

BOYDGAMING

Testimony to Georgia Senate Study Committee on Gaming & Pari-Mutuel Wagering

Good morning, Mr. Chairman, members of the committee. Thank you for the opportunity to be with you today.

I'm Ryan Soultz, Vice President of Governmental Affairs for Boyd Gaming Corporation.

I know that several of you are familiar with our Company, but many of you may not be. I thought that it would be helpful to take a few minutes to introduce you to our Company, and our unique history before addressing the possibility of gaming in Georgia.

Company Background and Experience

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.

Next year, thanks to the leadership and vision of Sam, Bill and our senior management team, Boyd Gaming will celebrate its 45th year in business -- all of it under the same leadership.

That is a track record of experience, longevity and stability that few can match.

Over these four-and-half decades, we have built a strong reputation as innovators within our industry, helping introduce casino gaming to new markets and new customers across the country.

BOYDGAMING

An example of this was the opening of Sam's Town Las Vegas in 1979 -- the first full-scale casino resort catering primarily to Las Vegas 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 29 casino properties in 10 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 three 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; and,
- Our Midwest and South regional operations, spanning 17 different properties in Indiana, Illinois, Iowa, Kansas, Louisiana, Mississippi, Missouri, Ohio and Pennsylvania.

Nationwide, we employ more than 25,000 people in 18 different communities across the country.

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

Company Culture – Giving Back, Integrity, Values

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, just 20 years after its founding, the Boyd School of Law has become one of the top 60 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 millions of dollars to thousands of non-profit organizations throughout

BOYDGAMING

the country. While financial support is important, we also contribute our time to these organizations and their causes.

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 and appreciation for the communities we call home.

Another core part of our culture is our commitment to integrity. We believe in doing the right thing and honoring our word – even if it costs us business.

The Boyd reputation for integrity is well known in our communities. And that reputation was a big reason that the Nevada Gaming Control Board asked Boyd Gaming to manage the Stardust on the state's behalf in the mid-1980s.

At the time, the Stardust was owned and managed by operators with connections to organized crime, and the state of Nevada was investigating the property for skimming of gaming revenues. Essentially, the Stardust's operators were underreporting the revenues of the Stardust to the state, diminishing the state's tax revenues while providing kickbacks to criminal figures.

The situation was obviously unacceptable, and the state was about to move in to seize control of the Stardust. But the Control Board couldn't manage the property itself – they needed a reputable and skilled operator to run the Stardust on behalf of the state. Without that operator, the Stardust would have to close.

Bill Boyd was the first person the Nevada Gaming Control Board called. Sam and Bill Boyd agreed to help. From their perspective, this was about giving back to Nevada and making sure that 2,000 people kept their jobs. Boyd Gaming stepped in and managed the Stardust for a relatively modest management fee for two years, before acquiring it outright in 1985.

Managing the Stardust was a huge undertaking. Many companies would have seen it as a distraction and taken a pass. But Sam and Bill felt it was the right thing to do. In doing so, they saved a legendary Strip resort from closure, kept 2,000 from losing their jobs and ensured that the state of Nevada would be able to eject organized crime from the state's gaming industry.

The commitment to integrity and community also extends to responsible gaming. The Company is a founding member of the National Center for Responsible Gaming, the only national organization focused solely on funding research regarding gambling disorder and effective treatments for it. We also help fund various state councils on problem and responsible gaming that work to raise public awareness of problem gambling disorder and provide resources to those in both the treatment and recovery communities regarding problem gambling. In addition to these endeavors, we continually educate our team members on issues surrounding responsible and problem gambling and the various programs available in their state.

BOYDGAMING

Community, Market and Regulatory Structure drive Development and Economic Impact

As I mentioned earlier, we currently serve 18 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 how we develop and operate our properties.

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 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 your 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-plus 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 with nearly 1,000 casinos in operation in 43 states.

It is a truly nationwide industry with a \$261 billion annual impact that supports 1.8 million jobs in the United States.

And, the vast majority of these jobs pay well above the minimum wage.

The average gaming employee earns more than \$47,000 per year in wages, benefits and tips, with many supervisors, managers, executives and other professionals earning well above that amount.

