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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
GAMING OVERSIGHT COMMITTEE
PUBLIC HEARING

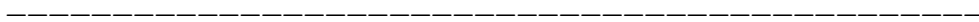
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TUESDAY, JULY 29, 2008
1:14 A.M.

PUBLIC HEARING
HOUSE BILL 1663 (CALTAGIRONE)

BEFORE :

- HONORABLE HAROLD JAMES, MAJORITY CHAIRMAN
- HONORABLE PAUL I. CLYMER, MINORITY CHAIRMAN
- HONORABLE KERRY A. BENNINGHOFF
- HONORABLE JOSEPH F. BRENNAN
- HONORABLE FLORINDO J. FABRIZIO
- HONORABLE NEAL GOODMAN
- HONORABLE C. ADAM HARRIS
- HONORABLE WILLIAM F. KELLER



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(Cont'd)

HONORABLE JIM MARSHALL
HONORABLE FRED McILHATTAN
HONORABLE MICHAEL H. O'BRIEN
HONORABLE JOHN E. PALLONE
HONORABLE EDDIE DAY PASHINSKI
HONORABLE MICHAEL PEIFER
HONORABLE CHRIS SAINATO
HONORABLE RONALD G. WATERS

ALSO PRESENT:
TERRENCE A. ALADDIN, EXECUTIVE DIRECTOR (D)
GARTH SHIPMAN, EXECUTIVE DIRECTOR (R)
BECCA SAMMON, RESEARCH ANALYST
LATASHA WILLIAMS, RESEARCH ANALYST

BRENDA S. HAMILTON, RPR
REPORTER - NOTARY PUBLIC

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P R O C E E D I N G S

CHAIRMAN JAMES: Good afternoon.

We're going to call the Gaming Oversight Committee to order at this time. I want to thank everybody for taking the time out to be here today. Today we're here to discuss House Bill 1663 sponsored by Representative Caltagirone.

I'm Harold James, Chairman of the -- Majority Chairman of the Gaming Oversight Committee, and from the 186th Legislative District.

And House Bill 1663 is sponsored by Representative Caltagirone. Today, we will hear testimony from the veterans' VFW -- and for those of you young enough not to know what VFW stands for, Veterans of Foreign Wars -- American Legion, Casino Free, The Pennsylvania Family Institute, and the Association of Nationally Chartered Organizations.

It is through bringing together diverse voices like these that we come to the best policy decisions.

We often forget that the organizations in our community are feeling the

1 crunch of today's economic -- economy just as
2 individual citizens are. The members of these
3 organizations must think of new and different
4 ways to raise funds while they continue to
5 serve their -- their neighbors and
6 constituents.

7 Representative Caltagirone's proposal
8 provides one way that these organizations can
9 continue to do this.

10 The purpose of this hearing is for
11 those who have a stake in this particular
12 proposal to share their opinions with the
13 members of this committee. And I thank all
14 those who came, to travel to Harrisburg, to
15 attend this hearing.

16 And at this time I ask Representative
17 Clymer, who is the minority chair, for his
18 remarks and then we'll go to the roll, roll
19 call.

20 REPRESENTATIVE CLYMER: I thank you,
21 Chairman James, and it's -- it's always
22 interesting to convene in these kind of
23 meetings as we hear from different venues on
24 the issue of -- of gaming.

25 And I know that the American Legion

1 and other organizations that are going to be
2 providing testimony have -- have done good
3 work in their communities and now, for some
4 reason, they are finding some significant
5 shortfalls to their incomes. And I'm sure
6 through the testimony here this afternoon
7 we'll learn about some of those concerns that
8 they have.

9 And I know that -- that they are
10 concerned that -- that unless there is
11 sufficient income for them, where are they
12 going to go from there?

13 Now, my position has always been that
14 I oppose these kind of gambling operations in
15 the past and will continue to do so in the
16 future when we talk about such things as video
17 poker machines.

18 However, I am interested to --
19 learning, as I just mentioned, their reason
20 to -- to support House Bill 1663. I'm sure
21 this public hearing today is going to be one
22 of interest for all of us as we -- as we learn
23 from the very distinguished members of the
24 veterans posts, the legions, and the other
25 clubs as to why this bill is so important to

1 them.

2 So, Mr. Chairman, thank you for the
3 opportunity to express these observations.

4 CHAIRMAN JAMES: Thank you. I just
5 wanted to make sure that I give an appropriate
6 shout out to my American Legion Post, Post
7 186. Okay. I just wanted everybody to know
8 that.

9 REPRESENTATIVE WATERS: From District
10 186.

11 CHAIRMAN JAMES: Yeah. That's
12 strange, isn't it?

13 REPRESENTATIVE WATERS: Yeah. I got
14 to get a 191 post.

15 CHAIRMAN JAMES: Okay. Yeah. 186.
16 Okay. We want to call the roll. LaTasha -- I
17 mean -- I'm sorry. Rebecca.

18 MS. SAMMON: Representative James.

19 CHAIRMAN JAMES: Present.

20 MS. SAMMON: Representative Waters.

21 REPRESENTATIVE WATERS: Here.

22 MS. SAMMON: Representative
23 Fabrizio.

24 REPRESENTATIVE FABRIZIO: Here.

25 MS. SAMMON: Representative

1 Biancucci.

2 Representative Brennan.

3 REPRESENTATIVE BRENNAN: Here.

4 MS. SAMMON: Representative Goodman.

5 REPRESENTATIVE GOODMAN: Here.

6 MS. SAMMON: Representative Keller.

7 Representative Leach.

8 Representative Myers.

9 Representative O'Brien.

10 REPRESENTATIVE O'BRIEN: Here.

11 MS. SAMMON: Representative Pallone.

12 Representative Parker.

13 Representative Pashinski.

14 Representative Readshaw.

15 Representative Sainato.

16 REPRESENTATIVE SAINATO: Here.

17 MS. SAMMON: Representative Wansacz.

18 Representative Clymer.

19 REPRESENTATIVE CLYMER: Here.

20 MS. SAMMON: Representative

21 Benninghoff.

22 Representative Creighton.

23 Representative Gabig.

24 Representative Harris.

25 REPRESENTATIVE HARRIS: Here.

1 MS. SAMMON: Representative Maher.

2 Representative Marshall.

3 REPRESENTATIVE MARSHALL: Here.

4 MS. SAMMON: Representative

5 McIlhattan.

6 REPRESENTATIVE MCILHATTAN: Here.

7 MS. SAMMON: Representative Mustio.

8 Representative Peifer.

9 REPRESENTATIVE PEIFER: Here.

10 MS. SAMMON: Representative Quinn.

11 Representative Schroder.

12 Representative Sonney.

13 CHAIRMAN JAMES: Okay. All right.

14 We're first going to hear from the -- opening
15 remarks by the sponsor of the bill, and also I
16 would like to invited the sponsor of the bill,
17 Chairman Caltagirone to join us after his
18 presentation, if he's -- if that's okay with
19 you.

