

PGCB Loan Repayment

April 14, 2011

PGCB Office of Chief Counsel

Doug Sherman, Chief Counsel

Allison Cassel, Assistant Chief Counsel

2010 Fiscal Code

Section 1799-E(G) – Establishment of a Repayment Schedule – the PGCB, in consultation with all licensed gaming entities, shall establish a schedule governing repayment of loans provided to the Pennsylvania Gaming Control Board no later than June 30, 2011.

Repayment shall begin when at least 11 slot machine licensees have been issued and all 11 licensed gaming entities have commenced operations.

Fiscal Code

The schedule must address the following:

The PGCB shall establish a repayment schedule that, at a minimum:

- i. Sets forth the dates upon which the repayment shall be due.
- ii. Assesses to each slot machine licensee costs for repayments in an amount that is proportional to each slot machine licensee's gross terminal revenue.
- iii. Results in full repayment of amounts loaned not earlier than five years nor later than ten years.

Fiscal Code Appropriations

*Amounts to be repaid reflects appropriated loan amount minus amount lapsed each year.

Fiscal Year	Total Amount to be Repaid
2007/08	\$22,415,093
2008/09	\$18,904,810
2009/10	\$22,531,500
Total Due	\$63,851,403

Consultation with Licensed Facilities

The PGCB received input from 8 of 11 licensed facilities:

- Mohegan Sun at Pocono Downs
- Parx Casino
- Harrah's Chester
- Hollywood Casino at Penn National
- Sands Bethlehem Resort
- The Rivers
- Sugarhouse
- Valley Forge Convention Center

Commonalities

- 10 year payback period
- Annual payments
 - A few facilities stated quarterly payments would be more beneficial for budgeting and cash flow purposes.

Differences

The biggest difference in the facilities' suggestions is how to calculate the "in proportion to gross terminal revenue" component.

Due to the staggered openings of the facilities, the calculation can become contentious.

FY	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Amt. Loaned		\$22.415 million	\$18.905 million	\$22.532 million		
	Mohegan					
	Parx					
	Harrah's					
	Presque Isle					
	Meadows					
		Mt. Airy				
		Hollywood				
			Sands			
					HSP	

Mohegan Sun and Parx's Proposal

Forward looking (not historical) and divide total amount due by 11 facilities.

The loan repayment obligation allocation would be based proportionately on each licensee's pro rata share of statewide gross terminal revenue *at the time that loan repayment becomes due.*

Example of the Proposal

Parx's proposal is based upon gross terminal revenue starting after the 11th facility has opened and after a one-year period to allow the 11th facility's revenues to stabilize.

Assuming the 11th facility opens in the first month of 2012, and allowing for the one year stabilization period, gross terminal revenue for the year 2013 would be used to base the calculation. Practically, that means that repayment would not start until 2014.

Pros & Cons

Pros:

- Spreads out the payments more evenly across all facilities while still reflecting the percentage of gross terminal revenue.

Cons:

- Repayment would not begin until 2014.
- Gives the facilities that opened first a windfall because gross terminal revenue at their most profitable times would not be considered in calculations.

Sands' Proposal

Repayment of the loans should be borne by those facilities that were open and operating during the years the loans were appropriated.

Essentially, this means that only those facilities that were open from 2007 through 2010 would be obligated to repay the loans.

Sands' GTR Calculation (FY 07/08 and 08/09)

Fiscal Year	FY 2007 / 2008		FY 2008 / 2009	
	Gross Terminal Revenue	% GTR	Gross Terminal Revenue	% GTR
Pennsylvania	\$1,404,753,259.04	100%	\$1,754,002,790.46	100%
Mohegan Sun	\$170,647,898.99	12%	\$216,041,734.99	12%
Parx Casino	\$325,168,058.60	23%	\$356,255,718.80	20%
Harrah's Chester	\$332,785,935.18	24%	\$319,601,304.40	18%
Presque Isle	\$161,673,530.44	12%	\$167,849,999.39	10%
The Meadows	\$231,203,754.80	16%	\$264,489,169.20	15%
Mount Airy	\$110,592,025.26	8%	\$180,210,946.78	10%
Hollywood Casino	\$72,682,055.77	5%	\$219,229,940.27	12%
Sands Bethlehem	\$0.00	0%	\$30,323,976.63	2%
The Rivers	\$0.00	0%	\$0.00	0%
Sugarhouse	\$0.00	0%	\$0.00	0%
Valley Forge	\$0.00	0%	\$0.00	0%

Sands' GTR Calculation (FY 09/10)

*Percentages and dollar amounts are rounded for illustration.