BOYD GAMING

On the tax side, casinos generated over \$9.7 billion in direct gaming taxes to state and local governments last year. The tax impact jumps to approximately \$41 billion when income, payroll, sales and property taxes generated by casinos are included.

Casino gaming is also an entertainment choice that Americans support. Polling shows that 90% of Americans view casinos as an acceptable form of entertainment and that 35% of us have visited a casino within the last year.

Clearly, the gaming industry plays a key role in the U.S. economy, and within communities across the country.

These communities aren't only large, metropolitan areas such as New York, Chicago, Boston, Washington DC, and Philadelphia. The list also includes many smaller communities like Mulvane, Kansas; Dubuque, Iowa; Vinton, Louisiana; and, Florence, Indiana.

In many ways, the communities that our industry and our Company operates in are reflective of the different sized-communities you have here in Georgia.

As you consider whether this industry would be beneficial to Georgia, the first question to consider is this: Exactly what is it you'd like gaming to deliver? Answering this question is crucial in determining what policy approach Georgia takes for casino gaming.

If the answer is jobs and economic development, then relatively low gaming taxes, combined with few restrictions on the number of gaming licenses, is the policy to choose. This framework generally is 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.

These three states account for two-thirds of the direct employment of the commercial casino industry today, with nearly a half million jobs between them. They are also 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.

However, we 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 or in locations that allow the state to keep casino customers within its borders while also drawing visitors from surrounding states.

BOYD GAMING

Since the state limits competition, there's typically a higher gaming tax rate under this model compared to the free market one. However, 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 has changed.

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, meeting space and other live entertainment options.

Competitive tax rates make it easier to generate an attractive return on investment on these types of amenities and to continue to reinvest in such amenities. Conversely, a high tax rate makes these investments harder to pencil – and makes it less likely we will be able to invest significant amounts of new capital in a state either in an initial project but also in terms of future additions.

I know much of your focus will be on the number of jobs created through the initial construction of these facilities and the direct employees involved in running their operations.

No question that those are important considerations with sizeable numbers. The number of construction workers on site for an initial project will run in the hundreds to thousands depending upon the size and scope of the investment. Likewise, direct employee counts at a casino, hotel and its other amenities are anywhere between several hundred to several thousand depending upon the property and market.

It is important to think long-term, however.

This is a business that is very capital intensive – properties must reinvest in both their gaming and non-gaming amenities to adapt to market conditions and to deliver the entertainment experiences that our guests expect. This is an industry that constantly reinvests in its properties and I want to give just a few quick examples of what that economic impact means for some of the communities we operate in.

For instance, Delta Downs, our property in Vinton, Louisiana, near Lake Charles, added a new hotel tower within the last few years. That \$45 million project added a new 167-room hotel tower, a complete renovation of the existing 200-room hotel tower, additional meeting and event space, and a new restaurant to the amenities we already had at Delta. This project supported 200 construction jobs during its 15-month duration.

For perspective, please know that Vinton's population is about 3,200 and the Lake Charles area's regional population is about 200,000.

I know some of you may be familiar with our Blue Chip Casino Hotel & Spa property in Michigan City, Indiana. That's where the Bulldogs stayed when they played at Notre Dame back in 2017.

BOYD GAMING

By the way, our staff must have done a great job in hosting based upon Georgia's victory that evening in South Bend.

Anyhow, we are holding a ribbon cutting this week on a 15,000-square foot expansion of Blue Chip's meeting and event space. This \$11 million investment gives Blue Chip over 45,000 square feet of meeting and event space. Space that is in high demand for business groups, regional conventions, weddings and other events. This addition will help keep our property – with nearly 500 hotel rooms, a luxurious spa, and upscale dining options – as a premiere destination in northwest Indiana. This most recent investment is on top of more than \$300 million in investments that have been made at Blue Chip over the last decade or so – a property that first opened its doors in 1997.

I shared these examples with you because, while there will be much focus on the construction jobs and the direct jobs created from initial investments, it's important to understand how these properties are economic engines well after they first open their doors.

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 why Pennsylvania casinos employ 6,000 less people than New Jersey – even though Pennsylvania has more casinos. That translates into a wage gap of more than \$300 million 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.

You all have a unique opportunity in Georgia. You have a chance to look at what has worked well in some jurisdictions, what has not worked well in some jurisdictions, and use of all that to formulate Georgia's own gaming policy if that's something you decide to pursue.