20 REPRESENTATIVE CALTAGIRONE:

21 Certainly.

22 CHAIRMAN JAMES: Thank you.

23 REPRESENTATIVE CALTAGIRONE: Thank
24 you, Mr. Chairman. And I want to personally
25 thank you for holding this hearing on this

1 piece of legislation.

2 Good afternoon, members of the
3 committee, Chairman James, Chairman Clymer.

4 Thank you for the opportunity to
5 offer some comments on House Bill 1663 for the
6 board's consideration, hopefully eventually by
7 the committee.

8 It is a well-established fact that in
9 almost every county in our state social clubs
10 of all types, and in accordance with their
11 overall mandate, provide valuable services to
12 the less fortunate residents of our
13 communities. They do this with revenue
14 provided by activities that are authorized by
15 the games of small chance act enacted by the
16 General Assembly several years ago.

17 And just as a side issue, I want to
18 mention this because there's a lot of new
19 members here that didn't know the origins of
20 the games of small chance.

21 I was the one that crafted that
22 legislation over 20 years ago. Republican
23 Chairman Ed Burns was chairman of the
24 committee that handled that bill and I put him
25 on as prime sponsor. Republicans controlled

1 the House and you know, knowing the way things
2 work around here, he had to be the prime. I
3 was second, and we had quite a number of
4 members on that piece of legislation.

5 That bill did become law. That's the
6 law that we're currently operating under under
7 the games of small chance. The problem at
8 that time is similar to what the problem is
9 again today. It's not generating the revenue
10 to help meet the bills that the clubs have to
11 pay.

12 I don't think many people realize
13 that all the clubs pay property taxes.
14 They're not off the hook. They're not
15 nonprofits. They pay school district property
16 taxes like anybody else and all other taxes.
17 So their costs have gone up considerably over
18 the years.

19 In addition to that, you know, they
20 do have employees that they pay. They pay
21 other federal, state, and local taxes. So,
22 you know, I think we need to understand where
23 we're coming from here.

24 In addition to the benefits that they
25 provide, for the charges that they're

1 incorporated through the Department of State,
2 they do have responsibilities to their
3 national, state, and local organizations and
4 they do a lot of good in our communities.

5 This bill would expand the mechanisms
6 by which that revenue is generated by the
7 various clubs for those purposes.

8 Briefly stated, this bill would amend
9 the games of small chance to provide for no
10 more than five video poker machines in a given
11 club, and a simple revenue sharing formula to
12 divide the revenue generated by these devices,
13 and we tried to pattern it pretty similar to
14 the casino legislation. 60 percent for the
15 club, 40 percent to the state after the other
16 expenses are taken out, and of the 40 percent,
17 25 percent to the local community wherein
18 those video machines would reside with the
19 remainder going to the property tax relief
20 fund, less the program maintenance costs.

21 The bill accomplishes this by
22 electronically -- now I've been around for
23 quite a number of years and it -- if you think
24 back about the lottery machines, they're hard
25 wired -- hard wired to the central up here in

1 Harrisburg.

2 So every coin that's going in there,
3 every bet that's being made, is electronically
4 recorded. Every payout is electronically
5 recorded. We have the technical capability of
6 doing this so that the state is not going to
7 be gypped out of their money or there isn't
8 going to be any hanky-panky going on with the
9 legalization of these machines.

10 The bill would accomplish this by
11 electronically connecting to a central
12 computer that we call a server to ensure that
13 every dollar waged statewide is recorded,
14 along with the payout, and thus, a clear
15 record is made of exactly where the division
16 of revenue is to be made, and the amounts.

17 Another provision of the bill would
18 call for an annual licensing fee charged to
19 the club for each poker machine. It would be
20 a thousand dollars per machine with a maximum
21 of five machines, and with approximately 5,000
22 clubs in our state -- and I might add as an
23 addendum there, if any of you belong to
24 clubs -- and I belong to close to 50 of
25 them -- most of the clubs in my county, close

1 to half of them, are no longer in existence
2 from when I first started in the legislature,
3 and I dare say that probably is true in almost
4 everybody's district. The clubs are
5 dissolving. They're fading because they just
6 can't meet the expenses any more and they're
7 closing out.

8 The math shows that an annual revenue
9 of potentially \$25 million could be collected
10 with those 5,000 clubs if they max at five
11 licenses per club. That would all go into --
12 and all that money that would be generated
13 would go into the property tax relief fund
14 every year. And that's just on the front end
15 with the licensing.

16 Thus, the passage of House Bill 1663
17 I feel is essentially a win/win/win
18 proposition. The clubs win by not only
19 providing a revenue-generating capacity for
20 the activities that are sought by their
21 members, but also the local community wins by
22 ensuring that -- the funds that are needed
23 there to support the essential, fundamental,
24 charitable activities by these clubs. And the
25 Commonwealth wins by increasing the revenue

1 and the size of the property tax relief fund
2 as well.

3 Again, my profound thanks to the
4 chairman, both chairmen, and the committee for
5 this opportunity to make these remarks on this
6 proposed legislation.

7 Let me just also add that, you know,
8 the DUI laws that we've enacted have affected
9 the clubs. People are drinking less and
10 they're drinking more responsibly. That has
11 affected the revenue take at the clubs.

12 The games of small chance, they've
13 gone over good and they helped the clubs at
14 that period of time 20-plus years ago, but the
15 times change.

16 The table games that we know the
17 casinos are going to want. They're champing
18 at the bit.

19 Close to 80 percent of the money
20 that's generated in most casinos around the
21 country are from the slots. Another 20
22 percent basically come from table games.

23 They're coming back, and we know
24 that's on the front burner, not much time left
25 in this session, but you can rest assured

1 they're going to be back. They want table
2 games and they want them now.