Fiscal Year	FY 2009 /2010	
	Gross Terminal Revenue	%GTR
Pennsylvania	\$2,164,839,765.25	100%
Mohegan Sun	\$222,586,870.22	10%
Parx Casino	\$381,651,762.43	18%
Harrah's Chester	\$306,764,863.25	14%
Presque Isle	\$164,699,164.47	8%
The Meadows	\$261,072,067.86	12%
Mount Airy	\$145,439,085.56	7%
Hollywood Casino	\$246,992,498.11	11%
Sands Bethlehem	\$240,175,621.18	11%
The Rivers	\$195,457,832.17	9%
Sugarhouse	\$0.00	0%
Valley Forge	\$0.00	0%

Calculating the Payment Under Sands' Proposal

	FY 2007 / 2008		FY 2008 / 2009	
	GTR %	Total Amt to be Repaid	GTR %	Total Amt to be Repaid
Loans Incurred		\$22,415,093.00		\$18,904,810.00
Mohegan Sun	12%	\$2,722,961	12%	\$2,328,519
Parx Casino	23%	\$5,188,578	20%	\$3,839,758
Harrah's Chester	24%	\$5,310,134	18%	\$3,444,693
Presque Isle	12%	\$2,579,761	10%	\$1,809,103
The Meadows	16%	\$3,689,227	15%	\$2,850,690
Mount Airy	8%	\$1,764,673	10%	\$1,942,331
Hollywood Casino	5%	\$1,159,759	12%	\$2,362,881
Sands Bethlehem	0%	\$0	2%	\$326,835
The Rivers	0%	\$0	0%	\$0
Sugarhouse	0%	\$0	0%	\$0
Valley Forge	0%	\$0	0%	\$0

Calculating the Payment Under Sands' Proposal (cont.)

FY 2009 / 2010				
	GTR %	Total Amt to be Repaid	Total	Total Yearly Payment
Loans Incurred		\$22,531,500.00	\$63,851,403.00	
Mohegan Sun	10%	\$2,316,668	\$7,368,148	\$736,815
Parx Casino	18%	\$3,972,205	\$13,000,541	\$1,300,054
Harrah's Chester	14%	\$3,192,787	\$11,947,614	\$1,194,761
Presque Isle	8%	\$1,714,177	\$6,103,041	\$610,304
The Meadows	12%	\$2,717,220	\$9,257,136	\$925,714
Mount Airy	7%	\$1,513,720	\$5,220,724	\$522,072
Hollywood Casino	11%	\$2,570,681	\$6,093,321	\$609,332
Sands Bethlehem	11%	\$2,499,731	\$2,826,566	\$282,657
The Rivers	9%	\$2,034,311	\$2,034,311	\$203,431
Sugarhouse	0%	\$0	\$0	\$0
Valley Forge	0%	\$0	\$0	\$0

Pros & Cons

Pros:

- Constant payment amount (will never vary).
- Casinos paying more benefit from earlier opening resulting in reduced competition and building of consumer loyalty.

Cons:

- Two licensed and open facilities (Valley Forge and Sugarhouse) pay nothing.
- Two licensed and open facilities' (Rivers and Sands) payments are much less than other facilities.
- Late opening casinos benefit from PGCB ramp-up and administrative development without paying toward those functions.

Logically...

Language from the fiscal code uses the phrase “when 11 casinos are open and operational.”

1. All 11 have benefited from PGCB administrative and regulatory development and should share in cost of benefits.
2. Early openers should not get a windfall by delaying the calculation period.

