

**Keith Smith testimony to Georgia House and Senate Study Committees on the
Preservation of the HOPE Scholarship Program**

November 2, 2015

- Good morning, Chairman Ramsey, Chairman Beach, members of the committee. Thank you for the opportunity to be with you today. I also want to extend my gratitude to Representative Stephens and everyone here in Savannah and Chatham County for hosting this meeting.

- I'm Keith Smith, President and CEO of Boyd Gaming Corporation. Joining me today are:
 - Bill Noonan, Senior Vice President of Industry & Government Affairs. I'd like to note that Bill's wife Sylvia is an eighth-generation Georgian, with family roots going back more than 200 years in this state.
 - I am also joined by Ryan Soultz, our Director of Governmental Affairs.

- Before I share our thoughts regarding the possibility of gaming in Georgia, I would like to take a minute to introduce our Company, and our unique history.
- Our Company's roots go back to 1941, when our co-founder Sam Boyd first arrived in Las Vegas to work as a dealer. Las Vegas was just a small desert town back then, with only 8,000 people.
- Sam's first stay in Las Vegas was cut short in 1944, when he was drafted into the Army, and was stationed right here in Georgia.
- From 1944 to 1946, Sam served as a surgical technician at Camp Wheeler, while his son, Bill, attended middle school at Sidney Lanier Junior High in Macon.
- Sam was discharged in 1946, and the Boyd family returned to Las Vegas for good. Sam quickly got a job working as a dealer at the El Rancho, the first property built on the Las

Vegas Strip. He quickly worked his way up, and in 1952, he was given the opportunity to invest in the Sahara Hotel.

- Over the next 25 years, Sam built a reputation as one of the best casino operators in the business. In the 1960s, he became well-known as the General Manager of the Mint in Downtown Las Vegas. Then in 1971, Sam joined with several business partners – including his son, Bill, who had become a well-known attorney in Las Vegas – to develop and open the Union Plaza.
- But Sam really wanted to be in business for himself, and to run his own company.
- So Sam and Bill set out on their own, selling their interest in the Union Plaza and starting development on a new project on land they owned near Fremont Street. On January 1, 1975, they opened California Hotel and Casino in downtown Las Vegas... and our Company, Boyd Gaming Corporation, was born.

- This year, thanks to the leadership and vision of Sam, Bill and our senior management team, Boyd Gaming celebrated our 40th year in business this year -- all of it under the same leadership.
- That is a track record of experience, longevity and stability that no one else in our industry can match.
- Over those 40 years, we have built a strong reputation as innovators within our industry, helping introduce casino gaming to new markets and new customers across the country.
- An example of this was our opening of Sam's Town Las Vegas in 1979 -- the first full-scale casino resort catering primarily to Las Vegas local residents.

- In the 1990s, Boyd Gaming was at the forefront of the expansion of casino gaming into markets throughout the Midwest and South, helping introduce our industry to communities like Tunica, Mississippi; Kenner, Louisiana; East Peoria, Illinois; and Michigan City, Indiana.
- And in 2003, Boyd Gaming completely reinvented the model for casino gaming in Atlantic City with Borgata – a world-class entertainment resort offering world-class live entertainment, dining, hotel rooms and casino gaming.
- Today, Boyd Gaming operates 22 casino properties in eight states, making us one of the largest casino operators in the United States.
- We are traded on the New York Stock Exchange under ticker symbol “BYD.”

- We currently have operations in four distinct business segments:
 - Our Las Vegas locals properties, which primarily serve residents of southern Nevada;
 - Our downtown Las Vegas properties, which are extremely popular with guests from Hawaii and Downtown visitors;
 - Atlantic City, where Borgata has been the clear market leader since its opening in 2003;
 - And our Midwest and South regional operations, spanning 12 different properties in Indiana, Illinois, Iowa, Kansas, Louisiana, and Mississippi.

- Nationwide, we employ more than 24,000 people in 15 different communities across the country.

- But creating thousands of jobs is only part of the positive impact that Boyd Gaming has on these communities.

- Giving back is also a key part of our Company's culture.