BOYD GAMING

We encourage you, as you deliberate whether to bring this industry to Georgia, to not only be focused on how the State could benefit during the first few years after the first property opens but to also have a vision of how gaming can remain vibrant in 10, 15, or even 25 years from now as part of an ongoing economic development strategy.

Another important question you will need to answer is this: what markets make the most sense for casino gaming in Georgia?

We understand that much of the discussion has centered, and will continue to center, around Atlanta and Savannah.

Obviously, metro Atlanta with more nearly 6 million residents and millions of visitors each year, could easily support several casino resorts. Major metropolitan areas in Chicago, Detroit, Philadelphia and even smaller ones such as Cincinnati, Indianapolis, Kansas City and St. Louis support multiple properties today.

Savannah already is well-established in the tourism industry, with more than 14 million visitors each year. Savannah's also within a convenient drive of several major feeder markets, including Jacksonville, Charleston and Hilton Head.

But we also believe there are additional, compelling opportunities in other communities throughout Georgia.

Augusta is a very attractive location. Beyond being famous for hosting one of the world's greatest sporting events, there are very exciting investments taking place in Augusta in cyber security and other sectors. Augusta is also well positioned to draw visitors in from South Carolina and perhaps even some portions of North Carolina while providing area residents another entertainment amenity.

Likewise, Columbus and northwest Georgia, are potential markets. Each of these locations would be much more convenient for Georgians 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.

There may be other communities or regions that make sense too.

We suggest contracting with 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.

Community Stakeholder Perspectives on Gaming's Impact

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

BOYD GAMING

myths about crime, bankruptcies or divorces; or that casinos don't have a positive economic impact on their area or even harm small businesses... get the truth from those who actually live in these communities and see the benefits from casino gaming each day.

I will share just a few comments on these topics from community stakeholders where we operate.

One of those stakeholders is retired Indiana State Senator Jim Arnold. Prior to his election to the Indiana Senate, Jim spent his career in law enforcement including two terms as LaPorte County Sheriff – the county where our Blue Chip property is located in northern Indiana.

Jim was asked about what sort of impact Blue Chip's opening had on crime in the area and this was his response:

“Without hesitation – none. Blue Chip opened just before I took office as LaPorte County Sheriff. I heard fears about thefts, robberies, prostitution, and other crimes that were going to occur because of a casino. None of these concerns have ever become a reality. The Blue Chip venue is one of the most crime free areas in the community. The relationship between Blue Chip's security and law enforcement agencies is second to none.”

Or take the perspective of Brian Meyer on casinos' community impact. He is Executive Director of the Boys & Girls Clubs of Greater Dubuque, where we operate one of our Diamond Jo properties. He was asked about the impact of the casino industry on the community and he said:

“I would tell any executive director from a Boys & Girls Club that if you can get gaming in your community, they are good. I think that overall, they're employing more people, and they're providing more educated people with positions. They're having a positive impact.”

He added that positive impact isn't just around the casino, its much broader:

“Gaming has a tremendously positive impact on our community. When I say community, I don't mean Dubuque, I mean 30 to 50 miles from Dubuque that people have been impacted.”

Or hear how two small business owners in Mississippi, say they've seen their businesses flourish as a result of casinos, including our IP property, being in Biloxi.

Mike Alise and his wife Christy own Gulf Coast Produce. They started their business back in 1995 and have grown from serving the Mississippi Gulf Coast to also extending their business to cover parts of Louisiana. Mike credits the growth of his company to the casino industry. He recently said of his business:

“We now have 23 trucks, 70 employees and the casino have helped us to really grow . . . I never thought that we would grow to a \$40 million company.”

BOYDGAMING

Bobby Mahoney, whose family has owned Mary Mahoney's Old French House restaurant in Biloxi for decades says that his business has tripled since casinos opened. He summed up the impact of the casino industry on small business:

"Casino money goes in and it splashes all over. Every business in this area has prospered."

Again, these are just a few comments from community stakeholders in areas where we operate. Please don't simply take my word for it – talk to your colleagues in the communities where we operate to get their perspective.

Ongoing Oversight and Regulation Expected

As you conduct your analysis, I would note one thing that is 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 be with you today and I'd be happy to answer any questions.