Middle Ground

Goals

1. Fairness
2. Accountability
3. Equity

Alternative 1

Divide \$63.8 million in to ten yearly payments of \$6.38 million.

Start the GTR calculation period in the fiscal year of 2007/2008.

This results in the same GTR percentages as Sands' proposal.

Payment Amount for Year 1 and 2

Repayment Year	Year 1 - 2012		Year 2 - 2013	
GTR Year	2007 / 2008		2008 / 2009	
Amount to be Repaid	\$6,380,000		\$6,380,000	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	12%	\$775,035	12%	\$785,829
Parx Casino	23%	\$1,476,823	20%	\$1,295,843
Harrah's Chester	24%	\$1,511,421	18%	\$1,162,516
Presque Isle	12%	\$734,276	10%	\$610,537
The Meadows	16%	\$1,050,063	15%	\$962,051
Mount Airy	8%	\$502,278	10%	\$655,498
Hollywood Casino	5%	\$330,102	12%	\$797,426
Sands Bethlehem	0%	\$0	2%	\$110,300
The Rivers	0%	\$0	0%	\$0
Sugarhouse	0%	\$0	0%	\$0
Valley Forge	0%	\$0	0%	\$0

Payment Amount for Year 3 and 4

Repayment Year	Year 3 - 2014		Year 4 - 2015	
GTR Year	2009 / 2010		2010 / 2011 (Partial)	
Amount to be Repaid	\$6,380,000		\$6,380,000	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	10%	\$655,986	10%	\$626,712
Parx Casino	18%	\$1,124,766	17%	\$1,058,206
Harrah's Chester	14%	\$904,067	12%	\$780,703
Presque Isle	8%	\$485,385	7%	\$474,657
The Meadows	12%	\$769,406	11%	\$694,893
Mount Airy	7%	\$428,624	6%	\$408,983
Hollywood Casino	11%	\$727,912	11%	\$683,230
Sands Bethlehem	11%	\$707,822	11%	\$724,403
The Rivers	9%	\$576,034	11%	\$700,873
Sugarhouse	0%	\$0	4%	\$227,341
Valley Forge	0%	\$0	0%	\$0

The GTR for years 1 – 3 is already known.

The GTR percentage for the next 7 years would be recalculated every year to reflect the opening of new facilities and the change in market share.

The calculation would be on a 4 ½ year lag. Therefore, the facilities would know what their payment amount well in advance to enable budgeting on their part.

Alternative 2

Divide \$63.8 million in to ten yearly payments of \$6.38 million.

Determine the GTR percentage based on cumulative GTR, since the opening of each facility.

This starts the calculations at the time of opening. Therefore, there are no windfalls to any facility.

Each year, the GTR percentage would be recalculated to allow for the cumulative effect.

Calculating GTR for Year 1 and 2

GTR Calculation	FY 2007 / 2008		FY 2008 / 2009	
	Gross Terminal Revenue as of 07 / 08	% GTR	Gross Terminal Revenue as of 08 / 09	% GTR
Pennsylvania	\$1,859,332,894.87	100%	\$3,613,335,685.33	100%
Mohegan Sun	\$277,704,945.78	15%	\$493,746,680.77	14%
Parx Casino	\$469,454,050.31	25%	\$825,709,769.11	23%
Harrah's Chester	\$460,103,704.14	25%	\$779,705,008.54	22%
Presque Isle	\$224,186,195.95	12%	\$392,036,195.34	11%
The Meadows	\$244,609,917.66	13%	\$509,099,086.86	14%
Mount Airy	\$110,592,025.26	6%	\$290,802,972.04	8%
Hollywood Casino	\$72,682,055.77	4%	\$291,911,996.04	8%
Sands Bethlehem	\$0.00	0%	\$30,323,976.63	1%
The Rivers	\$0.00	0%	\$0.00	0%
Sugarhouse	\$0.00	0%	\$0.00	0%
Valley Forge	\$0.00	0%	\$0.00	0%

