



THE ECONOMIC IMPACT of CHARLES TOWN RACES AND SLOTS

GATEWAY NEW ECONOMY COUNCIL
SHEPHERDSTOWN, WEST VIRGINIA
OCTOBER 2009

This report is provided under an agreement between Charles Town Races and Slots [CTRS] and the Gateway New Economy Council {GNEC}. We gratefully acknowledge the statistical guidance of Randall Childs, Bureau of Business and Economic Research, College of Business and Economics, West Virginia University

Section I

**THE ECONOMIC IMPACT of
CHARLES TOWN RACES AND SLOTS**

EXECUTIVE SUMMARY

The present day Charles Town Races & Slots [CTRS] facility first opened on December 2, 1933 as the sole winter-operating race track in America. Despite a move to year round horse racing, and visits from such renowned names as J. Edgar Hoover and John & Jackie Kennedy, by the 1990's the Charles Town track had fallen on hard times and was offered for sale.¹

As an interested buyer, Penn National Gaming Inc. believed that the installation of video lottery terminals, in addition to the continuation of thoroughbred horse racing, could grow and sustain the operation. As governed by law, this question was put forth to the voters of Jefferson County in a referendum which they passed on November 5, 1996. Penn National Gaming Inc. {PNGI} purchased and modified the racetrack facility, which opened as Charles Town Races & Slots {CTRS} on September 10, 1997. The venue initially offered live horse racing and 220 video lottery terminals.

Today, CTRS offers 4.3 million annual visitors the excitement of both year-round thoroughbred horse racing and gambling on 5,032 video lottery machines. The facility also offers a wide variety of dining choices, retail shopping, and a full-service 153 room hotel with meeting space.

In the United States, many individual states have moved toward gambling as a way to help balance their state budgets, fund various public programs and enhance citizen services. To this end, states which currently allow some form of gambling are tending to expand their gaming offerings. Similarly, states without gambling are now changing state law to allow for it's passage. Thus, since PNGI first purchased the CTRS facility, competition for gaming dollars has increased dramatically.

Gaming visitors have grown more selective when choosing a facility to visit. As a consequence, facilities positioning themselves for mass appeal are offering a broader mix of gaming choices at their facility. In order to accommodate these market trends, CTRS believes they should commence offering table games, in addition to video lottery terminals and the continuation of horse racing, in order to grow and sustain the CTRS operation. This choice will be put forth once again to the voters of Jefferson County in a referendum to be held on December 5, 2009.

CTRS CURRENT GAMING

Located in the Eastern Panhandle of West Virginia, the CTRS facility is contained within the geographic confines of Jefferson County, West Virginia. The CTRS Complex consists of 36 acres of property with 184,348 square feet of gaming space containing 5,032 Video Lottery machines (commonly referred to as VLTs). The Inn at Charles Town, which opened in September, 2008, is situated on-site and includes a full-service 153 room hotel with eighteen suites, plus meeting facilities and conference space. Occupancy rates have averaged 87% with an average room rate of \$110/night.² There are many dining choices including The Sundance Grill, Skyline Terrace, EPIC Buffet, Food Court and Long Shot's Deli available on the property.

In addition to slots play, visitors may enjoy live thoroughbred horse racing at a refurbished ¾ mile all-weather lighted race track. Simulcast wagering is available as well. The stable area accommodates approximately 1,343 horses and is located adjacent to the main track. There is a 3,000-seat grandstand, plus numerous dining options. The complex offers 6,048 parking spaces.

Charles Town Races & Slots currently generates revenue from two gaming categories:

Category #1 includes Live Thoroughbred Horse Racing and Simulcast Wagering {See Racing Introduction}. Category #2 consists of Racetrack Video Lottery {See VLT Introduction}.

¹ The History of Charles Town Races & Slots

² Economic_Impactv2.pdf

CATEGORY 1 - RACING INTRODUCTION

The West Virginia horse industry is a major economic engine throughout the state. It includes a variety of profitable businesses, such as breeding and training, which have become a catalyst for economic growth. The added benefit of the horse industry stems from the positive environmental impact of preserving farmland the protection of open spaces.

The importance of maintaining a robust horse racing and breeding industry within the state includes sustainability of farmland preservation in an effort to limit land development pressures. In the absence of a vibrant horse industry, farmland has a greater potential as prime real estate for developers.

The US Department of Agriculture reported that between 1964 and 1997, the state lost 17,732³ farms. This equated to 1,823,060 acres of farmland. Between 1982 and the end of 1997, there was a combined loss across the 25 most productive WV counties of 103,519 acres of productive farmland. Unfortunately 40% of that area came from the three counties in the Eastern Panhandle area. Between 2002 and 2007, Jefferson County farmland improvements were becoming more evident. The number of county farms increased during that period from 474 to 546.⁴ This represents a 15% increase. The amount of land dedicated to farm use also increased from 71,880 acres to 72,091 acres.

Between 2002 and 2007, Jefferson County farmland improvements were becoming more evident. The number of county farms increased during that period from 474 to 546. This represents a 15% increase. The amount of land dedicated to farm use also increased from 71,880 acres to 72,091 acres.

With America losing rural lands each year in the fight against urban sprawl, the American Farmland Trust puts the amount of the loss at 2.2 million acres each year. To put the figure into true perspective, throughout the United States, every second of the day sees over 4 acres of rural lands converted. Preservation of our Jefferson County agriculture community ensures agricultural product production, open space protection, the enhancement of tourism, and the furtherance of community values.

The state of West Virginia operates a total of four licensed thoroughbred horse and greyhound race tracks throughout the state. The Wheeling and Tri-State facilities offer greyhound dog racing and other forms of gambling. The Mountaineer and Charles Town facilities offer thoroughbred horse racing and other forms of gambling. Each track offers simulcast wagering. Simulcasting is a form of race broadcasting distribution that allows people to wager on races without actually being at the track where the horses or dogs are running.

Understanding two key terms, handles and purses, is also important to a discussion of the racing industry. Handles are the total amount of money (wagers) bet on races. Purses are the prize money awarded to those competing in the race.

While CTRS offers key facility components necessary for racing, there are two important players in the racing industry landscape. "Horsemen" are those whose work deals directly with horses racing at the track, including owners, trainers, veterinarians and farriers. This group also includes those who transport, equip, and feed the horses as well those who grow feed and bedding.

"Breeders" refer to those who raise and sell thoroughbred horses for racing. They expend dollars on products and labor necessary to their operations including: veterinarians, stud fees to other breeders, transport services, feed, bedding, seed and fertilizers. Their role in the racing industry is the production of thoroughbred foals capable of being trained for horse racing. According to the WVU Equine Inventory, there are 7,800⁵ horses devoted to horse racing and racehorse breeding in the state of West Virginia.

West Virginia is one of several Mid-Atlantic states with long histories in horse breeding and racing. Thoroughbreds have been bred and raced here for many years and the racing and breeding industries account for countless jobs, as well as a substantial economic impact on the state economies. In addition to the economic impact, the horse industry also benefits these states on a critical environmental level. Sustainability of agricultural areas and open space are key issues related to

³ The Jefferson County Farmland Protection Program study, Farmland Protection Board.

⁴ 2007 Census of Agriculture – Jefferson County, http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/County_Profiles/West_Virginia/cp54037.pdf

⁵ Hughes, D., Woloshuk, J., Hanham, A., Workman, D., Snively, D., Lewis, P., Walker, T., An Evaluation Of The Impact Of The Equine Industry On The West Virginia Economy, pg 5. West Virginia University Davis College of Agriculture, Forestry, & Consumer Sciences

this industry. Thus, the preservation of the horse racing industry is almost always discussed as a key benefit to the maintenance of horse farming and the protection of open spaces

In an August 2007 report to Governor Martin O’Malley of Maryland, from Thomas E. Perez, Secretary of the MD Department of Labor, Perez describes the issue in the following manner. *“Maryland led its neighbors in handles and purses -- the amount bet on races and the prize money awarded to winners -- and the number of horses being bred. These statistics are the lifeblood of the racing industry. But the introduction of slot machines in Delaware and West Virginia has resuscitated and revitalized the previously moribund horse racing and breeding industries in those states. As a result, Maryland’s horse racing and horse breeding industries have been placed at a distinct competitive disadvantage.”*⁶

Standard metrics used in analyzing the health of the thoroughbred horse racing industry within a state include: 1) Total annual purses 2) Total racing days 3) Average daily purse, and 4) Foal registrations. Each metric is described below and Table #1 reflects these figures for both 1997 [the 1st full year of PNGI ownership] and 2008.

Total Annual Purses - A purse is the money awarded to an owner when their horse wins or places in the top five finishers of a race. Purses are typically derived as a percent of the amount wagered on a race. These purses provide revenues directly to horsemen and indirectly to breeders.

Total Racing Days - West Virginia law legislates that thoroughbred race tracks conduct a minimum of 220 scheduled race days. This benchmark is designed to ensure that racetracks offer adequate opportunity to advance or sustain this type of gaming, so as to protect the equine industry within the state. Race days in excess of the mandated minimum schedule can be considered indicative of a more robust racing market. They also serve as an additional revenue generation opportunity for both horsemen and breeders.

Average Daily Purse - The average daily purse is an important metric to horsemen because it illustrates the prize money they stand to win, on average, for a race in each state. Acting as an economic engine, larger purses reward horse owners and make for more interesting races because they draw larger handles, or wagering pools.

Foal Registration - This metric is considered indicative of the health of the thoroughbred horse industry within a state. In 1997, West Virginia ranked 24th in foal crop registrations with 194⁷ foals produced. This represented just 0.6 of total US foal production for that year. By 2007 West Virginia had climbed to 12th position with 654 foals, representing 1.9% of US foal production.

