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## Pa. Chipping Away At W.Va. Profits

January 17, 2010

By CASEY JUNKINS Staff Writer

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WHEELING - Slot machine revenue at West Virginia's four racetracks dropped from \$972 million in 2007 to \$848 million in 2009. This \$124 million loss can be attributed, in part, to Pennsylvania plugging in its gambling machines.

And even when West Virginia's \$34 million in table gambling revenue for 2009 is added to last year's slot profits, the \$882 million is still \$90 million short of the 2007 total - all of which came from slot machines.

Now that the Keystone State plans to have table gambling at its facilities within the next nine months, Mountain State leaders and casino operators are bracing for more revenue losses. West Virginia's tracks - namely Wheeling Island Hotel-Casino-Racetrack and Mountaineer Casino Racetrack and Resort in Chester - will soon lose the competitive advantage they gained in 2007 when the state Legislature voted to allow local option elections to permit table gambling.

**Article Photos**



Photo by Casey Junkins

According to published reports, industry consultant Paul Girvan, managing director of the Innovation Group in Pennsylvania, estimated that table gambling would generate \$864.5 million for Pennsylvania by 2012. Of that, Girvan noted \$502.8 million would come from players currently gambling in West Virginia or Atlantic City, N.J.

"I would have been a happy camper if I had invested in West Virginia (casinos) 20 years ago and got out two or three years ago. They've had a good run," Girvan said, according to published reports.

When the Sunday News-Register contacted Girvan for comment, he responded via e-mail that, "Unfortunately due to conflicts of interest I cannot assist you on this issue," without providing further

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explanation.

Two of the tracks that seem likely to draw customers from Wheeling Island and Mountaineer are The Meadows Racetrack and Casino near Washington and The Rivers Casino in downtown Pittsburgh. David La Torre, spokesman for The Meadows, said, "The most important thing is that we can now compete with the West Virginia casinos."

"We did not not think table games would come this quickly. ... The (Pennsylvania) government's deficit brought this forward quickly," he said, noting his casino will add the table games to its 3,700 slot machines.

Though West Virginia taxes its table games at 35 percent, Pennsylvania plans to impose only a 16 percent tax on tables with the rate scheduled to fall to 14 percent after two years. The Keystone State taxes slot machines at 55 percent, compared to West Virginia's 42 percent.

"We appreciate how the Legislature acted as a whole. ... A high tax rate on tables would not have been good because of our high tax rate on slots," La Torre said.

Officials with The Rivers did not return calls seeking comment.

West Virginia Sen. Ed Bowman recently noted, "We must look at the taxation we impose on these operations," referring to West Virginia gambling tax rates compared to those planned for Pennsylvania. Bowman, D-Hancock, noted that most state legislators would probably oppose reducing gambling tax rates.

Jim Simms, president and general manager of the Wheeling track, said, "Pennsylvania is going to have a 'competitive advantage' because of location and the tax rates."

"A lower tax rate is going to allow them (Pennsylvania casinos) to have promotions that will make it difficult for us to compete," he said. "This has become a very competitive market very, very quickly."

Simms does not dispute West Virginia's direct tax rates on his company's operations, but said the "effective tax rates" for Wheeling Island are about 57 percent for slots and 42 percent for tables. He attributes the higher rates to the money the track must provide for purse funds, breeders funds and local supplements.

"We are confident that the West Virginia Lottery and legislators know what is going on in Pennsylvania, and will do what they can to help us remain competitive," Simms said, though noting he and his associates have not thoroughly discussed whether to formally approach the legislature regarding the tax rates.

Simms said the Wheeling track - with its roughly 1,000 employees - is "committed to making it worthwhile for customers to come here."

"We are still the single-largest business unit within Delaware North," he said of the track's parent company. "We are going to do everything we can to remain as competitive as possible."

Mountaineer spokeswoman Tamara Pettit said her company would have no comment regarding Pennsylvania table gambling. Mountaineer's parent company, MTR Gaming, owns Presque Isle Downs in Erie, Pa.

Jim Toney, chief financial officer for the West Virginia Lottery Commission, said the state has "not made any forecasts" regarding how Pennsylvania's tables will affect the Mountain State's finances.

"It (gambling revenue) may go down some, but a recovering economy could serve to mitigate some potential losses," he said. "And some of the losses we have suffered since 2007 could be because of the economic crisis - not just Pennsylvania getting slots."

Toney said that, unlike most states, West Virginia decided to use its gambling revenue "for a wide variety of purposes."

"Some states just use it for education only. Our gambling revenue goes for much more," he said.

In addition to paying for the West Virginia Promise Scholarship,

Toney said the Mountain State uses gambling revenue to help pay off school bonds; help pay off economic development bonds; fund park and recreation improvements; pay for the state's Homestead Exemption on property taxes for the elderly and disabled; improve the Capitol Complex in Charleston; pay for some future benefit costs for state employees; and provide for school safety programs, among other purposes.

But West Virginia has yet another challenge on the horizon, as Ohio voters have legalized gambling.

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