Calculating GTR for Year 3 and 4

GTR Calculation	FY 2009 /2010		FY 2010 /2011 (partial)	
	Gross Terminal Revenue as of 09 / 10	%GTR	Gross Terminal Revenue as of 10 / 11	%GTR
Pennsylvania	\$5,778,175,450.58	100%	\$7,101,986,997.32	100%
Mohegan Sun	\$716,333,550.99	12%	\$846,372,549.19	12%
Parx Casino	\$1,207,361,531.54	21%	\$1,426,932,932.39	20%
Harrah's Chester	\$1,086,469,871.79	19%	\$1,248,461,046.62	18%
Presque Isle	\$556,735,359.81	10%	\$655,223,799.69	9%
The Meadows	\$770,171,154.72	13%	\$914,357,200.30	13%
Mount Airy	\$436,242,057.60	8%	\$521,103,466.88	7%
Hollywood Casino	\$538,904,494.15	9%	\$680,670,516.74	10%
Sands Bethlehem	\$270,499,597.81	5%	\$420,808,750.49	6%
The Rivers	\$195,457,832.17	3%	\$340,884,758.60	5%
Sugarhouse	\$0.00	0%	\$47,171,976.42	1%
Valley Forge	\$0.00	0%	\$0.00	0%

Payment Amount for Year 1 and 2

Repayment Year	Year 1 - 2012		Year 2 - 2013	
GTR Year	2007 / 2008		2008 / 2009	
Amount to be Repaid	\$6,380,000.00		\$6,380,000.00	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	15%	\$952,900	14%	\$871,799
Parx Casino	25%	\$1,610,856	23%	\$1,457,940
Harrah's Chester	25%	\$1,578,771	22%	\$1,376,711
Presque Isle	12%	\$769,259	11%	\$692,211
The Meadows	13%	\$839,339	14%	\$898,907
Mount Airy	6%	\$379,479	8%	\$513,465
Hollywood Casino	4%	\$249,397	8%	\$515,424
Sands Bethlehem	0%	\$0	1%	\$53,542
The Rivers	0%	\$0	0%	\$0
Sugarhouse	0%	\$0	0%	\$0
Valley Forge	0%	\$0	0%	\$0

Payment Amounts for Year 3 and 4

Repayment Year	Year 3 - 2014		Year 4 - 2015	
GTR Year	2009 / 2010		2010 / 2011 (Partial)	
Amount to be Repaid	\$6,380,000.00		\$6,380,000.00	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	12%	\$790,943	12%	\$760,330
Parx Casino	21%	\$1,333,114	20%	\$1,281,871
Harrah's Chester	19%	\$1,199,631	18%	\$1,121,543
Presque Isle	10%	\$614,722	9%	\$588,614
The Meadows	13%	\$850,388	13%	\$821,404
Mount Airy	8%	\$481,679	7%	\$468,128
Hollywood Casino	9%	\$595,034	10%	\$611,474
Sands Bethlehem	5%	\$298,673	6%	\$378,029
The Rivers	3%	\$215,816	5%	\$306,230
Sugarhouse	0%	\$0	1%	\$42,376
Valley Forge	0%	\$0	0%	\$0

Alternative 3

Divide \$63.8 million in to ten yearly payments of \$6.38 million. Use the fiscal year GTR calculation commencing 2007 / 2008.

The amount to be repaid for a particular fiscal year would depend on the number of facilities open during that year. Therefore, until the year that 11 facilities are open, only a percentage of \$6.38 million would be paid back.

The differences between \$6.38 million and the amounts paid back would be carried over to the year in which all 11 open.

To Illustrate...

During Year 1, 7 out of 11 facilities were open, i.e. 64% of the number to trigger repayment.

Therefore, only 64% of \$6.38 million would be paid back by those facilities open in Year 1 based on Year 1 proportional GTR.

64% of \$6.38 million = \$4.06 million.

This is the amount the percentage GTR would be used against to calculate the payment amount.

\$2.32 million would be carried over to Year 5.