Table #1
WV Thoroughbred Racing Metrics

Year	Annual Purses	Racing Days	Daily Purse	Foal Registration
1997	\$5,065,422	159	\$31,858	194
2008	\$39,456,525 ⁸	229	\$172,299	654

Note – foal registration reports statewide totals. All others are CTRS specific.

“The number of racing days in Maryland has declined from 306 days 15 years ago to 185 days this year, and possibly dropping to 140 in 2008. Charles Town, by contrast, is racing more than 200 days per year, and the number is rising.”⁹

The West Virginia percentage of change in foal registrations between 1997 - 2007 was an increase of over 297%. By comparison, during the same period, Maryland had a net change of -31.9 and Virginia had a net change of -22.2 in foal registrations.

Finally, as the Jefferson County population continues to grow, protecting farm land with farm related industry becomes a critical factor in sustaining a rural legacy. The key to keeping farmers on their land is to insure that their operations remain economically viable. Experts agree that a vibrant racing industry helps both horseman and farmers to see greater value in retaining their land for agricultural use. These agriculture assets are an integral part of Jefferson County’s economy, landscape and natural resource base.

⁶ Slot Machines and the Racing Industry: A Review of Existing Data in Maryland and Neighboring States, August 2007.

⁷ The Jockey Club, http://www.jockeyclub.com/factbook/distfc_pass.asp?whatyr=1997

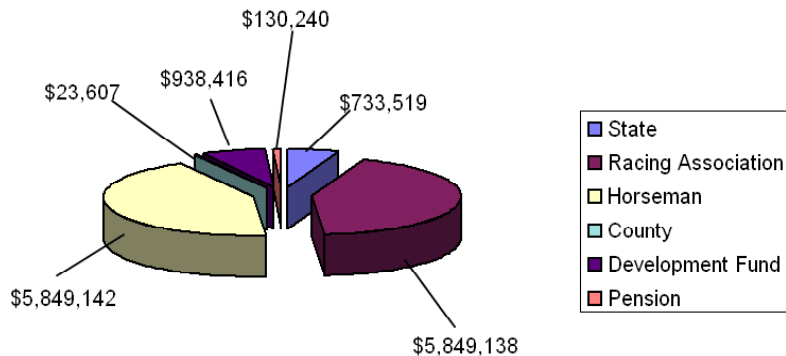
⁸ All racing purse data was taken from Historical Purses.xls

⁹ Slot Machines and the Racing Industry: A Review of Existing Data in Maryland and Neighboring States, August 2007.

CTRS - RACING REVENUES

In 2008 CTRS generated Category #1 Thoroughbred Horse Racing & Simulcast revenues of \$218,298,545¹⁰ in handles. Combined state racing handles for that year at all West Virginia tracks, for all kinds of racing, totaled \$703,918,121¹¹. The CTRS racing revenues represented approximately 31% of total statewide racing revenues. CTRS racing revenues are displayed in Chart #1 and partially distributed in the following manner:

Chart #1
2008 CTRS Racing Revenue Distributions



In 2008, CTRS conducted live thoroughbred racing on 229 days with an annual purse total of \$39,456,526.

The Jefferson County portion of thoroughbred racing revenue distribution for 2008 totaled \$23,607. This was a decrease from the 2007 amount which amounted to \$30,265.

As in other states, West Virginia thoroughbred purse amounts are supplemented with VLT funds. These additional revenues ensure that the thoroughbred and greyhound industries remain viable and that racetracks continue to draw customers. Slots revenue are currently used to subsidize purses significantly at all tracks in Delaware, West Virginia and Pennsylvania.

In 2008, CTRS conducted live thoroughbred racing on 229 days with an annual purse total of \$39,456,526. Purse funding generated from racing handles totaled \$6,027,922¹². Approximately \$33.4 million was generated for purses from the Race-track VLT category. Almost 85% of thoroughbred purse funding came from slots gaming sources.¹³

CATEGORY 2 – RACETRACK VIDEO LOTTERY INTRODUCTION

The West Virginia Lottery was first established by the passage of an act implemented on April 13, 1985. This act created a fund in the State Treasury designated as the “State Lottery Fund.” In 1994, Racetrack Video Lottery games were authorized when the Legislature passed a law making video lottery terminals available to visitors at the state’s four racetracks. Implementation of these VLTs was dependent on the passage of a local referendum in each of the four host counties.

In September 1994, Mountaineer Casino, Wheeling Island Racetrack and Tri-State Racetrack began slots operation with 1,200 VLTs. CTRS commenced video lottery gaming in September 1997. At that time, West Virginia was one of five state lotteries to regulate video gaming at racetracks [others included Delaware, Rhode Island, New York and Pennsylvania].

Racetrack video lottery is a video version of paper based lottery games which are played on a machine. A player wagers a

¹⁰ WV Racing Commission Annual Report FY2008.

¹¹ Ibid.

¹² CT-Historical_Purses.xls

¹³ Ibid.

bet for the chance to be awarded credits which can either be used for additional bets, or be redeemed for cash. A player may use coins, currency, tokens, or tickets to place bets. The VLT prize structure awards cash prizes at a stipulated rate of total bets played.

VLT games include mechanized and digital versions of poker, blackjack, keno, and spinning reel types. In June 1999, legislative action also allowed for mechanical reel coin drop machines. The West Virginia Lottery Commission had an average of 11,977 terminals available for play as of June 30, 2008. Racetrack Video Lottery sales were 59% of total WV Lottery 2008 sales. Other WV State Lottery games including Limited Video Lottery sales and Table Games comprise the remainder.

USE OF FUNDS

When examining the VLT distribution structure, it is important to remember that this state tax percentage is applied right off the top of all VLT revenues. This is unlike other businesses who have the capacity to deduct costs and expenses from revenues prior to the computation of the applicable taxes.

West Virginia legislation stipulates the distribution of statewide VLT revenues as directed by statute and appropriations. VLT revenues are distributed as a percentage of gross terminal revenues. In 2008 over \$9.3¹⁴ billion was played on all WV Racetrack VLTs. Of that amount, over \$8.4¹⁵ billion was returned to players in the form of winnings. Statewide, adjusted VLT revenues in 2008 equaled \$897,952,931.

Aside from the standard Lottery revenue distributions, the WV Lottery also periodically distributes surplus funds to the State of West Virginia in accordance with the current governing legislation.

Not including VLT revenues from other WV facilities, CTRS alone generated approximately \$411 million dollars in 2008 VLT revenues, which were directed to state and local government use. While other industries would herald these statistics as representative of an economic bonanza, gaming decisions are often viewed with controversy. Demonstrating the programs and benefits derived from these revenues is vital to educated citizens making an informed decision.

Communities often have difficulty understanding the scope of these impacts on state and local programs that fund needed services, attract tourism, churn our economy, and enhance the quality of our lives. Each of these elements strengthens our social fabric by funding citizen projects and necessary programs, contributing to the ability for the state and Jefferson County to offer the amenities necessary for a balanced community. Jefferson County is no exception.

It can be helpful to examine the West Virginia legislated appropriation distributions of VLT revenues at a more refined level in order to better understand how those funds impact each of us. For example, over \$206 million flowed to state programs from CTRS VLT revenues in 2008. But how were those funds really used? How do those revenues filter down from state programs and effect the lives of Jefferson County residents?

CTRS alone generated approximately \$411 million dollars in 2008 VLT revenues,

2008 WV Lottery - Budgetary Distributions

State Lottery Fund:

Bureau of Senior Services	\$ 59,826,000
Department of Education	\$ 34,908,000
Library Commission	\$ 10,538,000
Higher Education - Central Office	\$ 19,351,000
Tourism †	\$ 7,943,000
Natural Resources	\$ 15,436,000
Division of Culture & History	\$ 5,526,000
Department of Education & Arts	\$ 1,427,000
Building Commission	\$ 9,997,000
School Building Authority	\$ 17,995,000
Total State Lottery Fund	\$ 182,947,000

† See page 9.

14 2008 WV Lottery Annual Report
15 WV Lottery Annual Report FY2008

State Excess Lottery Revenue Fund:

General Purpose Account	\$ 65,000,000
Education Improvement Fund	\$ 27,000,000
WV Infrastructure Council Fund	\$ 40,000,000
Higher Education Improvement	\$ 10,000,000
State Park Improvement Fund	\$ 5,000,000
School Building Authority	\$ 19,000,000
Economic Development Fund	\$ 19,000,000
General Revenue Fund	\$ 7,325,000
Excess Lottery Surplus	\$ 68,400,000
Office of Technology	\$ 2,000,000
Development Office	\$ 29,000,000
Division of Finance	\$ 5,000,000
Division of Health	\$ 3,492,000
Military Affairs & Public Safety	\$ 10,000,000
Division of Corrections	\$ 3,500,000
Higher Ed. Policy Commission	\$ 96,155,000
Total Excess Lottery Revenue	\$409,872 389,444
Total Budgetary Distributions	\$592,819 559,541

While the numbers are large, their impact on our lives is not easily understood. In order to more fully comprehend that impact, the following program explanations are offered. While the actual use of funds is rarely equally apportioned across a target population as implied below, each service detailed below offers some averaged analysis example of the fiscal impact.

STATE PROGRAM INTRODUCTION

The Bureau of Senior Services - In 2008, this agency received \$ 59,826,000 from Lottery revenues. This Bureau includes programs such as nutrition, transportation, and in-home senior services. Also included are: In-home services for the frail elderly; The Golden Mountaineer Card (discounts on merchandise, services and pharmacies); West Virginia Aging & Disability Resource Centers (information on long-term care in WV); and, a senior center located in each county, with many counties also offering a satellite center as well. According to the US Census, West Virginia had 362,795 seniors (over the age of 60). Jefferson County had 6,485 seniors - a 16% increase over the prior census.

