



**Statement of the Pennsylvania Federation of Fraternal and Social Organizations on
Proposed Video Gaming
Presented to the House Gaming Oversight Committee by Ted Mowatt, CAE
Executive Director
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Chairs Payne and Kotik, and members of the House Gaming Oversight Committee, I am Ted Mowatt, Executive Director of the Pennsylvania Federation of Fraternal and Social Organizations. I very much appreciate this opportunity to comment on the committee's latest consideration of bills to update the Local Option Small Games of Chance Act.

The Pennsylvania Federation of Fraternal and Social Organizations (PFFSO) is a statewide association of nearly 500 social clubs, veterans clubs, fire companies and other non-profit service organizations. Our clubs provide numerous charitable works in the local communities, funded largely, by law, by small games of chance. In these times of budgetary constraints on state and local governments, our organizations are counted on increasingly to help, but the sources of revenue have not kept up with the need. Further, as our members age, the clubs are constantly struggling to find ways to attract younger members, who will take over the essential community activities of the clubs and fire companies. Our members have for years supported the updating of the Local Option Small Games of Chance Act, as a way of supporting club activities, and the local communities in which our members live. We have enjoyed a good working relationship over the past several sessions with your committee and your counterparts in the Senate, and hope to continue that relationship going forward. We will comment today on each of several issues of importance to clubs. Much of this testimony will be familiar, as we have previously testified on some of them bills in front of this committee in the past.

As the committee is well aware, over the past two sessions there have been numerous substantive changes in the Small Games of Chance law. We very much appreciate the fact that the committee has, and in fact the full House has as well, on several occasions over the past several sessions reported out bills which accomplished the purpose of updating the law to impose realistic limits on the amounts clubs can pay out. Our members are now still getting used to the new rules and reporting requirements, which have recently been again put on hold by the Department of Revenue. We look forward to seeing regulations which give more guidance as to what needs to be reported, and we hope to see some leniency in the early going, as we all climb the learning curve together. Small Games of Chance legislation remains the primary issue for PFFSO, as it is our primary member recruitment tool, as well as our opportunity to give back to the local community.

As we have testified before you before, for many clubs, dues revenues have not been able to keep pace with the structural and other overhead needs of aging facilities, and clubs have been forced to find other ways to attract new members, and to keep existing members coming into the club. Over the past several years some clubs have gone outside the parameters of the law, as the popularity of the games has far exceeded the current outdated legal, arbitrary limits. In some cases they never knew some of the things they were doing were illegal. Some clubs in certain areas of the state are paying a high price for their lack of knowledge, as enforcement has stepped up in the wake of the casinos opening around the state. This has been the subject of intense discussion among our members at every local unit meeting, and at our annual conventions. The "outlier" clubs which are in violation of the law repeatedly and egregiously are causing a lot of trouble for those clubs who are struggling to abide by the law while the General Assembly

attempts to bring the law into the 21st Century. Many of the violations are technical, either for exceeding the limits, or for misapplied use of the proceeds, the latter of which often occurs out of an unintended misunderstanding of the law and regulations in place, by the volunteers who run the games for the organizations. We hope that the changes made over the past two sessions will alleviate much of this, and we look forward to more clear guidance through the regulatory process.

It is important to keep in mind that of all of the thousands of Small Games of Chance licenses applied for each year across this state, only a relatively small percentage are club liquor licensees. Most are 501 (c) (3) organizations doing raffles, silent auctions, Monte Carlo nights, fairs, 50/50s, and so forth to raise money for themselves and other causes. Aside from my duties as the Executive Director for PFFSO, I also work for a number of professional and trade associations and other not-for profit organizations, and also have served on other non-profit boards in a volunteer capacity. I can tell you that there is great confusion among these groups on what they can and cannot do with regard to their own fundraising, whether they are raising money for their PACs, their educational foundations, or even other outside entities. The rules are arcane, and not well-known to the general public, and when I tell them what the rules are, they are frustrated and mystified why it is that way. Many organizations without liquor licenses are violating the law routinely with raffles, 50/50s, carnival games, and quarter auctions, and they never know until someone complains. Enforcement on these groups, be they church groups, school team boosters, or the NRA, is scant compared to what is going on with the clubs, because the local DA is not really interested in busting the neighborhood civic group, and the LCE has no jurisdiction over non-liquor licensees. Again, this is an area that has been addressed to a degree by the new law.

Secondly, the use of proceeds is also an area that deserves attention. Acts 90 and 92 of last session allowed for clubs to use proceeds for certain operating expenses, and attempted to clarify what proceeds can be used for, a source of great confusion over the past two decades, due to unclear regulatory language interpreting the prior statute, and uneven enforcement from barracks to barracks, and even agent to agent. We appreciate the language to delineate what can and cannot be covered by small games proceeds. The provision requiring 60% (a SHALL provision) to go to "public interest purposes" while "up to" 40% may be used for "general operating purposes" creates some potential problems. If a club needs less than 40% for general operating expenses (probably a rare occurrence), or does not receive requests sufficient to distribute 60%, it sets up the club with a legal dilemma. It is also not clear to some of our clubs whether the cost of the games themselves are accounted for on the 60% side or the 40%.

We have been asked to suggest other games that could be added to the list. The vendors are constantly presenting new games, and there are many regional permutations of raffles and other games that may be too numerous to list here. The "coin auction" is a newer phenomenon that has sprung up recently, and regionally, or instance, along with dice rolls, Queen of Hearts, and "country store" auctions. Prior to the passage of table games legislation, many non-profits, with and without liquor licenses, had run "Monte Carlo Nights", whereby a company would come in to an event, usually, and participants would buy chips and play various simulated games, like roulette, blackjack, Texas Hold'Em, etc., and then be able to use "winnings" to enter auctions,

etc. After the table games law was passed, these in turn became technically illegal. Most organizations did these once or twice a year at most, as a fun part of a larger meeting, not a daily part of their small games of chance. We would support allowing non-profits to again hold these events, on a limited basis, so as not to compete with the casino games. Also, it may or may not fit under the umbrella of small games of chance, but clubs have asked for the ability to allow members to play a friendly game of poker at the club. Currently this has been a problem for PSPLCE. We support the addition of this language in the law.

I understand video gaming is the subject of other hearings and potential legislation. We will have more to say on that at the appropriate time, but suffice to say PFFSO supports the concept of legalizing video gaming in bars and clubs, if that is the will of the General Assembly. As has been discussed, there is currently an abundance of clubs and taverns, and probably other establishments, which have these types of entertainment machines, and the constant threat of raids looms among clubs in many areas of the state, while enforcement is perhaps more lax in others. This is unfair to those who are at greater risk. We look forward to working with the committee on this issue going forward.

Let me close by also noting that, whereas our primary objective is to remove outdated restrictions on the Small Games of Chance law, somewhere along the line the parallel process for updating the Bingo law has gotten lost. We suggest the committee look at that law as well, as it also benefits many organizations, including fire and ambulance companies, and needs to be revised as well.

Thank you again for this opportunity, and I would welcome any questions.