Payment Amount for Year 1 and 2

Repayment Year	Year 1 - 2012		Year 2 - 2013	
GTR Year	2007 / 2008		2008 / 2009	
Percentage of Facilities Open	64%		73%	
	\$6,380,000.00		\$6,380,000.00	
Amount to be Repaid	\$4,060,000		\$4,640,000	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	12%	\$493,204	12%	\$571,512
Parx Casino	23%	\$939,797	20%	\$942,431
Harrah's Chester	24%	\$961,814	18%	\$845,466
Presque Isle	12%	\$467,267	10%	\$444,027
The Meadows	16%	\$668,222	15%	\$699,674
Mount Airy	8%	\$319,632	10%	\$476,726
Hollywood Casino	5%	\$210,065	12%	\$579,946
Sands Bethlehem	0%	\$0	2%	\$80,218
The Rivers	0%	\$0	0%	\$0
Sugarhouse	0%	\$0	0%	\$0
Valley Forge	0%	\$0	0%	\$0

Payment Amount for Year 3 and 4

Repayment Year	Year 3 - 2014		Year 4 - 2015	
GTR Year	2009 / 2010		2010 / 2011 (Partial)	
Percentage of Facilities Open	82%		91%	
	\$6,380,000.00		\$6,380,000.00	
Amount to be Repaid	\$5,220,000		\$5,800,000	
	GTR %	Payment Amount	GTR %	Payment Amount
Mohegan Sun	10%	\$536,716	10%	\$569,738
Parx Casino	18%	\$920,263	17%	\$962,006
Harrah's Chester	14%	\$739,691	12%	\$709,730
Presque Isle	8%	\$397,133	7%	\$431,506
The Meadows	12%	\$629,514	11%	\$631,721
Mount Airy	7%	\$350,692	6%	\$371,802
Hollywood Casino	11%	\$595,564	11%	\$621,118
Sands Bethlehem	11%	\$579,127	11%	\$658,548
The Rivers	9%	\$471,300	11%	\$637,157
Sugarhouse	0%	\$0	4%	\$206,674
Valley Forge	0%	\$0	0%	\$0

Carry Over

Total amount to be carried over	\$5,800,000.00
Total amount to be repaid after Year 4	\$44,080,000.00
Amount to be repaid after Year 4	\$7,346,667

To Illustrate Differently

		Year of Repayment	Fiscal Year Payment Amount Based Upon	Amount Repaid Per Year
10 Year Period	1	2012	2007 / 2008	\$4,060,000
	2	2013	2008 / 2009	\$4,640,000
	3	2014	2009 / 2010	\$5,220,000
	4	2015	2010 / 2011	\$5,800,000
	5	2016	2011 / 2012	\$7,346,667
	6	2017	2012 / 2013	\$7,346,667
	7	2018	2013 / 2014	\$7,346,667
	8	2019	2014 / 2015	\$7,346,667
	9	2020	2015 /2016	\$7,346,666
	10	2021	2016 / 2017	\$7,346,666
			Total	\$63,800,000

Pros & Cons

Pros:

- Those facilities that opened the earliest don't get a windfall.
- Those facilities that opened the earliest don't bear a disproportionate burden.

Cons:

- Less money is paid back to the Property Tax Relief Reserve Fund in the first four years of repayment.

Comparison of Suggestions

	Year 1				
	Option 1	Option 2	Option 3	Sands	Mohegan Sun/Parx
Mohegan Sun	\$775,035	\$952,900	\$493,204	\$736,815	\$407,886
Parx Casino	\$1,476,823	\$1,610,856	\$939,797	\$1,300,054	\$998,299
Harrah's Chester	\$1,511,421	\$1,578,771	\$961,814	\$1,194,761	\$703,092
Presque Isle	\$734,276	\$769,259	\$467,267	\$610,304	\$331,468
The Meadows	\$1,050,063	\$839,339	\$668,222	\$925,714	\$575,811
Mount Airy	\$502,278	\$379,479	\$319,632	\$522,072	\$423,462
Hollywood Casino	\$330,102	\$249,397	\$210,065	\$609,332	\$606,232
Sands Bethlehem	\$0	\$0	\$0	\$282,657	\$634,949
The Rivers	\$0	\$0	\$0	\$203,431	\$834,755
Sugarhouse	\$0	\$0	\$0	\$0	\$700,902
Valley Forge	\$0	\$0	\$0	\$0	\$163,145