* 2008 Bureau of Senior Services Lottery funds, divided by the WV Senior population = almost \$165 per senior in funding from gaming revenues. When multiplied in this example by the 6,486 Jefferson County seniors, the local share would net \$1,070,025.

The Dept. of Education - In 2008, they received \$ 34,908,000 from VLT revenues. This Department includes all aspects of education for pre-K through 12th grade, as well as continued learning. Programs include: Adult education, career education, child nutrition, e-learning, GED, special programs, mentorship, office of technology, RESA, Transition to Teaching Program, textbook adoption, school finance, counseling & services, curriculum, professional development, standards, testing & accreditation.

If you have used a public library, visited a museum, purchased a hunting or fishing license, visited a park, received public health services or sought higher education at a state university: VLT dollars earned from Charles Town Races & Slots have helped pay for each of those services, among many others.

* In 2008, The Department of Education Lottery funds, divided by the 797 WV public schools in the state, equaled almost \$44,000 per school in funding from gaming revenues. Jefferson County has fifteen public schools making their potential share \$660,000.

The Library Commission - In 2008, they received \$ 10,538,000 from VLT revenues. This Commission includes programs that administer funds for library improvements; conduct on-site visits; write proposals and collaborate to develop library programs; collect WV library statistics; develop and supports librarian training; publish directories, manuals, posters and brochures; and facilitate statewide library planning efforts.

* In 2008, The Library Commission Lottery funds, divided by the 173 WV public libraries in the state equal almost \$61,000 per library in funding from gaming revenues. For example purposes only, the four Jefferson County libraries would have received a local benefit of \$244,000.

The Higher Education Policy Commission - In 2008, they received \$ 115,506,000 from VLT revenues. This Commission is charged with oversight of the West Virginia four-year colleges and universities. Their goal is to ensure these institutions are accomplishing their missions and implementing the provisions, as set by state statute.

In 2008, The Higher Education Policy Commission Lottery funds, divided by the 11 colleges and universities in the state, averaged over \$10.5 million per college in funding from gaming revenues. As an example, Shepherd University would have benefited by \$10.5 million.

Division of Tourism - In 2008, they received \$ 7,943,000 from VLT revenues. This Division includes management of the Tourism offices; The WV Film Office; The Convention & Visitors Bureau; State Welcome Centers; Chambers of Commerce; State Web Home Page; and Tourism Organization coordination. They maintain state and regional Travel Guides; Calendar of Events and statewide cooperative advertising programs.

In 2008, The Division of Tourism Lottery funds, divided by the 44 Convention & Visitors Centers in the state, averaged over \$180,000 per location in funding from gaming revenues. As an example, Jefferson County has one CVB, making their potential share \$180,000.

Division of Natural Resources - In 2008, they received \$ 15,436,000 from VLT revenues. This Division has management of WV Wildlife Magazines; WV Wildlife TV; Wildlife Calendars; Radio Report; Park Adopt-A-Trail; WV State Parks Program; WV Hunting & Fishing Programs; Wildlife Centers; Archery Schools; Trout Stocking & Sport Fishing Programs; Birding Programs; Plant & Field Guides.

In 2008, The Division of Natural Resources Lottery funds, divided by the 48 State Parks, averaged over \$321,000 per park in funding from gaming revenues. Jefferson County has three Federal Parks and nine County parks, but no State parks.

Division of Culture & History - In 2008, they received \$ 5,526,000 from VLT revenues. This Division identifies, preserves, protects, and promotes West Virginia's heritage, ideas, arts, and artifacts. The Culture Center at the State Capitol is the home of the State Museum and Theater, the State Archives & Collections, and a library for genealogical research. Included also is the West Virginia Commission on the Arts and the State Historic Preservation Office. They administer four historical sites, located in other areas of the state.

Department of Education & Arts - In 2008, they received \$ 1,427,000 from VLT revenues. This department is composed of five agencies reinforcing our culture, education and artistic creation within the state. It partially includes public broadcasting services for the Educational Broadcasting Authority; the Division of Rehabilitation Services; the Center for Professional Development and the Commission on National & Community Service.

In 2008, The Department of Education & Arts Lottery funds, divided by the 5 associated state agencies, averaged over \$285,000 per agency in funding from gaming revenues.

The School Building Authority - In 2008, they received \$ 17,995,000 from VLT revenues. This Authority provides state funds for the construction and maintenance of school facilities to meet the educational needs of the people of the state. As a local example, a Major Improvement Grant was awarded by the SBA at their December 2008 Quarterly Meeting to South Jefferson Elementary. This award was for a classroom addition. The SBA Portion = \$1,000,000; the Jefferson County Portion = \$830,000; the Project Total = \$1,830,000. MIP grants are designed to address major improvements in existing facilities that are not fundable through the local maintenance budgets. The SBA has received over \$150 million in funding since lottery distributions first began.

* In 2008, The School Building Authority Lottery funds, divided by the 797 WV public schools in the state, averaged almost \$22,500 per school in funding from gaming revenues.

By comparison, when viewed over a cumulative five year period (2004-2008) the magnitude of the contribution is staggering. While not every program receives funding every year, Table #2 below shows the cumulative Lottery Fund Totals. Table #3 below shows the cumulative Excess Lottery Fund, rounded totals.

The SBA has received over \$150 million in funding since lottery distributions first began. Jefferson County has received over \$50 million of these funds.

Table #2
2004-2008 Cumulative Lottery Fund Distributions

Lottery Fund Total	Amount
Bureau of Senior Services	\$217,426,102
Department of Education	\$170,160,593
Department of Education Broadcasting	\$1,215,513
Library Commission	\$50,849,417
Higher Education - Central Office	\$178,563,169
Tourism	\$43,249,250
Natural Resources	\$42,264,731
Division of Culture & History	\$24,549,113
Department of Education & Arts	\$9,410,948
Teacher Retirement	\$262,030,171
Building Commission	\$49,986,963
School Building Authority	\$89,988,295
Total State Lottery Fund	\$899,634,265

Table #3
2004-2008 Cumulative Excess Lottery Fund Distributions

State Excess Lottery Revenue Fund:	Amount
General Purpose Account	\$ 325 million
Education Improvement PROMISE Fund	\$ 125 million
WV Infrastructure Council Fund	\$ 200 million
Higher Education Improvement	\$ 50 million
State Park Improvement Fund	\$ 25 million
School Building Authority	\$ 96 million
Economic Development Fund	\$ 95 million
Office of Technology	\$ 3.8 million
Development Office	\$ 29 million
Division of Finance	\$ 5 million
Division of Health	\$ 4.5 million
Military Affairs & Public Safety	\$ 10 million
Division of Corrections	\$ 7.4 million
Higher Ed. Policy Commission	\$ 96.1 million
Traffic	\$ 20 million
WV State Police	\$ 4 million
Workers Compensation Fund	\$ 9 million
Trooper Retirement Fund	\$ 11 million
WVDO	\$ 29 million
State Road Fund	\$ 11 million
Total Excess Lottery Revenue	\$ 1,718,505,639

CITIZEN BENEFITS

In conclusion, Jefferson County citizens directly benefit from these state programs if they have a senior citizen relative who receives transportation or nutrition assistance. If someone in their family gets career training or works toward a GED, it was made possible because of these gaming funds. If you borrow books from the library, or have a student in a West Virginia college, there was a positive economic impact because of CTRS business. When friends stop at a WV Welcome Center; when they visit a State Park; when we fish or hike; when we visit a museum or attend a heritage event, each of these experiences are made possible in part by the revenues derived from CTRS and the three other state sponsored gaming venues. Gaming visitors from Maryland and Virginia, subsidized the new classroom at South Jefferson Elementary so that it could be built without a Jefferson County school bond.

† One concrete example of state programs, funded by WV Lottery revenues, which flow back to Jefferson County can be seen in the WV Tourism Commission Cooperative Grant Program. Each year Charles Town Races and Slots undertakes an extensive advertising campaign to promote itself and other Jefferson County tourism destinations. They advertise in print publications, on television and radio media, along with billboards and direct mail to Maryland, Virginia, Pennsylvania and Washington, DC. CTRS partners with other local businesses (The Bavarian Inn and the Clarion Hotel and Conference Center) promoting not just their venue but other local businesses. In recent years the project cost was \$2,218,789, with a WV State Tourism grant match of \$1,109,394.50.

Each year Charles Town Races and Slots undertakes an extensive advertising campaign to promote itself and other Jefferson County tourism destinations. They advertise in print publications, on television and radio media, along with billboards and direct mail to Maryland, Virginia, Pennsylvania and Washington, DC. CTRS partners with other local businesses promoting not just their venue but other local businesses. In recent years the project cost was \$2,218,789, with a WV State Tourism grant match of \$1,109,394.50.

Likewise, “Discover It All in the Eastern Panhandle” was a promotional campaign used by the Jefferson County Convention and Visitors Bureau to promote the county’s tourism destinations in national and regional publications. The visitors’ bureau made extensive use of newspapers and magazine advertising, as well as direct mail, in order to promote the campaign. This project cost was \$135,761 with \$67,880 of those funds provided by a WV State Tourism grant match.¹⁶

The West Virginia Lottery serves as a vital funding force for the benefit of all West Virginians who win by means of an array of services and benefits that Lottery funding provides. It is important to remember that for the most part, the money spent on slots at CTRS actually originates in Maryland and other states. Marylanders accounted for roughly \$150 million to \$200 million of the gross revenue in 2006.¹⁷ In effect, out-of-state players subsidize West Virginia senior programs, education, and a host of other county and local programs. These are just a few of the ways in which residents feel the current economic impact of CTRS.