3 It won't happen this year. But rest
4 assured, they'll probably get it through
5 within the next session.

6 All I'm saying is, look, if you're a
7 supporter of the clubs and the good works that
8 they provide, we need to do something to help
9 them. And if there's an argument made that
10 this is going to conflict with the gaming law
11 about the \$50 million license fee that they
12 put up-front, no relevance whatsoever.

13 Legal counsel already verified that
14 that's a different title. Title 10 for the
15 games of small chance has no relationship
16 whatsoever to the various titles and the
17 bills, the 1209, 1201, 1202, 1307, that's a
18 different section completely of the
19 Pennsylvania Consolidated Code. So there
20 won't be any potential conflict. We already
21 checked that out.

22 I stand ready to answer any questions
23 that the members would have.

24 CHAIRMAN JAMES: Chairman Clymer.

25 REPRESENTATIVE CLYMER: Thank you,

1 Mr. Chairman, and, again, thank you, Chairman
2 Caltagirone, for your testimony here this
3 morning -- this afternoon.

4 I have a few observations. So what
5 we're saying through this bill, fiscally
6 speaking, that the dollars that are going to
7 be flowing into the Commonwealth for property
8 tax relief, that is not going to -- that
9 that's -- that is going to help as far as the
10 casinos?

11 For instance, there's a proposed
12 casino -- casino in the Lehigh Valley up in
13 the Bethlehem area, the Sands Las Vegas
14 casino. So what we're saying is that if this
15 bill should pass, then the clubs should have
16 the right to put in five video poker
17 machines. Obviously, they're going to
18 generate money. That's without a doubt. And
19 whatever loss that particular casino may
20 experience in less gambling, and that's a
21 possibility, that what will happen is that the
22 license fee money and the percentage money
23 that's designated for the property tax relief,
24 that will offset whatever -- whatever loss
25 there may be to the casinos from the casinos'

1 projections because they have already
2 projected what the revenues are going to be
3 and the Department of Revenue has already
4 projected how much money they're going to get
5 from -- from the -- from the Bethlehem casino.

6 REPRESENTATIVE CALTAGIRONE: If I
7 may, you know, I've been around here a long,
8 long time and, you know, those kind of
9 arguments from the tracks, they were going to
10 go under. Oh, God, we got to help them. Off
11 track betting. You were here. I'm sure you
12 were here when we did that, weren't you?

13 REPRESENTATIVE CLYMER: I think I
14 was.

15 REPRESENTATIVE CALTAGIRONE: I think
16 you were. So in order to save the tracks and
17 agriculture industry and all the communities
18 that surround the tracks, we had to do off
19 track betting.

20 And I kind of look at those -- the
21 industry, the gambling industry, and the joke
22 that was going around the legislature at the
23 time the casino bill was floating around was,
24 we were going to make billionaires out of
25 millionaires and, honestly, we raised over one

1 billion and all the licenses haven't been
2 issued. We got a \$468 property tax relief
3 this year out of the casino money.

4 We're not going to take anything away
5 from them. I think we need to be very, very
6 clear about that. We're helping those that
7 need the help the most, our clubs, number one,
8 our communities, number two, and the good
9 deeds that follow through all of those good
10 works that the clubs do.

11 So instead of making maybe five
12 hundred, four hundred million at that casino,
13 you know, what are we talking about in the
14 Lehigh Valley, how many clubs that are still
15 left standing? Maybe a hundred? Maybe a
16 hundred fifty in the entire county? It's not
17 going to damage them.

18 And the bottom line to this is, the
19 money is still going into the property tax
20 relief fund. Rather than having the big
21 casino take it all in, we're saying, give a
22 little piece of that pie, let them share a
23 little bit in what's going to happen
24 eventually anyways. They're going to build
25 the casino. We know that. It's hard to stop

1 these things, and I know that -- I can
2 appreciate where you're coming from, Paul,
3 Representative Clymer.

4 REPRESENTATIVE CLYMER: That's all
5 right.

6 REPRESENTATIVE CALTAGIRONE: But
7 the -- the honest to God truth is we know
8 they're up, they're running, there are going
9 to be four or five I guess statewide.

10 Also as a provision in this
11 legislation, we want to set aside a piece to
12 help those that have gambling addiction
13 problems. I think that's important to note,
14 too.

15 You know, I understand what you're
16 saying. Will they lose some money?
17 Undoubtedly. I mean it's going to happen.
18 But you're going to help your clubs.

19 I mean we're talking about major
20 corporations that are running these casinos.
21 They're not small clubs. They're major
22 multi-million dollar corporations.

23 And all I'm saying is: Isn't it
24 about time we do something to help our clubs
25 survive? If we don't throw them that life

1 preserver, as sure as we're around here in the
2 next couple of years, you're going to see
3 probably 10, 15, 20 percent fewer clubs in
4 each of our districts.

5 And I don't know what -- what else
6 can you do? What is the answer?

7 REPRESENTATIVE CLYMER: As a
8 follow-up to my question, as we both
9 recognize, that in the original slots law
10 there was \$5 million that was provided to law
11 enforcement to make sure that illegal gambling
12 was -- was not allowed and one of the
13 places -- and some of the places that that
14 money was used was in the Lehigh Valley,
15 Northampton Valley area to close up any
16 illegal gambling and those were, in many
17 cases, the very clubs that you are
18 mentioning.

19 So what I'm saying is that that was
20 simply not by chance. I mean I think that the
21 casino industry, as you mentioned, which are
22 multi-million dollar corporations, wanted to
23 target that area to clean up and to clean out
24 any illegal gambling so that they would
25 obviously profit more so that their bottom

1 line would be strengthened.

2 So you need to know that the casinos
3 are going to be looking at this as well and
4 saying --

5 REPRESENTATIVE CALTAGIRONE: Oh, yes.

6 REPRESENTATIVE CLYMER: -- you know,
7 the very fact that we wanted to -- to remove
8 illegal gambling out of the clubs, that is
9 beyond the small games of chance that may be
10 occurring.

11 So you have to be aware that that
12 could be a very great concern to them.

13 REPRESENTATIVE CALTAGIRONE: Well,
14 you know, and we ought to think about this.
15 How do you enforce the unenforceable?