Comparison of Suggestions

	Year 2				
	Option 1	Option 2	Option 3	Sands	Mohegan Sun/Parx
Mohegan Sun	\$785,829	\$871,799	\$571,512	\$736,815	\$407,886
Parx Casino	\$1,295,843	\$1,457,940	\$942,431	\$1,300,054	\$998,299
Harrah's Chester	\$1,162,516	\$1,376,711	\$845,466	\$1,194,761	\$703,092
Presque Isle	\$610,537	\$692,211	\$444,027	\$610,304	\$331,468
The Meadows	\$962,051	\$898,907	\$699,674	\$925,714	\$575,811
Mount Airy	\$655,498	\$513,465	\$476,726	\$522,072	\$423,462
Hollywood Casino	\$797,426	\$515,424	\$579,946	\$609,332	\$606,232
Sands Bethlehem	\$110,300	\$53,542	\$80,218	\$282,657	\$634,949
The Rivers	\$0	\$0	\$0	\$203,431	\$834,755
Sugarhouse	\$0	\$0	\$0	\$0	\$700,902
Valley Forge	\$0	\$0	\$0	\$0	\$163,145

Comparison of Suggestions

	Year 3				
	Option 1	Option 2	Option 3	Sands	Mohegan Sun/Parx
Mohegan Sun	\$655,986	\$790,943	\$536,716	\$736,815	\$407,886
Parx Casino	\$1,124,766	\$1,333,114	\$920,263	\$1,300,054	\$998,299
Harrah's Chester	\$904,067	\$1,199,631	\$739,691	\$1,194,761	\$703,092
Presque Isle	\$485,385	\$614,722	\$397,133	\$610,304	\$331,468
The Meadows	\$769,406	\$850,388	\$629,514	\$925,714	\$575,811
Mount Airy	\$428,624	\$481,679	\$350,692	\$522,072	\$423,462
Hollywood Casino	\$727,912	\$595,034	\$595,564	\$609,332	\$606,232
Sands Bethlehem	\$707,822	\$298,673	\$579,127	\$282,657	\$634,949
The Rivers	\$576,034	\$215,816	\$471,300	\$203,431	\$834,755
Sugarhouse	\$0	\$0	\$0	\$0	\$700,902
Valley Forge	\$0	\$0	\$0	\$0	\$163,145

Comparison of Suggestions

	Year 4				
	Option 1	Option 2	Option 3	Sands	Mohegan Sun/Parx
Mohegan Sun	\$626,712	\$760,330	\$569,738	\$736,815	\$407,886
Parx Casino	\$1,058,206	\$1,281,871	\$962,006	\$1,300,054	\$998,299
Harrah's Chester	\$780,703	\$1,121,543	\$709,730	\$1,194,761	\$703,092
Presque Isle	\$474,657	\$588,614	\$431,506	\$610,304	\$331,468
The Meadows	\$694,893	\$821,404	\$631,721	\$925,714	\$575,811
Mount Airy	\$408,983	\$468,128	\$371,802	\$522,072	\$423,462
Hollywood Casino	\$683,230	\$611,474	\$621,118	\$609,332	\$606,232
Sands Bethlehem	\$724,403	\$378,029	\$658,548	\$282,657	\$634,949
The Rivers	\$700,873	\$306,230	\$637,157	\$203,431	\$834,755
Sugarhouse	\$227,341	\$42,376	\$206,674	\$0	\$700,902
Valley Forge	\$0	\$0	\$0	\$0	\$163,145

Additional Comment

- The Board will receive comment from operators, the Legislature and other interested persons relative to the loan repayment issues outlined by April 28th.
- Persons wishing to submit comment should do so in writing to the PGCB Board Secretary:

Pennsylvania Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Attn: Mickey Kane

- All comments received by April 28th will be posted on the Board's website and will be considered by the Board in its decision to issue a repayment schedule.