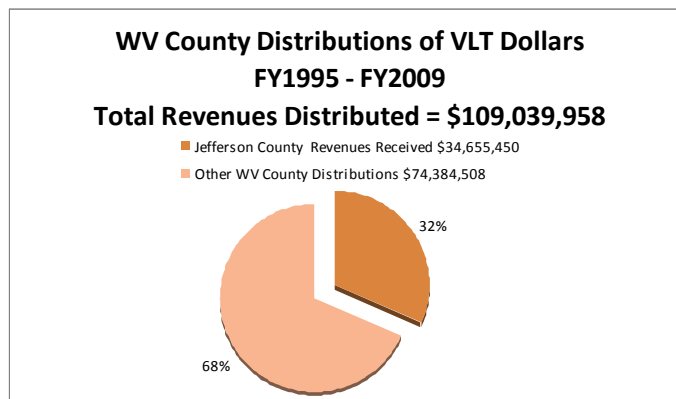
Marylanders accounted for roughly \$150 million to \$200 million of the gross revenue in 2006.

CTRS VLT REVENUES

CTRS generated 2008 Category #2 VLT revenues of \$411,687,627¹⁸ representing over 50% of statewide VLT totals. These VLT revenues were distributed as displayed in Table #4.

Table #4
FY2008 WV VLT Revenue Distribution

Recipient	%	2008 Dollars
State	34	\$154,251,347
County	1	\$ 4,572,908
Municipality (Shared)	1	\$ 3,660,845
Racing Purse Fund	14	\$ 35,170,863
Pension Fund	1	\$ 2,719,374
Breeder Development Funds	1	\$ 6,175,314
WV Racing Commission	1	\$ 4,116,876
3% Fund	3	\$ 12,350,629
Workers Comp	1	\$ 4,116,876
Veterans	7	\$ 5,695,372
Total		\$411,687,627



¹⁶ West Virginia Division of Tourism Press Release, www.callwvanews.com

¹⁷ Slot Machines and the Racing Industry: A Review of Existing Data in Maryland and Neighboring States, August 2007.

¹⁸ 2008 WV Lottery Commission Racetrack Video Lottery Revenues, <http://www.state.wv.us/lottery/vidsum.htm>

COUNTY PROGRAM INTRODUCTION

After examining the impact of VLT revenues on the state, it makes sense to analyze that same impact at both the county and municipal level. The Jefferson County government must also fund projects and these benefit only Jefferson County citizens. Thus, an examination of how WV Lottery funds impact specific local projects is an important consideration. The VLT revenues delivered to Jefferson County in 2008 totaled over \$4.5¹⁹ million. The use of Jefferson County funds, as well as the cumulative ten year Jefferson County programs totals are displayed in Table #5. Refer to pages 13 and 14 for Municipal fund distributions.

Table #5
Jefferson County 2008 VLT Use of Funds

Public Safety	2008	10 Year Total
Ambulance Authority	1,200,000	6,237,855
Fire Association/Companies	390,000	1,596,000
Communications *	116,300	2,314,098
Sheriff	142,400	617,800
Groundhog Camera		8,000
Animal Control	38,000	43,000
Homeland Security	106,231	272,535
Road Signage - 911		250,000
Computer Aided Dispatch		486,000
Emergency Services		17,100
Total Public Safety	\$1,992,931	\$11,842,388
Courthouse, Building & Programs		
Election Equipment	125,000	275,000
County Buildings	1,531,733	4,193,733
Maintenance & Operations		1,670,009
Judicial Complex		245,000
Information Technology		775,000
Safety & Security		1,184,531
Comprehensive Plan		80,000
Planning, Zoning & Engineering		150,000
Public Service Center		30,000
Animal Control		117,000
Consultants		90,000
Total Courthouse, Building & Programs	\$1,656,733	\$8,810,273
Parks & Recreation		
Staffing & Maintenance	245,000	1,026,300
County Park Improvements	30,000	239,000
Jefferson Memorial Park		27,500
Total Parks & Recreation	\$275,000	\$1,292,800

Libraries **		
Operation & Maintenance	240,000	730,000
South Jefferson Building Construction		70,000
South Jefferson Capital		54,000
Harpers Ferry/Bolivar Capital		102,000
Shepherdstown Capital		77,000
Charles Town Library		38,000
Total Libraries	\$240,000	\$1,071,000
County Commission		
Extension Staff & Capital	131,784	633,486
Soil Conservation	5,000	22,000
Potomac Headwaters RC&D	5,000	35,900
Senior Center	6,500	24,500
PanTran	15,000	45,000
Solid Waste Transfer Station	72,500	213,754
Farmland Protection		2,500
Historic Landmarks Comm.	31,000	171,900
Child Development Center		60,000
Boys & Girls Club	13,000	43,000
Shepherdstown Youth Center		5,000
Bicentennial Committee		6,500
Community Ministries	3,000	51,000
Caregivers		7,500
Panhandle Free Clinic	10,000	80,000
Family Resource Network		2,500
Ranson Reading Program		1,000
Race Track Chaplaincy	2,000	22,000
Animal Welfare Society	13,000	45,500
Shepherdstown Men's Club	4,000	10,000
Shepherdstown Day Care	10,000	45,000
Old Opera House		12,000
Americorps Promise Fellow		2,500
Housing Authority	60,000	84,387
CASA	5,000	12,000
Shenandoah Water Study		5,408
Jefferson County Television		84,000
Energy Express		3,000
Excel	13,000	18,000
Arts & Humanities		10,000
Niagara Committee		10,000
Keep Jefferson Beautiful		2,300
Potomac Highlands Support		1,500
Ozone Administration	26,552	53,104
NAACP	3,000	3,000
Safe Haven Child Advocacy	5,000	5,000
Fireworks	1,000	1,000
Total County Commission	\$435,336	\$1,835,239
TOTAL VIDEO LOTTERY	\$4,600,000	\$24,851,700

“In Jefferson County, a new 9-1-1 center opened in October 2008. The opening included rehabilitating a building that is now state of the art, installing new radio systems for our public safety responders, and installing new 9-1-1 telephone systems that give us the ability to locate wireless callers. Our Governor said is the model for 9-1-1 centers in the state when he toured it back in the summer.

The County Commissions of 2001 to 2006 had the forethought and discipline to utilize funds received from Video Lottery (VLT) from the Charles Town Races & Slots for one-time capital expenditures. The 9-1-1 center, all of its operating systems, the building, architecture, design and engineering, from HVAC and fire suppression, to the redundant power systems, and every piece of equipment, every wire, every radio in the hand of an emergency responder, every part of every radio site, and every computer, monitor, keyboard and mouse were purchased with VLT funds. Not many people know that not a single dime of taxpayer revenue was used to build the 9-1-1 center and bring it live and operational.

Our citizens have a state-of-the art center and in the emergency response community, we are the envy of the rest of the state, even the DC area. Jefferson County is now able to see the location of 9-1-1 calls from any cell phone and just last month, it made a difference when we received a 9-1-1 call from a 4 year old girl whose mother needed an ambulance – the little girl didn’t know her address. Due to phase II wireless technology and the new phone system, the call was pinpointed on the structure where the ambulance was needed and we were able to quickly send emergency response. If it weren’t for these funds, your emergency responders would still be working their emergencies with the 1980’s era equipment and we would still be searching for the little girl and her mother.”

Jeffrey A. Polczynski, ENP
 Director of Communications, Jefferson County Emergency Communications

* The above excerpt was taken from a speech made on 10/13/2009 at the Emergency Service Providers Annual Banquet.

** These local library funds are in addition to the \$10.5 million distributed to the Library Commission by the state.

The Jefferson County Commission President, Dale Manuel, expressed the importance of county gaming revenues by quantifying them as 23 percent of the county’s budget. Utilizing these funds for county services keeps Jefferson County taxes from being raised.

MUNICIPAL PROGRAM INTRODUCTION

On a municipal level, VLT revenues support programs and projects as well. In 2008, VLTs delivered an additional \$3.6 million dollars to be shared by Charles Town, Ranson, Bolivar, Shepherdstown, and Harpers Ferry. The distribution of these funds is based on population figures which determine how the revenues are apportioned. Table #6 lists each 2008 Jefferson County municipal VLT total.

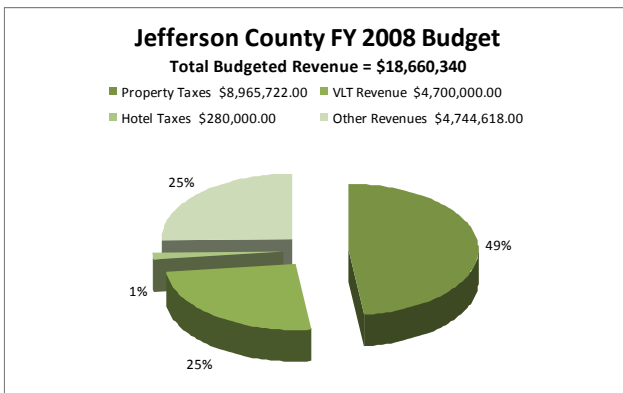


Table #6
2008 Jefferson County Municipality Use of VLT Funds

Bolivar	\$454,677
Charles Town	\$1,265,188
Harpers Ferry	\$133,620
Ranson	\$1,284,224
Shepherdstown	\$523,136
TOTAL	\$3,660,023

However, it is important to examine some of the notable local projects funded by VLT revenues. Please note, some of the items are 2008 projects only. Others are projects addressed in prior years.