- It is a legacy that began with Sam Boyd, who founded the United Way of Southern Nevada in the 1950s.
- It is a legacy continued by Bill Boyd, who founded Nevada's first and only law school -- the William S. Boyd School of Law at the University of Nevada, Las Vegas. Today, less than 20 years after its founding, the Boyd School of Law has become one of the top 100 law schools in the United States.
- We continue Sam and Bill's legacy of giving back at our Company. Each year, Boyd Gaming and our team members donate not only our financial resources, but also our time to hundreds of non-profit organizations in our 15 communities.
- That commitment to giving back is a core part of the unique culture that Sam and Bill established when they first founded our Company. It is part of how we demonstrate our respect for our communities.

- As I mentioned earlier, we currently serve 15 distinct communities across the country, each with very different dynamics, demographics and tax structures. As a result, we don't take a one-size-fits-all approach to new development.
- From our perspective, each project must be carefully designed and developed to fit the needs and wants of the community it serves, and complement the unique fabric of that community.
- In addition, the regulatory and tax system in place has a significant impact on our investment and development decisions as well.
- We operate in jurisdictions such as Nevada, New Jersey and Mississippi with tax rates that range between 7 and 12 percent, but also have very few restrictions on the number of casino gaming properties that can be developed.

- We also operate in states that have a limited number of casino licenses and restrictions on where licenses can be located -- and in turn, command higher tax rates to compensate for limited competition.
- The level and quantity of our amenities, and the total amount of investment we make in each property we build, is influenced by these factors.
- Just as there isn't a one-size fits all approach for our properties, there also isn't a one-size fits all approach for states that decide to regulate and tax casino gaming. You have many different options to consider as you decide what makes sense for Georgia.

- I am not here today to tell you what option is right for you. That is Georgia's decision to make. But what I can do is offer you our perspective on each of these options, and the outcomes we have seen in states across the country. This is a perspective developed over 40 years of building and operating casinos nationwide.
- The industry you are considering inviting into your state is no longer an exotic or rare business, found only in Las Vegas or Atlantic City. Casino gaming is a mature industry, and it is a part of communities across the United States.
- Today, there are nearly 1,000 casinos in operation in 41 states.
- Casino gaming accounts for about \$240 billion in economic activity each year – about 1.5% of U.S. GDP.

- Casino gaming has created 1.7 million jobs nationwide. Put into context, that's more jobs than the airline industry, or every bar and nightclub in this country.
- And, the vast majority of these jobs are well above the minimum wage.
- The average gaming employee makes more than \$43,000 per year, with many supervisors, managers, executives and other professionals earning well above that amount.
- On the tax side, casinos generate about \$38 billion in annual revenue for federal, state and local governments.
- Casinos host about 76 million visitors each year. Put another way, one out of every three Americans will visit a casino sometime in 2015.
- We are deeply ingrained in the U.S. economy, and within communities across this nation.

- As you consider inviting this industry into Georgia, the first question to consider is this: Exactly what do you hope to get from approving casino gaming? Answering this question is crucial in determining what approach to casino gaming makes the most sense for you.
- Relatively low gaming taxes, combined with few restrictions on the number of gaming licenses, is generally the most effective method for creating a gaming industry that maximizes capital investment, job creation and tourism, as we have seen in states like Nevada, New Jersey and Mississippi.
- It is no accident that these three states account for two-thirds of the total employment of the commercial casino industry today, with nearly a quarter of a million jobs between them. And it is no accident that they are home to some of the largest and most popular casino resorts in the country, drawing millions of visitors each year.

- By adopting competitive tax rates and a free market approach to casino licenses, Nevada, New Jersey and Mississippi have successfully encouraged the development of thriving gaming industries.
- These industries create substantial benefits for the broader economy, due to spending by vendors and gaming employees. And while the gaming tax rate is lower, these states still generate substantial tax revenues in other areas, including sales and use taxes, income taxes and property taxes.
- But, we also realize that this approach to gaming isn't for everyone.
- An alternative model that we see in many states is one with a limited number of licenses – typically positioned in the state's key population centers, and in locations that allow the state to keep casino customers within its borders while also drawing visitors from surrounding states.

- Since the state limits competition, you are able to charge a higher gaming tax rate under this model. But caution should still be taken in setting that rate, due to the changing nature of our business and the wants of our customers.
- Our business is constantly evolving and adapting to changing customer preferences and demands. For many years, customers went to a casino to play a slot machine, visit the buffet, and stay in a low-cost room. That is changing.
- Today, customers want more than just casino games. They are demanding high-quality amenities away from the casino floor, such as unique restaurants and bars, upscale hotel rooms, spas, and other live entertainment options.
- Competitive tax rates make it easier to generate an attractive return on investment on these types of amenities. Conversely, a high tax rate makes ambitious investments harder to pencil out – and makes it less likely we will be able to invest significant amounts of new capital in a state.