16 I mean there are clubs around this
17 state that have video poker. We all know
18 that. They're doing it illegally.

19 And then the State Police licensing
20 enforcement, they go -- they go in there and
21 they bust them. And you think to yourself,
22 don't they have anything better to do with
23 their time? I mean, who is kidding whom?

24 I mean there are certain clubs that
25 have them and they're taking their chances.

1 When they get busted they pay the fines. But
2 what I'm saying is, you know, why are we
3 playing that game? We have all types of
4 legalization of gambling, whether it's the
5 lottery, the horse racing, the casinos. I
6 mean games of small chance.

7 Why can't we throw a crumb and some
8 help to our clubs if they're going to continue
9 to exist? Otherwise, I dare say, I don't know
10 what else we can do, policymakers, to help
11 those clubs that help a lot of our people in
12 our communities.

13 REPRESENTATIVE CLYMER: Just a
14 question, too, then I'll be finished,
15 Mr. Chairman.

16 Is there an age limit to gamble in
17 these private clubs?

18 REPRESENTATIVE CALTAGIRONE: Oh,
19 you -- in these clubs, you know, you cannot be
20 under 21 to go in there because you have to
21 be -- they serve liquor.

22 REPRESENTATIVE CLYMER: Okay.

23 REPRESENTATIVE CALTAGIRONE: And no
24 one under 21 is going to be able to go in
25 there, let alone --

1 REPRESENTATIVE CLYMER: You have to
2 be a club member to go in there?

3 REPRESENTATIVE CALTAGIRONE: Yes,
4 sir. That is true.

5 REPRESENTATIVE CLYMER: One of the
6 things that I've observed in the years is that
7 some of the clubs are losing memberships, not
8 because of the fact that they're not trying to
9 recruit but because it's the different
10 generations, a different lifestyle, a
11 different culture.

12 REPRESENTATIVE CALTAGIRONE: True.

13 REPRESENTATIVE CLYMER: And the
14 priorities of people are much different today
15 than they were when I was growing up and we
16 saw clubs flourishing because that was -- that
17 was where the -- the adults wanted to spend
18 their time to help, as you just mentioned, to
19 help their communities, and they did that in
20 different fashions.

21 But -- but that's just the way it
22 is.

23 REPRESENTATIVE CALTAGIRONE: Yes,
24 sir.

25 REPRESENTATIVE CLYMER: I don't know

1 how we can rectify that. I don't know how you
2 change behaviors of that next generation in
3 saying, you know, these are worthwhile
4 organizations to participate in, especially
5 the Legions, which I know see the memberships
6 suffering in my own district.

7 So I just share those thoughts.

8 And thank you, Mr. Chairman.

9 CHAIRMAN JAMES: Thank you.

10 I also just wanted to thank you,
11 Chairman Caltagirone, for giving us that
12 little bit of history in terms of you
13 initiating or helping to put together the
14 games of chance law, because that certainly
15 has helped a lot of nonprofit or --
16 organizations and clubs throughout the
17 Commonwealth.

18 And now we've come into a new era
19 where, in addition, again, they need help and,
20 of course, you're around to make sure that
21 happened. I want to thank you for that.

22 We're going to call on Representative
23 Sainato.

24 REPRESENTATIVE SAINATO: Thank you,
25 Mr. Chairman.

1 Chairman Caltagirone, I know Chairman
2 Clymer got on it a little bit, you know, the
3 machines that are out there right now.

4 And it seems that there's --
5 depending on where you're at in the state,
6 there's enforcement in some areas, other areas
7 there's not enforcement, and then you have the
8 dollars out there that have been generated to
9 go after these small clubs, which that --
10 in my opinion that wasn't the intent in the
11 legislation but somehow it just happens to be
12 the -- the victims seem to be the small clubs
13 and taverns and places like that and, you
14 know, I think it's become a problem and
15 locally -- and I think it's even by
16 jurisdiction, that in one jurisdiction it's
17 legal to have a machine, but it's -- but you
18 can't pay out and another jurisdiction it's
19 not legal to have it and they have a bunch of
20 these interpretations of the law.

21 But under your legislation, you're
22 saying that property tax revenue will still go
23 to the fund?

24 REPRESENTATIVE CALTAGIRONE: Yes,
25 sir.

1 REPRESENTATIVE SAINATO: And the
2 clubs would pretty much be legalized?

3 REPRESENTATIVE CALTAGIRONE: Well,
4 the clubs would share in the percentage. We
5 have the percentage broken down.

6 The initial license fee, all of that
7 money would go to the property tax relief
8 fund, and depending how many machines they
9 would have.

10 And then the percentage above and
11 beyond the local, you know, the local share,
12 would go to the property tax relief fund.

13 REPRESENTATIVE SAINATO: Okay.

14 REPRESENTATIVE CALTAGIRONE: It's --
15 it's all conjecture, and it's all, you know,
16 maybe -- I guess Appropriations could figure
17 out some kind of a raw estimate. It depends
18 on how many -- actually if it became law, we
19 may need to do that.

20 REPRESENTATIVE SAINATO: How many --
21 what would be the process as far as -- like
22 most municipalities charge a fee per machine.
23 Would that be affected by this?

24 REPRESENTATIVE CALTAGIRONE: Well,
25 you know, that's an interesting point. You

1 know, when they have an entertainment fee and
2 there are licenses, depending on the
3 communities that would charge for whatever
4 type -- like, I'm just trying to think of the
5 different machines that some of the clubs
6 have, like these music machines or video
7 games. Some communities charge and some
8 don't. I think that's going to vary from
9 community to community.

10 REPRESENTATIVE SAINATO:

11 Would this -- would this money --

12 REPRESENTATIVE CALTAGIRONE: It's an
13 entertainment type of fee.

14 REPRESENTATIVE SAINATO: Is it
15 similar to gaming so would they get a
16 percentage, like a local municipality --

17 REPRESENTATIVE CALTAGIRONE: Yes,
18 sir.

19 REPRESENTATIVE SAINATO: -- where the
20 machines are, they would get --

21 REPRESENTATIVE CALTAGIRONE: Yes,
22 sir.

23 REPRESENTATIVE SAINATO: So that
24 would actually be more for the local
25 municipality.

1 REPRESENTATIVE CALTAGIRONE: It would
2 help.

3 REPRESENTATIVE SAINATO: Fifty,
4 hundred dollar fee, whatever they charge per
5 the machine.

6 REPRESENTATIVE CALTAGIRONE: Yes.

7 REPRESENTATIVE SAINATO: Even if it
8 wasn't there, they are getting --

9 REPRESENTATIVE CALTAGIRONE: I tried
10 to -- I tried to pattern it so that we could
11 help everybody, the local enforcement, the
12 local municipality, certainly the clubs,
13 number one, and the state, and the property
14 tax relief fund.