City of Ranson:

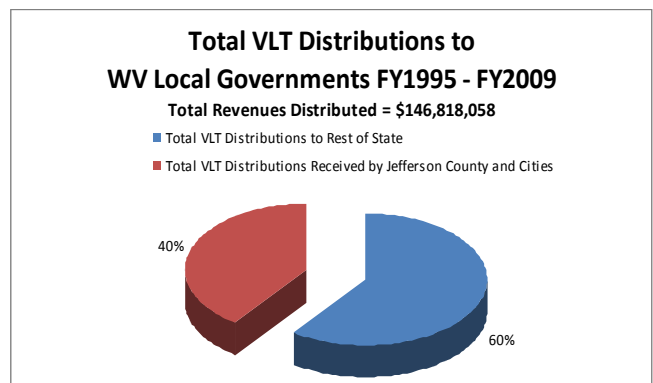
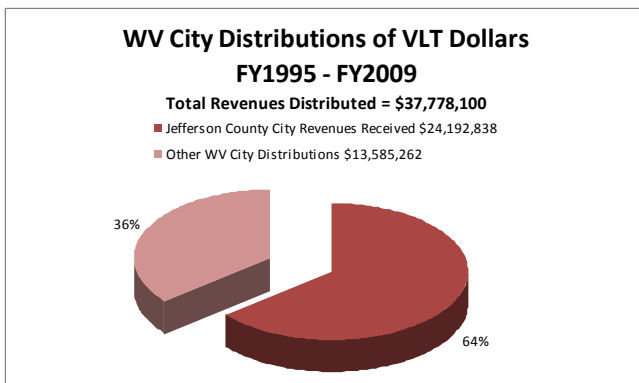
- Since 2000, more than \$5 million added to the city budget.
- Revenues in 2008 were \$1.3 million.
- Funded sidewalks, benches, landscaping and signs on Main Street.
- Addition of play equipment, tennis court and basketball court to the park.
- Remodeled City Hall from partially condemned status to fully functional facility.
- Converted the Post Office into the Police Department.
- Renovated the Public Works Facility.
- Created Mini-Grant program with \$250,000 for non-profits & community groups.
- Hire and fully equip six additional police officers.
- Increase police salaries by 30% - one of the highest paid in the state.
- Hire six additional City Hall staff members for Community Development & Parks Management.
- Purchased a garbage truck, two dump trucks, and four utility trucks.
- Purchased modern office technology to improve efficiency and productivity.

City of Charles Town:

- Purchase police cruisers and dump truck.
- \$10,000 to Jefferson County Ambulance Authority.
- \$10,000 to Citizens Fire Company.
- \$8,000 to Independent Fire Company.
- PanTran funding of \$6,645.
- Friends of Happy Retreat funding of \$15,000.
- Jefferson Memorial Park funding of \$8,500.
- Almost \$370,000 reserved for re-paving projects.
- 2003 Downtown revitalization funding of \$400,000.
- 2004 Downtown revitalization funding of \$450,000.

Corporation of Shepherdstown:

- Distributed over \$165,000 to local non-profit groups.
- Added \$8,000 of new parking meters.
- Over \$13,000 for tree maintenance.
- Purchased \$8,600 of park equipment.
- Erected a pole building.
- Addition of \$300,000 to Streetscape project effort.
- Underground Electric Project received over \$150,000 in funding.
- Purchased a Back Hoe, Skid Loader, Dump & Pick-up trucks, and Police Cruiser.



CTRS TAX CONTRIBUTION

In 2008 CTRS paid considerable taxes. These include:

Sales & Use Taxes	\$967,065
Soft Drink Tax (federal excise)	\$27,033
Liquor/Wine	\$41,410
Social Security & Medicare	\$2,007,513
Federal Unemployment	\$79,264
State Unemployment	\$217,632
Workers Compensation:	
Claims	\$48,019
Premiums	\$85,000
State Racing Taxes	\$610,598
County Racing Taxes	\$23,647
County Property Taxes	\$3,383,359
Total Other Taxes	\$ 7,442,521

CTRS pays an additional \$7.4 million in taxes to state and local governments above and beyond the 59% tax rate they pay on gross gaming revenue.

METHODOLOGY

Like most economic impact reports, this report data is derived by utilizing financial information provided by CTRS, public records maintained by the state and federal governments, West Virginia State Data resources, and the IMPLAN input-output model. IMPLAN is a widely accepted modeling process that allows for the calculation of the appropriate regional multipliers used in estimating the indirect, induced and total impacts of the CTRS facility. Definitions of each impact are included in Appendix A.

While some CTRS visitors spend funds elsewhere within the state, no information is available on that amount. The exclusion of these expenditures contributes to conservatism in the analysis. Of the visitors, 96 percent came from outside West Virginia with the remaining 4 percent from within West Virginia. It is obvious that CTRS primarily attracts an out-of-state visitor.

CTRS revenues and profits are driven primarily by the video lottery operations, as well as pari-mutuel wagering, and, to a lesser extent, lodging, food and beverage operations. Highlights of the CTRS economic impacts (direct, indirect and induced) on the Jefferson County economy include:

Table #7
2008 Economic Impact of CTRS

Type of Impact	Direct Impact	Indirect & Induced Impact	Total Economic Impact
Business Volume Gaming Revenue (\$000)	\$477,000 ²⁰	\$143,577	\$620,577
Output (\$000)	\$477,000	\$235,638	\$712,638
Employment (Jobs)	1,200	416	1,616
Employee Compensation (\$000)	\$33,400	\$12,024	\$45,424
Assorted* State Taxes	\$7,442,521	\$1,094,051	\$8,536,572

* Assorted State Taxes include consumer sales, personal income, corporate net income, and business franchise taxes. Numbers may not sum due to rounding. These taxes are in addition to the state mandated gaming taxes.

This report estimates the direct, indirect and induced, and total economic impacts of CTRS operations and the impact of the expenditure of the video lottery proceeds.

Economic impact studies typically calculate the number of times the same dollar is spent and re-spent within a community. As a dollar cycles through each spending round in an economy, its impact grows weaker as some of it leaks outside the immediate community. The re-circulation of those same dollars through the county economy, often referred to as the multiplier effect, generates an additional impact on the Jefferson County economy.

The money spent at CTRS by visitors (the initial round) serves as the direct economic impact. In 2008, the \$477 million in business volume generated by CTRS visitors is the direct impact.

This direct spending, in turn, creates an additional economic impact on the local economy. Jefferson County restaurants buy food, supplies, and business services with the dollars CTRS patrons spend. Many of these business expenditures ripple to other businesses in Jefferson County creating the indirect impact, or the impact of businesses buying from other businesses. Likewise, an induced impact is realized when expenditures by households of the income they received (associated with the previously described impact) gets re-circulated through our economy. An example of induced impact is the pizza delivery person who earns a tip when a CTRS visitor patronizes that small business. When the waiter spends that money at the local grocery store, that impact is induced.

Any expenditures that ripple outside the county are considered a leakage out of the local economy and are not counted in the indirect impact. Over \$143 million is indirectly generated or induced by CTRS visitors.

The sum of each of these elements is the total economic impact of CTRS. This study indicates that the total business volume impact is in excess of \$620 million annually.

THE JEFFERSON COUNTY GENERAL ECONOMY

The Jefferson County economy has undergone many changes during the period of PNGI's ownership. The 2008 Jefferson County population estimate was 51,615, making the Eastern Panhandle region the fastest growing region in the state. WV State population for 2008 was 1,814,468. While the state as a whole has experienced only 0.3% population change since 2000, Jefferson County realized a population increase of 22.3%. Historically, Jefferson County population gains have been increasing at a rate of 2.6 percent per year.

In July of 2009, the Jefferson County Civilian Labor Force²² stood at 24,229 with 22,559 employed and 1,670 unemployed. The unemployment rate since 2000 has consistently hovered around 3.44% with a high of 3.9 in 2002 and a low of 3.2 for years 2005 and 2006. As of July, 2009 Jefferson County's rate was 6.9%. This compared to a state rate of 8.6% and a national average of 9.7%.

The average wage rate of the area is between \$13.42 and \$14.88²³ per hour. The state minimum wage rate is \$7.25.

The Median Household Income in Jefferson County for 2008 was \$57,838²⁴. While per capita personal income {PCPI} in 2007 (last figures available) was \$35,701²⁵. PCPI is measured by dividing a county's total personal income by its population. During the same period, US PCPI was \$36,714.

21 US Census Figures, <http://quickfacts.census.gov/qfd/states/54/54037.html>

22 Jefferson County Development Authority, <http://www.jcda.net/docs/COMMUNITYPROFILE4pages.doc>

23 West Virginia Workforce, <http://www.workforcewv.org/LMI/ew2009/q1/ew09x037.htm>

24 Jefferson County Development Authority, <http://www.jcda.net/docs/COMMUNITYPROFILE4pages.doc>

25 Ibid.

JOBS IN JEFFERSON COUNTY

Jefferson County added jobs at a rate of 2.5 percent per year for the five year period ending in 2007, growing faster than either Berkeley or Morgan counties. By comparison, Morgan County experienced job losses during the same period, at a rate of -0.2 percent per year.²⁶

In Jefferson County job growth remained solid in the fields of health care, leisure and hospitality, and government jobs. Within the local government jobs landscape, the U.S. Department of Treasury, the Veterans Administration Center, and the West Virginia Division of Natural Resources make government the largest employer (24.5%) in the region.

The Leisure and Hospitality employment sector accounted for the second largest share of employment in the Eastern Panhandle in 2007. With 13.4 percent of the regional employment total, this sector number is larger than either the state (9.4 percent) or the United States (9.8 percent).

This is due primarily to the presence of CTRS, who was the second largest employer in the county in 2008. CTRS directly employed 1,200 with 780 of these employees (65%) residing in Jefferson County. Approximately 90% of their employees (1,080) were West Virginia residents. Eligible full-time CTRS employees receive benefits that include healthcare, dental plan, pension/retirement plan, tuition assistance, disability and life insurance. Employees are offered free of charge, an on-site health center.