- Tax policy can also influence how many people we are able to have on our payroll.
- As we look at regional gaming markets around of the country, we see a broad range of tax rates. Some have effective tax rates in the 20 to 25% range, while others charge 50%, 60%, or even more. That difference in tax rates has a big impact on investment and hiring decisions.
- A high tax rate maximizes gaming tax revenues, but it tends to limit development and job creation. An example is Pennsylvania. This state generates a tremendous amount of gaming tax revenue, but a 55% tax rate puts a cap on hiring and investment at its 12 casinos.
- That is why Pennsylvania casinos are more limited in scope than what you see in other states, and focused predominately on slot machines.

- And it is a big reason that Pennsylvania casinos employ 22,000 less people than New Jersey – even though Pennsylvania has more casinos. That translates into a wage gap of more than \$1 billion a year between these two states.
- A more reasonable gaming tax rate, along with some certainty that additional licenses won't be awarded and that tax rates are stable, gives operators confidence to invest and reinvest in a wide array of gaming and non-gaming amenities that make our properties attractive for a broad range of customers.
- With these investments come more jobs, more tax revenues, and more tourists. And these investments help ensure that a state's gaming industry remains competitive well into the future.

- And that competition will inevitably grow. Lawmakers in Florida, Alabama, North Carolina and Tennessee may look at expanded gaming for the same reasons you are doing so today. If you decide to move ahead, you should do so with an eye toward building a gaming industry that can remain competitive and vibrant in the long term.
- We appreciate the task you have before you in trying to find the sweet spot on a gaming tax structure and rate that encourages significant investments and hiring, while still providing Georgia with a strong and stable revenue stream for the HOPE Scholarship program. Both are extremely important objectives.
- Another important question you will need to answer is this: what markets make the most sense for casino gaming in Georgia?

- Obviously, metro Atlanta should be at the top of your list. With more than 5 million residents and millions of visitors each year, we believe greater Atlanta could easily support several casino resorts.
- But we also believe there are additional, compelling opportunities in communities throughout Georgia.
- Here in Savannah, you have a robust tourism industry already in place, with more than 13 million visitors each year. And you are also within a convenient drive of several major feeder markets, including Jacksonville, Charleston and Hilton Head. As Georgia looks at potential casino sites, we recommend giving Savannah strong consideration.

- We would also suggest looking at communities like Columbus, Augusta, or northwest Georgia. Each of these locations would be much more convenient for Georgia customers who are currently driving to casinos in Alabama and North Carolina. They would also be well-positioned to attract casino customers from neighboring states as well.
- As part of your due diligence, we would suggest contracting an experienced and independent gaming policy firm to help you determine potential tax revenue streams, investment expectations and job forecasts, based upon different options for geographic locations, gaming tax rates and total licenses.
- This would provide you with solid, unbiased information about what you could reasonably expect under various policy options if you decide to move forward.

- We would also encourage you to speak to civic leaders from communities that have welcomed casino gaming over the last 10 to 20 years. Don't rely on second-hand information or uninformed myths about crime, bankruptcies or divorces... get the truth from those who actually live in these communities, and see the benefits from casino gaming each day.
- As you conduct your analysis, I would note that one thing is absolutely essential to successful casino gaming: A robust regulatory climate. It is vital for the public that the companies, vendors, and individuals involved in this industry be fully vetted and their operations and activities monitored.
- The State needs to be sure that every dollar is accounted for and players need to know that the games they're playing are fair.

- Boyd Gaming understands the importance of robust regulation to our business, and is proud to have built a strong reputation for integrity with gaming regulators across the country.
- We believe that you cannot have a successful gaming industry without robust regulation, and we wouldn't expect anything less here in Georgia.
- We are here to be a resource as you conduct your study of casino gaming, and whether it makes sense to invite our industry to operate here in Georgia. Boyd Gaming can offer you a unique perspective during this process.
- And if you and the people of Georgia ultimately decide to approve casino gaming, Boyd Gaming would be honored to be considered for the opportunity to do business in this great state.

- Thank you for the opportunity to speak today, and to share our perspective with you.

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