15 So I tried to spread it around as
16 much as possible to give everybody a little
17 bit of something there to help them.

18 REPRESENTATIVE SAINATO: Chairman
19 Caltagirone, thank you. I think that you've
20 put a lot of thought into this, and I think it
21 is an issue that's going to have to be
22 addressed.

23 I think for the most part, like I
24 say, in our legislative districts, I have a
25 lot of clubs that are there and everything you

1 said is true. I mean they're hurting a little
2 bit because of the drunk driving laws, which
3 is good per se because we've stopped people
4 driving drunk, but it is an effect.

5 And they're trying to survive and a
6 lot of them do a lot of charity in the
7 community.

8 REPRESENTATIVE CALTAGIRONE: Yes,
9 sir.

10 REPRESENTATIVE SAINATO: And the
11 small games of chance can only go so far. And
12 it is, as Chairman Clymer said, it's a
13 different culture and it's a lot of older
14 people, but you need something to try to
15 attract younger people to get back into it
16 because they need to have that fraternity that
17 they once had and the goal of the clubs
18 originally was to do good in the community.

19 So I think, you know, to see some of
20 the clubs go away, and even in my area, I mean
21 the Eagles is really hurting and that's a
22 major organization. And, you know, they're
23 telling me they're hurting and they don't know
24 what they're going to do.

25 And I hate to see that. I'm a member

1 of it. It's like I see that happening, the
2 Moose and many of the others.

3 So I thank you for your thought in
4 this. I know I'm on your bill, and thank you
5 for coming today.

6 REPRESENTATIVE CALTAGIRONE: Thank
7 you, sir.

8 CHAIRMAN JAMES: All right. Thank
9 you.

10 Also we'd like to call on
11 Representative McIlhattan.

12 REPRESENTATIVE MCILHATTAN: Thank
13 you. Thank you, Mr. Chairman.

14 Let me double check and I think I
15 have it right in the distribution of funds.
16 60 percent is going to go to the club. 40
17 percent is going to go to the state. And out
18 of that 20 -- 40, 25 percent is going to go
19 back to the local where the machines are
20 operating. Is that correct?

21 REPRESENTATIVE CALTAGIRONE: Yes,
22 sir.

23 REPRESENTATIVE MCILHATTAN: Who is
24 the gatekeeper on this whole process? Who is
25 going to manage this in Pennsylvania state

1 government? Who is going to be in charge of
2 this? The Gaming Board? Department --

3 REPRESENTATIVE CALTAGIRONE:
4 Department of Revenue.

5 REPRESENTATIVE MCILHATTAN: -- of
6 Revenue or --

7 REPRESENTATIVE CALTAGIRONE:
8 Department of Revenue.

9 REPRESENTATIVE MCILHATTAN:
10 Department of Revenue --

11 REPRESENTATIVE CALTAGIRONE: Yes,
12 sir.

13 REPRESENTATIVE MCILHATTAN: -- would
14 be the gatekeeper on this. Okay.

15 REPRESENTATIVE CALTAGIRONE: It's
16 similar to the lottery and the lottery
17 machine.

18 REPRESENTATIVE MCILHATTAN: Okay.
19 The thing that concerns me a little bit, and
20 so many times here when we do things like
21 this, we -- we think of one segment. And
22 we're here. We think of the clubs.
23 Everything for the clubs. We want to save the
24 clubs. And the clubs do nice things.

25 But what I don't think is -- is we

1 don't think far enough. Are we hurting
2 somebody here? And I would raise the point
3 that we may be.

4 Clubs have games of chance. The
5 private entrepreneur down the street are --
6 known as Joe's Bar and Grill or Restaurant,
7 doesn't have games of chance and he calls me
8 all the time, upset, I can't compete.

9 We just passed a smoking ban bill.
10 Clubs can have smoking, but Joe's Bar and
11 Grill down the street won't be able to. He
12 loses out again.

13 And now there are going to be poker
14 machines in the clubs and Joe's Bar and Grill
15 down the street, he has another thing against
16 him. He can't compete.

17 So my thought, and I think the
18 members of this committee need to think about,
19 is we need to think this thing the whole way
20 through. We may be helping some, but are we
21 hurting some people and who are we hurting?
22 We're hurting those private entrepreneurs who
23 risk their capital every day to create a
24 business, employ people, and keep going.

25 And I think if we pass this

1 legislation, it's another nail in their coffin
2 and I would caution everybody to think this
3 thing the whole way through. We're going to
4 help some, but I think we're going to hurt
5 some, too, and I think we need to keep that
6 balance in mind.

7 Thank you, Mr. Chairman.

8 REPRESENTATIVE CALTAGIRONE: If I
9 could comment, Mr. Chairman?

10 CHAIRMAN JAMES: Okay.

11 REPRESENTATIVE CALTAGIRONE: They can
12 get lottery machines in, and some of the
13 taverns -- you're talking about the taverns.

14 REPRESENTATIVE MCILHATTAN: Can't get
15 video. Can't get games of chance. Can't
16 smoke.

17 REPRESENTATIVE CALTAGIRONE: But they
18 do have the -- they do have the lottery
19 machines.

20 REPRESENTATIVE MCILHATTAN: I'm not
21 even for all those things. But I'm saying in
22 all fairness to our folks that invested their
23 private capital, for heaven's sake, we need to
24 think of them, too.

25 REPRESENTATIVE CALTAGIRONE: Well, we

1 have some of the veterans' organizations
2 here. What greater help can we give to those
3 men and women that have sacrificed their blood
4 and their lives to protect us for the freedoms
5 that we enjoy to keep them in existence?

6 We wouldn't be here but for them.
7 And they're struggling. They're suffering.
8 We're talking about the VFWs. I belong to
9 one. And many of the other, many fine
10 organizations. They're struggling. They're
11 suffering.