In the 2008 West Virginia Lottery Annual Report, Mark Muchow, Deputy Cabinet Secretary, Department of Revenue, wrote: "The leisure hospitality sector, including amusements and recreation (including gaming) and hospitality and food service activities, has added nearly 6,300 new jobs between 2003 and mid-2008. In recent years, annual employment growth for this sector has averaged more than 2.0 percent per year, one of the top employment growth sectors for the state. This level of growth is anticipated to slow in 2009 due to the impact of the current national recession. Recent voter approval of table games at three of the state's racetrack gaming establishments is resulting in significant capital improvements to those facilities along with additional employment gains for the state in spite of increased competition from neighboring states."

The WV Bureau of Business & Economic Research has forecast net job losses for the Eastern Panhandle in 2009, with recovery returning by 2012. New employment opportunities are necessary if the County is to recover from the current economic downturn.

TOURISM IN JEFFERSON COUNTY

Visitors traveling to West Virginia are an important component of the state's economy. Travel generates valuable sales, payroll dollars, employment opportunities and tax receipts for both the state and for Jefferson County businesses. The level of spending by visitors traveling to the Eastern Panhandle, and the impact of that spending on our economy in terms of earnings, employment, and tax revenue, is undeniable. CTRS is a key link in that Jefferson County travel and tourism chain.

Travel spending in West Virginia for 2008 amounted to \$4.38 billion²⁷, with approximately one-third of that related to lodging expenses. According to the 2009 Tourism report, visitor spending directly supported about 44,000 jobs with earnings of \$912 million. The 2009 Economic Impact of Travel report on West Virginia stated, "Without these government revenues generated by travel spending, each household in West Virginia would have had to pay an additional \$799 in state and local taxes to maintain current service levels."²⁸ This equates to \$2,005.49 per Jefferson County household annually.²⁹

In order to better understand the true impact of travel and tourism on the Jefferson County economy, it is helpful to examine these finances in comparison to other West Virginia counties. Table #8 lists travel related spending and earnings, employment levels, and state and local government revenues for six West Virginia counties. Hancock, Kanawha and Jefferson counties represent the three largest travel & tourism counties in the state. By comparison, Wirt, Ritchie and Tyler counties represent the three counties with the least amount of travel related activity.

²⁶ Eastern Panhandle Region Outlook 2008-2012, WVU Bureau of Business and Economic Research, October 2008

²⁷ Economic Impact of Travel on West Virginia 2000-2008 Detailed State and County Estimates, West Virginia Division of Tourism, September 2009

²⁸ Ibid.

²⁹ Average household size, West Virginia Bureau for Public Health (Census 2000)

**Table #8
Highest/Lowest WV Counties – Tourism Figures**

	Hancock	Kanawha	Jefferson	Wirt	Ritchie	Tyler
Travel Spending (\$M)	425.2	521.0	729.3	1.3	6.2	6.3
Earnings (\$M)	88.8	111.2	151.7	0.4	1.5	1.2
Employment (jobs)	4,620	4,920	6,980	20	100	80
Local Gov't Rev. (\$000)	6,593	5,198	10,170	47	116	82
State Gov't Rev. (\$000)	90,239	42,792	190,109	70	380	393

Out of state visitors historically spend more money when attending attractions and events than do local residents visiting the same venues. Of the 4.3 million annual CTRS patrons, 96% are out-of-state visitors. Thus, non-residents are the stimulus for the great majority of CTRS spending as they invigorate the Jefferson County economy with their Maryland and Virginia dollars. This data supports the contention that counties that attract visitors harness significant economic rewards.

“Allowing the games at Wheeling Island Racetrack and Gaming Center has helped bring in visitors with larger disposable incomes... these individuals often stay for longer periods of time and eat at higher end restaurants than those who use slot machines. Table-gaming clientele have proven more likely to bring along their spouses or significant others, who in turn spend money at local shops.”
- Mayor Andy McKenzie, Wheeling, WV

CTRS IN JEFFERSON COUNTY

While generating taxes and employment opportunities for Jefferson County benefits the region economically, corporate support and organizational involvement are equally beneficial indicators of a positive community partnership. Charitable giving and non-profit participation have both observable and intangible impacts. CTRS, as an organization, is an active contributor to the business and non-profit community of Jefferson County. CTRS is a member of many area organizations as well as a key partner in the social fabric of our community. These subtle but significant contributions are traditionally considered when evaluating economic impact. Table #9 lists some of these impacts:

**Table #9
CTRS Charitable Contributions**

Organization	Donation	Purpose
Jefferson County Fire Departments	\$21,000	
Jefferson County Council on Aging	12,000 meals & 2 delivery vans	Daily meals for home-bound seniors
Alex's Lemonade Stand	\$6,000	Pediatric Research
Jefferson County Schools	\$62,500	
United Way - Eastern Panhandle	\$55,000	
Eastern Panhandle Free Clinic	\$5,000	Each year
Red Cross Blood Drive	450 pints	6 per year
Canter Mid-Atlantic	\$10,000	Racehorse rescue
Community Ministries Bank	50 tons of food	
Susan G. Komen Foundation	\$15,000	Race for the Ribbon
Washington High School	\$15,000	Football Score Board
Jefferson Memorial Park	\$11,000	Swimming Pool

One other example of CTRS's citizenship is an understanding of how the economic case for "going green" is becoming more important. Economists have begun to view environmental damage as a cost with a real impact on communities. The public has indicated their willingness to demand that companies act in more environmentally sensitive ways. CTRS is one company who stands as a partner to their communities by working to reduce carbon emissions in advance of forced regulations.

To that end, PNGI was named to the top 500 Green Companies list by Newsweek magazine recently. PNGI placed 173rd overall in the rankings, 14th in their division and 3rd among the four casino companies that made the list.³⁰

³⁰ Newsweek Magazine, Issue dated Sep 28, 2009, <http://www.newsweek.com/id/215577>

Section 2

**THE PROJECTED ECONOMIC IMPACT of
CTRS with TABLE GAMES**

EXECUTIVE SUMMARY

The present day Charles Town Races & Slots [CTRS] facility offers 4.3 million annual visitors year-round thoroughbred horse racing and slots play on 5,032 video lottery machines. The facility also offers a wide variety of dining choices, retail shopping, and a full-service 153 room hotel with meeting space. The parent organization, Penn National Gaming, Inc. (PNGI) has spent the last decade growing this business to the point where it has become an economic engine for both Jefferson County and the State of West Virginia. This has come about as a result of PNGI investing over \$300 million in the facility and track improvements since 1996.

When PNGI first purchased this facility, competition for gaming dollars in nearby states was minimal. In recent years, many of the states contiguous with West Virginia have moved toward gambling in an effort to help balance their budgets. Both Pennsylvania and Maryland have implemented some form of gaming in an effort to capture a portion of the market in the last three years. Thus, since PNGI first acquired CTRS, competition for gaming market share has increased dramatically.

In order to accommodate these market trends, CTRS believes that they should add table games, in addition to video lottery terminals and the continuation of thoroughbred horse racing, in order to grow and sustain the CTRS operation.

Gaming visitors have also grown more selective when choosing a facility to visit. As a consequence, in an effort to offer the most appealing amenities, gaming establishments are offering a broader mix of gaming choices within their facility. In order to accommodate these market trends, CTRS believes that they should add table games, in addition to video lottery terminals and the continuation of thoroughbred horse racing, in order to grow and sustain the CTRS operation.

Section I of this report provided an overview of the Jefferson County economy and documented the economic contributions CTRS makes to the Jefferson County and West Virginia economies. This section of the study, Section II, seeks to quantify the projected economic contributions to both Jefferson County and the surrounding municipal economies if voters authorize table games.

The major goal of this section of the report is to lend current context to the ongoing table game debate. Voters should have a full appreciation for the market forces in neighboring states that may adversely affect the long term viability of the Jefferson County economy.

CURRENT GAMING COMPETITION

Charles Town Races & Slots currently generates revenue from two gaming categories. Category #1 includes live Thoroughbred Horse Racing and Simulcast Wagering. Category #2 consists of Racetrack Video Lottery terminals {VLTs}.

When PNGI first purchased the CTRS facility, competition for gaming dollars was minimal. Due to the recent economic downturn, many states contiguous to West Virginia have asked voters to authorize slots gambling in order to augment their current budget deficits and maintain program levels. Both Pennsylvania and Maryland have recently passed legislation that permits slots gaming, representing a dramatic increase in gaming competition.

It is important to remember that for the most part, the money spent at CTRS actually originates in Maryland and other nearby states. While Maryland officials grappled recently with a \$1.5 billion budget shortfall, Maryland residents played slots in West Virginia. It is estimated that they contributed roughly \$220 million annually to our tax base with out-of-state dollars. In effect, out-of-state players subsidize West Virginia senior citizen programs, education, and a host of other county and local programs.

“ Unlike your track (in Jefferson County) we’ve experienced a tremendous amount of competition from Pennsylvania...the table games have been the only thing that has been able to separate our track from the Pennsylvania track.”
- Mayor Andy McKenzie, Wheeling, WV

Although gaming is not yet implemented in Maryland, CTRS believes their market share may be jeopardized by this competition. Currently, the Baltimore MD facility has applied for permission to open with 3,750 VLTs. The Anne Arundel County location has applied for 4,750 slot machines. In a similar move, October 2009 saw the Pennsylvania Senate pass legislation

to legalize table games at state casinos. Delaware sought to expand electronic table games and has passed sports betting legislation. Lawsuits challenging this operation currently limit this product to parley betting only, but that may change in the near-term. This competition poses a serious threat to CTRS market share and to West Virginia and Jefferson County tax revenues. If CTRS gaming revenues are threatened by neighboring competition, then it follows that Jefferson County (and the five local municipalities) could be economically threatened as well.

