states – Illinois, Michigan, and Pennsylvania -- and anticipate we'll be operational with our mobile sportsbook app in at least 10 states by the end of this year.

Roughly a year ago, Penn National acquired a 36% stake in Barstool Sports, which is a leading digital sports, entertainment and media platform that delivers original content across blogs, podcasts, radio, video and social channels. They have a base of approximately 54 million monthly unique visitors, or to put it in their Founder Dave Portnoy's vernacular, *an army of loyal "Stoolies."* This partnership has led to the rebranding of our Hollywood Casino retail sportsbooks to "Barstool Sportsbooks" and as I referenced earlier, we've launched our Barstool Sportsbook mobile app in Illinois, Pennsylvania and Michigan to great success.

In previous sessions I have testified in support of most of the principals of LD 1352 and I am here again today to respectfully provide similar testimony. We believe legal sports betting has the potential to provide a meaningful shot in the arm to Maine's gaming industry and to provide a new revenue stream to the State. If successful, Maine would join twenty-eight 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."

The repeal of PASPA and the subsequent passage of sports betting legislation around the country could not have come at a better time for the gaming industry. Regional casinos have been continuing to face increased competition and cannibalization from endless gaming expansion and a rampant proliferation of illegal slot machines both within our states and across the border in neighboring states. And that was before the pandemic hit, which closed our casino for months and continues to greatly restrict our operations with 50% capacity limits and the continued closure of many parts of our business. Yet despite the endless trials and tribulations we, and most of the business owners across the country, have faced, we used this unprecedented time as an opportunity to completely re-evaluate and re-imagine our operating model and product offerings, and to supercharge the digital transformation of our Company.

An example is the implementation of a new generation of cashless, cardless and contactless technology at our casinos that will improve efficiency and guest service, while also attracting a newer, younger demographic who are accustomed to using an app on their phone to pay for everything and earn rewards. Starbucks has a 10+ year headstart on our industry in this regard. Retail and especially mobile sports wagering fits in the sweet spot of this movement towards technology and new product offerings that attract a younger demographic – and by that I mean the 25-40 year old age group. In fact, the average age of our Barstool Sportsbook customer is 29. The average age of our slot customer is north of 55 years old. And, notably, nearly 70% of all bets in those markets that allow retail and mobile sports betting are made online or through an app. To not allow mobile wagering would severely restrict the revenue potential in this state.

On the subject of what an appropriate tax rate would be for sports betting, I want to emphasize that sports betting is a low margin, highly volatile business. 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. We think a 7.5% tax rate for wagers made in at casino location and 10% of all sports wagering revenues placed by through a mobile app strikes the right balance and allows us to be more competitive with neighboring states and the rampant illegal market, which pays no taxes or fees.

We have found in the states in which we’re currently operating sports betting that it has become a very effective customer acquisition tool. Since launching our Barstool Sportsbook app in Pennsylvania last September, we have registered over 72,000 customers in the state, the vast majority of whom were either brand new customers or had been inactive in our database. As for the notion that sportsbooks will cannibalize our existing casinos and traditional gaming revenues, the reality is quite the opposite. In Indiana, for example, we’ve seen an incremental boost of nearly 27% to our table games and slot volumes in the areas adjacent to our retail Barstool sports book at our property in East Chicago, which obviously strengthens the overall gaming tax revenue for the state.

We also believe it is critical that the operation of retail and mobile sports betting be limited to existing licensed gaming operators, who have invested hundreds of millions in economic development in Maine, and our designated skin partners. By way of background, a “skin” is an online sportsbook license that is typically tethered to a casino or racing license. And while the number of skins permitted varies by state, New Jersey, Iowa, Indiana, and West Virginia allow at least three skins per licensee, ensuring a competitive market. Notably, New Jersey and Indiana – even when adjusting for population -- are the leading revenue producing states.

Importantly, Maine’s gaming industry, along with its skin partners, have in place 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.

In closing, I’d like to take the opportunity to update you on the latest information on the debate of whether to include “Official League Data.” Although “Official League Data” is not included in LD 1352, we are aware the Leagues continue to press for inclusion. 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.

I want to thank you for your time this morning and look forward to working with you on sports betting legislation that is balanced by a strong regulatory structure and principled policy.

Thank you.