12 But for them would our freedoms be
13 here as we now know it? What do we do for
14 them?

15 I understand where you're coming
16 from. I understand the private sector
17 argument.

18 CHAIRMAN JAMES: Okay. Thank you.

19 REPRESENTATIVE MCILHATTAN: Thank
20 you, Mr. Chairman.

21 CHAIRMAN JAMES: Representative
22 O'Brien.

23 REPRESENTATIVE O'BRIEN: Thank you --
24 thank you, Mr. Chairman. I think I want to
25 double dip here. Not only is he the maker of

1 the bill, but also in your role as chairman of
2 the Judiciary.

3 So we would all think, ah-ha, sure,
4 we all know what clubs are, the VFW, the Sons
5 of Italy, the Hibernians, the Shriners.

6 But for the purpose of this bill, how
7 do we define clubs?

8 REPRESENTATIVE CALTAGIRONE: That's
9 definitely defined in law. If you open it up
10 here, I think you have a copy of the actual
11 bill itself. It -- it -- you know, it
12 explains how the clubs are licensed. It's --
13 it's -- yeah. It's no different than the
14 games of small chance but --

15 REPRESENTATIVE O'BRIEN: So it's
16 statutorily defined?

17 REPRESENTATIVE CALTAGIRONE: It's
18 statutory, absolutely.

19 REPRESENTATIVE O'BRIEN: So they
20 are --

21 A. And they're licensed, by the way, by
22 the Department of State, you know, for the
23 charitable purposes.

24 You have to have a licensing
25 procedure before you go to LCB as to what your

1 charitable purpose is. That's stated in your
2 constitution and bylaws for every single club
3 in this state.

4 REPRESENTATIVE O'BRIEN: So that
5 brings me to my follow-up question. So if me
6 and my buddies decide this is a good thing,
7 that we can get up to five video poker
8 machines, and we decide we're going to form a
9 club --

10 REPRESENTATIVE CALTAGIRONE: No. No.

11 REPRESENTATIVE O'BRIEN: -- you know,
12 for fat guys that wear glasses --

13 REPRESENTATIVE CALTAGIRONE: It
14 doesn't work that way. Trust me. It doesn't
15 work that way.

16 REPRESENTATIVE O'BRIEN: So there's
17 prohibition --

18 REPRESENTATIVE CALTAGIRONE: Oh, yes.

19 REPRESENTATIVE O'BRIEN: -- in law
20 against that.

21 REPRESENTATIVE CALTAGIRONE: You
22 got -- you got to be a bona fide club in
23 existence for a certain number of years. I've
24 gone this through, and I'm sure members in
25 here have gone through this also, that want to

1 get a club license. Well, they don't just
2 hand them out, number one.

3 Number two, a lot of them have been
4 dissolved. They no longer exist. They --
5 they've not been renewed and they've gone
6 under. You have to have a bona fide
7 existence. I think it might be five years
8 with a standing membership, with all the
9 recording procedures, you know, that any
10 organization has, before you can even qualify
11 to get a club license if there's one in
12 existence, by the way.

13 REPRESENTATIVE O'BRIEN: So there's
14 inherent protections --

15 REPRESENTATIVE CALTAGIRONE:
16 Absolutely.

17 REPRESENTATIVE O'BRIEN: -- in the
18 very definition of?

19 REPRESENTATIVE CALTAGIRONE: Yes,
20 sir.

21 REPRESENTATIVE O'BRIEN: Thank you,
22 Mr. Chairman.

23 CHAIRMAN JAMES: Thank you.
24 Representative Goodman.

25 REPRESENTATIVE GOODMAN: Thank you,

1 Mr. Chairman.

2 Hey, I first want to apologize to the
3 committee because I'm going to have to leave
4 very shortly. I have a four o'clock meeting
5 back in my district and if I want to stay
6 within the speed limit I have to leave very
7 shortly.

8 But I came down early this morning
9 and I stayed specifically to attend this
10 meeting because I am a co-sponsor and a strong
11 supporter of this legislation and I think it's
12 time that this bill comes to the floor and we
13 as members are given an opportunity to vote on
14 it.

15 Schuylkill County has the distinction
16 of having more veterans than any other county
17 per capita. I mean when this country rang the
18 bell, Schuylkill County answered.

19 And many of these organizations,
20 veterans clubs, Elks, Mooses, many of these
21 clubs right now are struggling and they're
22 struggling because of the high cost of almost
23 everything.

24 But I mean I think the real nail on
25 the coffin is now going to be home heating

1 oil. And -- and, Mr. Chairman, I was
2 correct. Younger people aren't joining in
3 the -- in the numbers that they did in the
4 past.

5 But my question to you has to do --
6 is in regards to a conflict with the title. I
7 find it hysterical that when I was first
8 elected in '03, we were discussing -- that
9 was when -- in '04 is when we actually passed
10 the gaming legislation, and it seemed to me I
11 remember that the casinos testified, saying it
12 is in no way a conflict. We can open up 17
13 venues around the state, multi-billion dollar
14 casinos but it's not a conflict or it's not
15 going to hinder small games of chance or the
16 expansion of the lottery or anything else like
17 that.

18 But now when we come to this General
19 Assembly for veterans organizations and clubs,
20 who have been the backbone of our community,
21 suddenly the gaming industry raises its head
22 and says that there's a conflict. I think
23 it's hypocritical, to be polite.

24 In regards to the \$5 million that we
25 set aside in the lottery fund for law

1 enforcement, that was at the express of the
2 casinos. They want that money there to go to
3 the District Attorney's Offices throughout
4 this state to come down on local clubs who
5 have small machines in the back that are
6 basically paying the electric and water bill.

7 I guess somewhere in this statement
8 is a question, but I do like the way you have
9 it broken up, 60 percent, 40 percent, and 25
10 going back to the local municipalities. I
11 think that's a very good -- a very good part
12 of the legislation.

13 As I said, I am a strong supporter of
14 this legislation; and if I thought for one
15 minute it wouldn't kill the bill, I would
16 offer you an amendment myself to extend to it
17 restaurants and anyone who has a liquor
18 license, because I agree with my colleagues
19 that we've put a stranglehold on them by
20 eliminating smoking and that made it extremely
21 difficult for these businesses now to
22 compete.

