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Charles Town casino copes with Md. competition

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The Lawyers are becoming a rarity. As competition increases from Ohio, Pennsylvania and Maryland, West Virginia casinos are losing customers. And the lost revenue is poking a hole in the state's tax base and budget.

Nowhere is that better exemplified than at Charles Town. When it first opened -- slots in 1997 and table games coming later in 2010 -- the casino was far and away the closest option for gamblers in the Washington metropolitan area, a 90-minute drive through rolling countryside.

Business boomed beyond expectations, and tax revenue flowed into the state's coffers. West Virginia's two panhandles were situated to draw out-of-state dollars. The Northern Panhandle drew gamblers from Pennsylvania and Ohio, while the Eastern Panhandle, where Charles Town is located, attracted bettors from Maryland, Virginia and the D.C. region.

Pennsylvania's foray into casino gambling weakened the northern casinos in Wheeling and Mountaineer Park, but Charles Town continued for a number of years to keep its monopoly on the D.C. market.

That changed when Maryland legalized casino gambling, and the Maryland Live! casino opened outside Baltimore, first with slots in 2012 and adding table games last year.

For many in the D.C. region, especially the Maryland suburbs, Charles Town is at least twice as far away as Maryland Live! A quick check of the parking garage on a weekday shows about 60 percent of the license plates were from Virginia, followed by Maryland, West Virginia and Pennsylvania.

The competition is taking its toll. Table-game revenue at Charles Town for the last six months of 2013, now that it faces competition, is down 34 percent from the same six-month period in 2012, from \$80.7 million to \$53.2 million. That alone results in a loss of nearly \$10 million in tax revenue for West Virginia, from \$28.2 million to \$18.6 million, according to data from the West Virginia Lottery Commission, which regulates the casinos.

The lottery -- which includes traditional lottery games as well as slot machines and table games -- has in recent years contributed more than \$500 million to the state's annual budget. Halfway through the current fiscal year, the lottery has contributed about \$264 million to the state -- down nearly \$25 million or about 9 percent, from the same period last year. Casino gambling, in the form of slots and table games, makes up the bulk of lottery revenue in West Virginia.

One legislator has proposed adding another casino in southern Mercer County, which could draw gamblers from southwest Virginia and North Carolina, which have not jumped into casino gambling as have the states on West Virginia's northern border.

Last week, Gov. Earl Ray Tomblin proposed legislation that diverts more of the gambling money to the state's general fund, at the expense of dedicated funds supporting counties where casinos are located, and horse and dog racing operations that have been subsidized by the casinos. Officials say Wall Street has expressed concerns about declining casino revenue being able to support government bonds, and that the formulas allocating the money need to be reworked so more of the lottery revenue supports the general fund.

Meanwhile, the casinos are scrambling to cope with the competition. In October, the casino confirmed that it laid off nearly 50 dealers and other employees at the casino in response to the increased competition.

But the death knell may be coming in 2016, when MGM plans to open \$925 million resort casino at National Harbor, which is just across the Potomac River from northern Virginia and

firmly planted in the heart of the D.C. market.

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Penn National did everything it could to stop the Prince George's casino, spending more than \$40 million to try and defeat a 2012 referendum on whether it would be allowed.

After losing the referendum fight, Penn National then tried to bid for the casino, promising to

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donate 100 percent of its profits from the casino for 15 years if it received the bid to develop a casino on its property at Rosecroft Raceway.

A state commission still rejected the offer, awarding the bid last month to MGM and its site at the flashy National Harbor development.

Joe Jaffoni, spokesman for Penn National, said he believes Charles Town has some advantages over its competitors as "a more complete entertainment complex."

Charles Town and the other West Virginia casinos, with the exception of the Greenbrier resort, are co-located with racetracks, a big difference from the Maryland casinos. Randy Funkhouser, president of the Charles Town Horsemen's Benevolent and Protective Association, said casinos benefit from the location with casino revenues higher on days when there is live racing.

Fundamentally, he said the horse industry needs to look for revenue opportunities beyond the casino subsidies, which he said can never match what they were when Charles Town had a monopoly on the gambling market.

"I think with the magnitude of the success of the slots, the emphasis got away from promoting the racing sector," Funkhouser said.

West Virginia casinos differ from Maryland in other ways. Smokers are welcome in West Virginia, though some parts of the casino are dedicated to nonsmokers. And West Virginia casinos are allowed to offer free alcohol to gamblers, something Maryland casinos are barred by law from doing.

Free booze or the ability to light up, though, are not among the draws for Harold McDuffie of Washington. Even though Maryland Live! is significantly closer to home, he's never been. He finds the cigarette smoke off-putting, but he has been happy with how he's treated at Charles Town. He earns free nights at the hotel on the property, and free buffet meals at the casinos for his slot play. And he doesn't mind the long drive.

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"It's actually kind of a nice, quiet drive. Relaxing," he said, as he headed out to an ATM to get more money for the slots.

Donna Lawyer, meanwhile, has a simple solution for Charles Town if it's worried about losing its customers: looser slots.

"If they give more winners, people will come," she said.

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