PNGI management believes that table games can significantly broaden the CTRS audience, increase overall market share and combat this competitive threat. Many visitors currently travel to Atlantic City, New Jersey in order to play table games. Table game availability in Charles Town would cut the drive for these players by almost half. Historically, table game players tend to bring a spouse, friends, or other potential gamblers along with them. Each companion player would likely help to grow slot revenues, table game revenues, or both. These companions also generate other travel related revenues fueling other forms of tourism in the surrounding county.

In 1997, when PNGI purchased the CTRS facility, live thoroughbred horse racing purses totaled approximately \$5 million and VLTs were just being introduced. By 2008, CTRS had implemented simulcast racing, thoroughbred horse purses totaled \$39,456,526 and VLTs generated approximately \$411 million dollars. While other industries would herald these statistics as representative of an economic bonanza, gaming decisions are often viewed with controversy. Demonstrating the programs and benefits derived from these revenues is vital to educated citizens making an informed decision.

It is important to note that additional guest nights at the Inn at Charles Town, as well as dining revenues, would emanate from this new revenue stream. This would likely represent a significant increase in direct, indirect and induced revenues. This would be true not only for lodging and dining on the CTRS Complex, but for the surrounding business community as well. For the purpose of this study, the economic impact of table gaming is the only area of increase being examined.

WV TABLE GAMES

The successful passage of the Racetrack Table Games Act in 2007 under House Bill 2718 cleared the way for the introduction of table games at four West Virginia race tracks. The law directed that prior to table games implementation each track was required by law to request voter approval of the matter by means of a local referendum in the host county.

In June of 2007, Ohio County voters approved table games at Wheeling Island Racetrack and Hancock County citizens passed their referendum for Mountaineer Racetrack. Jefferson County voters declined passage of the referendum for Charles Town Races and Slots. The referendum was approved by Kanawha County voters for play at Tri-State Racetrack in August, 2007.

The table game product mix includes various forms of Poker, Blackjack, Caribbean Stud, Craps, Roulette, Three and Four Card Poker, and other miscellaneous games.

Table games license fees are designated for the Bureau of Senior Services programs. The Wheeling Island and Mountaineer venues each paid a first-year fee of \$1.5 million authorizing them to operate table games. In July 2008, each facility subsequently paid an annual fee of \$2.5 million. These fees are dedicated to in-home health care services for West Virginia senior services. Tri-State Racetrack paid its initial \$1.5 million fee in July 2008. These fees are in addition to almost \$60 million in 2008 revenues distributed to the WV Bureau of Senior Services.

In October 2007, Mountaineer Racetrack and Wheeling Island Racetrack held “soft” openings with the introduction of poker card games as the first phase of their additional gaming options. During fiscal year 2009, table games became operational at Tri-State Racetrack. The choice of authorizing table game operations will be put forth once again to the voters of Jefferson County in a referendum to be held on December 5, 2009.

Thus, in FY 2008 table games were operational at only two of the four West Virginia racetracks. For that fiscal year, table game sales were \$15.8 million³¹. This represented 1 percent of total 2008 WV Lottery sales, for all locations and all game types.

“The games have helped increase tourism to the area.” - Olivia Litman, Wheeling Convention & Visitors Bureau

TABLE GAMES DISTRIBUTION

In accordance with legislation passed by the West Virginia Legislature, revenues from table games are derived from a 35% privilege tax based on adjusted gross receipts. For fiscal year 2008, the adjusted gross receipts were \$45,363,812 ³².

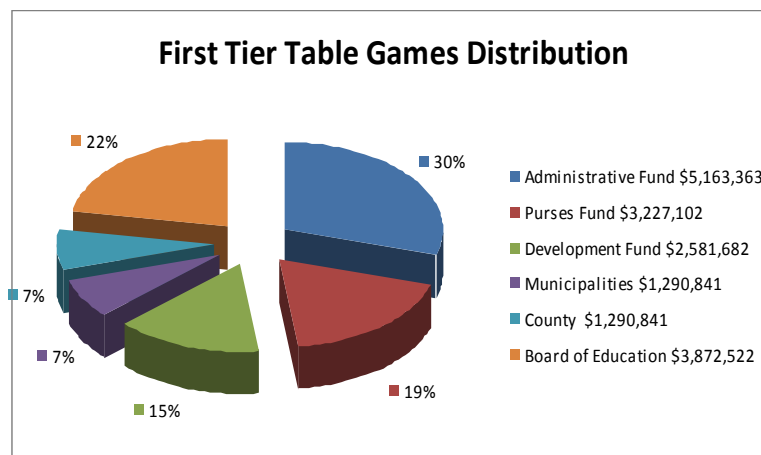
State law requires each licensed racetrack to make weekly deposits into the Lottery's racetrack table games fund. From these deposits, in 2008 the Lottery retained 3% for administrative expenses. State law further requires that at least \$100,000 (and not more than \$500,000) annually must be transferred to the Lottery's compulsive gambling treatment fund.

Next, the Lottery transferred 2.5% of the adjusted gross receipts to the thoroughbred and greyhound racetrack special funds account. A transfer of 2% of the adjusted gross receipts was made to the thoroughbred development fund and the greyhound breeding development fund, and was divided pro rata among the development funds.

A transfer of 1% of the adjusted gross receipts was made to the county commissions of the participating host county where table games were located. There was also a transfer of 2% of the adjusted gross receipts made to the governing bodies of municipalities within those counties as prescribed by statute. Finally, a transfer of .5% of the adjusted gross receipts went to the governing bodies to be divided equally among the municipal cities.

As legislated, the Lottery was directed to distribute the remaining amounts, the Net Adjusted Gross Revenues, as follows:

- A transfer of 4% of Net Adjusted Gross Revenues to the West Virginia Racing Commission for payment into the pension plan for all employees of each licensed racing association.
- A transfer of 10% of Net Adjusted Gross Revenues was shared equally by the county commissions of each WV county where table games were not located.
- A transfer of 10% of Net Adjusted Gross Revenues was equally shared by the governing municipal bodies of each municipality in the state where table games were not located.
- A transfer of 76% of Net Adjusted Gross Revenues was made to the state debt reduction fund.



32 Ibid.

PREVIOUS USE OF FUNDS

A summary of table games revenues for the year ended June 30, 2008 appears below in Table #10. These are distributions from the WV Lottery as prescribed by law.

Table #10
2008 WV State Table Game Distributions

Description	Percentage	Amount
Adjusted Gross Receipts		\$ 45,363,812
Table Games Tax	35%	\$ 15,877,334
Administrative Fund	3%	\$ 1,360,914
Purses Fund	2.5%	\$ 1,134,095
Development Fund	2%	\$ 907,276
Cities	.5%	\$ 226,819
Municipalities	2%	\$ 907,276
Counties	1%	\$ 453,638
Sub-Total	11%	\$ 4,990,018
Net Adjusted Gross Revenues	24%	\$ 10,887,315
Pension	4%	\$ 435,493
Non- Eligible County Share	10%	\$ 1,088,731
Non- Eligible Municipal Share	10%	\$ 1,088,731
Debt Reduction	76%	\$ 8,274,359

The line items listed as distributions to Cites, Municipalities and Counties in Table #10 would have been shared equally by Hancock and Ohio counties, and their respective designated local governing bodies. Jefferson County would have received a 1/53 portion of the Non- Eligible County Share and a portion equal to 1/223rd of the Non- Eligible Municipal Share. Table #11 reflects the direct economic impact of 2008 table games revenues on Jefferson County and the five designated municipalities.

Table # 11
2008 Local Economic Impact of Table Games

Jefferson County	2008 Dollars
Non- Eligible County Share	\$ 20,542
Non- Eligible Municipal Share	\$ 24,411
Total	\$ 44,953³³

33 Based on calculations provided by the WV State Lottery Commission

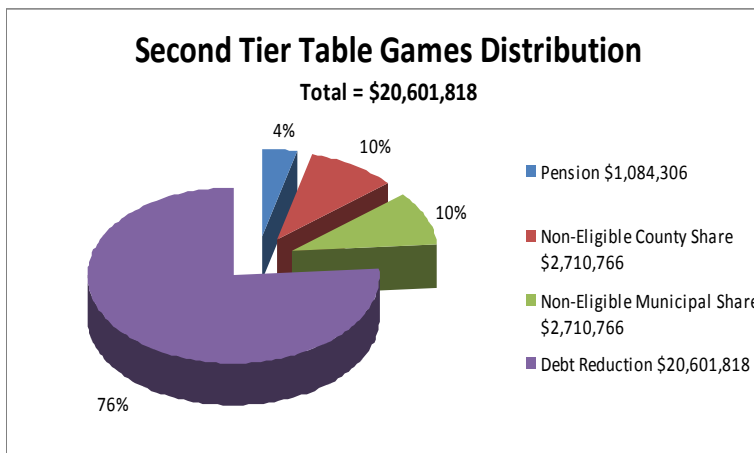
CURRENT USE OF FUNDS

In June 2009 the West Virginia Legislature conditionally modified the potential distribution of table game revenues, predicated on passage of the Jefferson County 2009 table games referendum. The overall tax rate of 35% remained unaltered, however certain other line items were shifted within the distribution. BOE funds apply only to Jefferson County and not to other counties. A comparison of table games revenue distribution changes (using June 30, 2008 totals) appears below reflecting the recent legislative changes.