23 And, Tom, if it will not hurt your
24 bill, I'll put the amendment on myself.

25 Thank you, Mr. Chairman.

1 CHAIRMAN JAMES: All right. Thank
2 you.

3 Representative Brennan.

4 REPRESENTATIVE BRENNAN: Thank you,
5 Mr. Chairman.

6 Mr. Chairman, just a couple of
7 points. Lehigh Valley was referred to
8 before. I believe there are -- it's the area
9 I represent. I believe there are anywhere
10 from 200 to 250 various social VFW clubs and
11 others, and I -- and I have seen over the
12 last, I would say, four years a good
13 percentage of them, in fact, close their doors
14 or very close to closing their doors. And
15 this legislation certainly would go a long way
16 towards helping them.

17 And you kept referring, Chairman
18 Caltagirone, to the games of small chance.
19 Any time I gamble it's a small chance of me
20 winning. That is the case.

21 REPRESENTATIVE CALTAGIRONE: I think
22 Paul would agree to that.

23 REPRESENTATIVE BRENNAN: I always
24 heard it referred to as small games of chance,
25 never games of small chance. But that's more

1 appropriate for me.

2 Are there any restrictions -- I know
3 with the small games of chance, or, as you
4 would say, the games of small chance, I
5 believe there were restrictions on what
6 that -- for instance, in a word, a punch board
7 generated a hundred dollar profit for a club
8 after paying out the -- all the winners, I
9 think there were restrictions on what that
10 could be used for.

11 I think we amended that recently, if
12 I'm not mistaken, to allow them to use that
13 somewhat towards offsetting their general
14 operating expenses as opposed to just going
15 toward community endeavors because of the dire
16 condition of many of the clubs. Is that it?

17 REPRESENTATIVE CALTAGIRONE: You're
18 absolutely right. You know, that's part of
19 the basic problem I think that all of our
20 clubs are facing. You had mentioned the fuel,
21 the taxes, and all the overhead costs. Either
22 they pay the bills or they close.

23 And there were restrictions about how
24 that money was to be utilized for various
25 charitable benefits.

1 And that's why I'm saying, if we
2 don't do something to help them, I dare say
3 that by -- by the end of another year or so,
4 you're going to see probably another 10, 15,
5 20 percent. I -- I looked at the number and I
6 was really shocked, because 20-plus years ago
7 we had double the number of clubs that we have
8 today. I mean they're fading.

9 And it's not just because of
10 membership. It's because of expenses, too.
11 They just can't pay the bills.

12 REPRESENTATIVE BRENNAN: Are there --
13 as the legislation is currently written, the
14 60 percent towards the club, is there -- are
15 there any restrictions, for instance, like
16 there are with the -- that a certain
17 percentage of that 60 would need to be used
18 for community endeavors and --

19 REPRESENTATIVE CALTAGIRONE: Exactly.

20 REPRESENTATIVE BRENNAN: -- the rest
21 could be used for --

22 REPRESENTATIVE CALTAGIRONE:
23 Expenses.

24 REPRESENTATIVE BRENNAN: -- expenses,
25 salaries?

1 REPRESENTATIVE CALTAGIRONE: Yes.

2 REPRESENTATIVE BRENNAN: Benefits for
3 employees, et cetera, et cetera?

4 REPRESENTATIVE CALTAGIRONE: Yes.

5 That's how we tried to work that. I mean is
6 anything perfect that we do? You know, I'm --
7 I'm open to -- to suggestions on how to
8 improve the bill. And I wouldn't say the bill
9 is perfect. It probably isn't.

10 But I would certainly be open to any
11 other changes or recommendations that you
12 might like to add, too.

13 REPRESENTATIVE BRENNAN: Well, thank
14 you, Mr. Chairman. I do agree somewhat. I
15 worked in a place, ironically enough,
16 Representative McIlhattan, it was called Joe's
17 Bar. And one of the complaints was the -- you
18 know, the clubs. There's a -- a proliferation
19 of them in our area.

20 One of the complaints was when they
21 got small games of chance they were able to
22 charge obviously significantly less for -- for
23 alcoholic beverages and -- and many of the
24 local bars and restaurants did complain and
25 felt like they were being, you know, again,

1 singled out or treated unfairly.

2 And, again, that complaint is, in my
3 opinion, valid, so I would be open to
4 discussions on that.

5 But the bill is what it is and
6 certainly we need to do what we can to help
7 who we can when we can possibly help someone.

8 Thank you for introducing this, and I
9 look forward to it moving forward.

10 Thank you, Mr. Chairman.

11 CHAIRMAN JAMES: All right. Thank
12 you.

13 Any other questions for Chairman
14 Caltagirone?

15 Cal, I hope that you would join us if
16 you have time or for whatever time that you
17 have.

18 And we're going to call on Larry
19 Wade, who is the State Commander, and John
20 Brennan, who is the State Adjutant,
21 Pennsylvania Department of Veterans of Foreign
22 Wars.

23 COMMANDER WADE: Mr. Chairman, I
24 brought past commander --

25 CHAIRMAN JAMES: Just have a seat and

1 identify yourself for the record.

2 COMMANDER WADE: Good afternoon,
3 Mr. Chairman, and members of the committee.
4 I'm Larry Wade of Cresson in Cambria County,
5 Pennsylvania Department Commander of the
6 Veterans of Foreign Wars.

7 CHAIRMAN JAMES: Okay.

8 COMMANDER WADE: With me at the table
9 is the immediate past VFW state commander,
10 John Getz of Reinholds in Lancaster County and
11 our State Adjutant, John Brenner, who is in
12 the back, York County, who is also a past
13 state commander.

14 Also here in support of this bill is
15 our State Senior Vice Commander, Frank Mills
16 of Huntingdon County, who will become our
17 state commander next year.

18 We are proud to represent the largest
19 state department of the VFW in the nation with
20 120,000 combat veterans as our members,
21 ranging from World War II combat to today's
22 War on Terrorism.

23 The VFW's mission is to honor the
24 deceased by serving the living. While we can
25 create some support for carrying out our

1 mission for volunteers, putting life-changing
2 public service programs into motion takes real
3 money.

4 For nonprofits, including the VFW,
5 money is not something that comes easy. If we
6 are to maximize the positive impact we have on
7 those we serve, we cannot do it using facing
8 falling membership's revenue. Rising
9 operating costs and low-end fundraisers that
10 have out-of-date small games prize limits is
11 hurting us all.

12 House Bill 1663, by allowing video
13 poker games in VFW posts and other nonprofits,
14 would help us to raise funds that would help
15 raise our community impact to higher levels.