In June 2009 the West Virginia Legislature conditionally modified the potential distribution of table game revenues, predicated on passage of the Jefferson County 2009 table games referendum. The overall tax rate of 35% remained unaltered, however certain other line items were shifted within the distribution

Table #12
Previous vs. New Distributions

Description	Previous %	Previous Amount	New %	New Amount
Adjusted Gross Receipts		\$ 45,363,812		\$ 45,363,812
Table Games Tax	35%	\$ 15,877,334	35%	\$ 15,877,334
Administrative Fund	3%	\$ 1,360,914	4%	\$ 1,814,552
Purses Fund	2.5%	\$ 1,134,095	2.5%	\$ 1,134,095
Development Fund	2%	\$ 907,276	2%	\$ 907,276
Cities	.5%	\$ 226,819	.5%	\$ 226,819
Municipalities	2%	\$ 907,276	1%	\$ 453,638
Counties	1%	\$ 453,638	1%	\$ 453,638
BOE			3%	\$ 1,360,914
Sub-Total	11%	\$ 4,990,019	14%	\$ 6,350,933
Net Adjusted Gross	24%	\$ 10,887,315	21%	\$ 9,526,401
Pension Fund	4%	\$ 435,493	4%	\$ 381,057
Non-Eligible County Share	10%	\$ 1,088,731	10%	\$ 952,640
Non- Eligible Municipal Share	10%	\$ 1,088,731	10%	\$ 952,640
Debt Reduction	76%	\$ 8,274,359	76%	\$ 7,240,065



In the event that the 2009 Jefferson County referendum is approved by voters, the West Virginia Lottery Commission has projected revenues would be in excess of \$129 million³⁴. Additionally, rather than diminishing the playing pool, the introduction of table games is expected to increase VLT revenues. A conservative estimate of incremental additional revenues is projected to be a 7.5% slot lift to the base of current slot play. This translates into approximately \$35 million in additional slot revenues.

Based on the new table game revenue distribution, the projected economic impact of CTRS table game revenues is reflected in Table #13 below.

Table #13
Projected 2012 Distribution CTRS Table Games Revenues

Description	Percentage	Amount
Adjusted Gross Receipts		\$ 129,084,075
Table Games Tax	35%	\$ 45,179,426
Administrative Fund	4%	\$ 5,163,363
Purses Fund	2.5%	\$ 3,227,102
Development Fund	2%	\$ 2,581,682
Cities	.5%	\$ 645,420
Municipalities	1%	\$ 1,290,841
County	1%	\$ 1,290,841
Board of Education	3%	\$ 3,872,522
Sub-Total	14%	
Net Adjusted Gross Revenues	21%	\$ 27,107,656
Pension	4%	\$ 1,084,306
Non-Eligible County Share	10%	\$ 2,710,766
Non-Eligible Municipal Share	10%	\$ 2,710,766
Debt Reduction	76%	\$ 20,601,818

Utilizing 2008 actual distributions for Thoroughbred Horse Racing and VLTs, and projected table game revenues (\$129 million) plus the VLT incremental increase (\$35 million), the total economic impact to Jefferson County and the five municipal governments can be calculated. This data is provided in Table #14.

Table #14
Total Local Gaming Distributions with Table Games

Recipient	Dollars
County Share – Racing	\$ 23,607
County Share – VLTs	\$ 4,872,239
Municipal Share – VLTs	\$ 3,938,674
County Share - Table Games	\$ 1,290,841
Municipal Share - Table Games	\$ 1,290,841
City Share - Table Games	\$ 645,420
Board of Education - Table Games	\$ 3,872,522
Total	\$ 15,934,144

The State of West Virginia could also see an additional \$68 million of incremental taxes as a result of table game introduction at CTRS.

³⁴ Ibid.

TABLE GAMES IN THE JEFFERSON COUNTY ECONOMY

The Jefferson County economy will continue to undergo many changes. The introduction of table game should have no direct impact on the Jefferson County population figures.

Based on West Virginia Lottery projections, Jefferson County and its municipalities stand to receive an additional \$8.8 million in slot revenues if table games are approved in December 2009.

In July of 2009, the Jefferson County Civilian Labor Force stood at 24,229 with 22,559 employed and 1,670 unemployed. The Jefferson County unemployment rate in July, 2009 was 6.9%, as compared to a state rate of 8.6% and a national average of 9.7%. It has been projected that 500 new jobs would be available at CTRS as a result of table game operations. If all 500 new jobs went to Jefferson County residents, this addition could lower the rate to 4.8%.

CTRS, who is currently the second largest employer in the county, and the largest private employer, would retain those standing with the addition of table games. With the 500 new jobs projected as a result of table games, CTRS would directly employed 1,700 people. Based on historical figures, approximately 1,105 [65%] of these employees would reside in Jefferson County. It is anticipated that approximately 90% of these employees [1,530] would be West Virginia residents.

Of the 500 new jobs, approximately 450 would be table game dealers, or dealer managers. With the introduction of table games to the Northern Panhandle race track, table game dealers had an approximate annual compensation package of \$45,000. It is reasonable to assume that of the remaining 50 new positions, some would be at a lower pay scale and some at a higher pay scale than table game dealers. Eligible full-time CTRS employees receive benefits that include healthcare, dental plan, pension/retirement plan, tuition assistance, disability and life insurance. Employees are offered free of charge, an on-site health center.

The average hourly earnings in Jefferson County for the private sector (Aug '09) were \$15.79. The state minimum wage rate is \$7.25. Based on a full time position, the table game dealer earnings equate to an hourly rate of \$21.63. This is well above the average wage rate for this county. Just the addition of 350 table game dealers would increase the CTRS employee compensation level by almost \$16 million dollars.

The Median Household Income in Jefferson County for 2008 was \$57,838³⁵. Per capita personal income {PCPI} in 2007 (last figures available) was \$35,701. PCPI is measured by dividing an county's total personal income by its population. During the same period, US PCPI was \$36,714.

In conclusion, utilizing this methodology allows us to analyze the current economic impact of CTRS and then to compare it to the potential impact on the Jefferson County economy with the addition of table gaming. In the first instance, Jefferson County and the five municipalities would realize \$8,302,313 in combined revenues from maintaining Thoroughbred horse racing and VLT gaming only. It is also relatively easy to gauge that the addition of table games to the product mix should result in combined revenues of \$15,934,144.

Again, in the first instance, these figures are based on 2008 actual revenues. In the second scenario 2008 actual revenues were utilized but were calculated based on the projected 2009 distribution format. Armed with this analysis, voters should be better educated regarding the relative merits, or disadvantages, of table games.

35 Jefferson County Development Authority, <http://www.jcda.net/docs/COMMUNITYPROFILE4pages.doc>

APPENDIX A - Frequently Used Terms

Assorted State Taxes: West Virginia state revenues from consumer sales tax, personal income tax, corporate net income tax, and business franchise tax.

Business Volume: Sales plus net increase in finished inventories and the value of intracorporate shipments. Equals output (see below) plus cost of goods sold in retail and wholesale trade.

Direct economic impact: A measure of the economic effect of the initial expenditure within a community.

Direct expenditures: The first round of expenditures in the economic cycle.

Econometrics: The process of using statistical methods and economic theory to develop a system of mathematical equations that measures the flow of dollars between local industries. The input-output model developed for this study is an example of an econometric model.

Employee Compensation: Wages and salaries plus employers' contribution for social insurance (social security, unemployment insurance, workers compensation, etc.) and other labor income (pension contributions, health benefits, etc.). By place of work unless otherwise stated.

Employment: The number of jobs in a business, industry, or region. Also the number of jobs attributable to an impact (see below). This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons.

Full-time equivalent (fte) jobs: A term that describes the total amount of labor employed. Economists measure FTE jobs—not the total number of employees—because it is a more accurate measure of total employment. It is a manager's discretion to hire one fulltime employee, two half-time employees, four quarter-time employees, etc. Almost always, more people are affected than are reflected in the number of FTE jobs reported due to the abundance of part-time employment, especially in the nonprofit arts and culture industry.

Gaming: Revenue generated on racetrack video lottery and "live" on-site and simulcast wagering by visitors.

Economic Impact: The results of the recirculation of funds throughout a regional economy due to the activity of a business, industry, or institution. Estimated by tracing back the flow of money through the initial businesses' employees and suppliers, the businesses selling to the employees and suppliers, and so on. Thus, they are a way to examine the distribution of industries and resources covered in the costs of the initial activity.

IMPLAN: A regional input-output modeling system with associated data. It has three functions: 1) data retrieval, 2) data reduction and model development, and 3) impact analysis. Use of the system allows an economist the ability to calculate a variety of economic multipliers associated with economic activities and changes therein. These multiplier and the associated economic activities are used to generate the economic impacts. The economic multipliers vary by geography and industry. See www.implan.com for further information.

Indirect impact: Each time a dollar changes hands, there is a measurable economic impact. When people and businesses receive money, they re-spend much of that money locally. Indirect impact measures the effect of this re-spending on jobs, household income, and revenue to local and state government. It is often referred to as secondary spending or the dollars "rippling" through a community. When funds are eventually spent non-locally, they are considered to have "leaked out" of the community and therefore cease to have a local economic impact. Indirect impact is the sum of the impact of all rounds of spending.

Input-output analysis: A system of mathematical equations that combines statistical methodology and economic theory, commonly referred to as econometrics. Some economists call this an inter-industry model. It is utilized to measure the number of times a dollar is re-spent in, or "ripples" through, a community before it leaks out (see Leakage). The model utilizes a matrix that tracks 533 finely detailed industries, and the associated dollar flows, in each community. I/O analysis permits researchers to ascertain economic impact on jobs, household income, and government revenue.

Leakage: The money that bleeds outside a community in an economic rippling. This non-local spending has no economic impact within the community.

Output: Generally, is a measure of sales plus net inventories and the value of intra-corporate shipments. Gross margin, or mark-up on goods sold, is more frequently utilized for retail and wholesale trade.

Travel: A day or overnight trip that is not of a local or commuting nature. Travel may be for business or pleasure purposes.

Value Added: A measure of the value created by a business or industry, or attributable to an impact. Equal to value of production minus the cost of purchased goods and services. Also equal to employee compensation plus capital income (profits, interest paid, depreciation charges) and indirect business taxes (e.g. severance, excise). Corresponds to the aggregate concepts of gross domestic product (GDP) and gross state product (GSP).