16 I want to stress up-front that just
17 as we have done when asking for higher prize
18 limits for small games of chance, that we
19 recognize the need for responsibility by the
20 posts who offer games.

21 We support the tracking of money
22 spent on games of chance, and we urge all of
23 our posts to follow regulations in handling
24 money that comes in from our membership
25 playing the games.

1 We fully support the use of
2 automatically linking in the video poker
3 machines to a regulatory agency as proposed in
4 the bill. This means that the government will
5 monitor how much a machine takes in and the
6 required split of the money will be channeled
7 directly to the government.

8 We've spoken to one of our other
9 recent state commanders who has seen this
10 process work in other states. He reports that
11 every day at a specified time the machines are
12 shut down to send a report electronically.
13 The government knows how much money was put in
14 the machine and the total payout.

15 Every year the VFW posts contribute
16 millions of dollars of community support
17 through supporting deployed troops; assisting
18 military families on the front; funding
19 student scholarships; sponsoring youth sports;
20 making donations to charities; and buying
21 equipment for police, fire, and ambulance
22 units. Our donations go to many other causes,
23 including building war memorials, holding
24 events for senior citizens, helping homeless
25 people to find support, buying Christmas gifts

1 and winter clothing for low income, and much,
2 much more.

3 The percentage of earnings that would
4 go to the VFW posts and other nonprofits would
5 not only help us continue this type of giving,
6 it would help us to increase our donations.
7 This is critical to our communities,
8 especially at a time when government grants
9 and other sources of support are drying up.

10 Many posts having to turn away
11 organizations asking for money because through
12 their existing small games we simply cannot
13 raise enough to meet the community demand for
14 financial help.

15 I'll say it again. The VFW is first
16 and foremost a service organization focused on
17 improving the lives of veterans, the troops,
18 military families, and our communities. This
19 is our top priority.

20 We cannot do this at the level we
21 want as our budgets at the local post and
22 state headquarters levels drops off due to the
23 aging of our membership. There's a real need
24 to raise more funds for improving lives
25 outside of the government.

1 Being able to raise funds through
2 video poker, while not jeopardizing revenue
3 from other small games of chance, would help
4 us boost the money we can use to carry out our
5 mission.

6 We want to continue offering small
7 games of chance to help posts who do not want
8 to offer video poker to raise funds for the
9 community and to keep their facility modern,
10 efficient, and available for public use.

11 We continue supporting efforts to
12 raise small games of chance prize limits so
13 these posts can donate more money to benefit
14 others.

15 Some posts may choose to offer both
16 traditional small games of chance and video
17 poker, and we believe they should have that
18 option.

19 Let me close by covering a key point
20 to our support of House Bill 1663. With small
21 games of chance prize limits where they are --
22 and even if they are increased by the passage
23 of House Bill 169 -- there is a need to
24 separate the funds brought in by video poker
25 and traditional small games of chance.

1 If you add the percentage of video
2 poker revenue that posts can keep into the
3 current small games of chance situation, prize
4 limits would be surpassed and posts and other
5 nonprofits would face penalties and fines on a
6 constant basis.

7 We would like to see this House Bill
8 changed to specify -- to specifically say that
9 video poker revenue not be included in
10 calculating small games of chance prize totals
11 on a weekly, monthly, or other time frame
12 basis.

13 Since there is a difference --
14 different license and a fee for having video
15 poker machines, we ask that the bill be
16 changed to reflect the separate of video poker
17 revenue and small games of chance that are
18 currently allowed by law.

19 Members of the committee, John Getz,
20 who, after being state commander during the
21 last fiscal year, and who now serves as our
22 department co-chairmen of the legislative
23 committee and our internal affairs committee,
24 will speak briefly about how this bill would
25 help VFW posts and other nonprofits to stay

1 strong so they can serve veterans, military
2 families, their local communities, and those
3 who live in them.

4 PAST COMMANDER GETZ: Good afternoon,
5 committee members.

6 As a long-time member of Veteran of
7 Foreign Wars and a combat veteran, I cannot
8 imagine life or, quite frankly, America
9 without the Veterans of Foreign Wars.

10 It's not just veterans who have
11 benefited from the existence of the VFW, the
12 American Legion, and other veterans groups.
13 We are not selfish groups. In fact, the
14 dedication and commitment to service that
15 motivated us while in uniform still drive us
16 today, although our uniforms may not fit quite
17 as well. Every segment of our population has
18 benefited from the outstanding work done by
19 nonprofit veterans groups.

20 I hope that this year and for many
21 years to come that we can continue to say
22 this. Our mission and our commitment will
23 stay the same, but we face growing challenges
24 that are impacting how we serve others.

25 As mentioned before, it is hard for

1 veterans organizations, just as it is for
2 other nonprofits, to maintain operations and
3 to continue financial support to the community
4 where it is needed to meet the growing need
5 for donations.

6 Allowing posts to keep revenue from
7 video poker would help generate funds for use
8 in keeping our posts modern and safe and
9 convenient for the use by the membership and
10 the community.

11 Many posts open their doors for use
12 by community groups and military units for no
13 charge. To keep a building clean, handicap
14 accessible, and attractive takes money.
15 Nonprofits don't have the access to the
16 capital that for-profit organizations do. And
17 banks won't often loan money to nonprofits
18 because they cannot show a steady revenue
19 stream.

20 Being able to use some of the video
21 poker revenue for upkeep and improving the
22 facility would benefit the community. The
23 VFW, joined by other veterans groups and
24 representatives of the police and fire
25 company -- and fire company recently visited

1 with a key -- yeah -- recently visited with a
2 key member of the Senate to show how important
3 our donations are to the community.

4 One police chief testified that he
5 was grateful for the Veteran of Foreign Wars
6 donations which provides money that he could
7 not get from other sources to buy equipment.
8 A long-time leader of a small fire department
9 also pointed to donations from nonprofits as
10 vital to having modern equipment and needed to
11 save lives.

12 We'd be thrilled to donate entire
13 police cruisers and not just one piece of
14 equipment. With more money to give away, we
15 could buy not only a fire hose but perhaps a
16 complete uniform, including breathing
17 apparatus. We could help even more families
18 in the -- yeah -- impacted by life-changing
19 disasters. We could send even more support to
20 the troops who are defending our freedom.

21 We could provide financial help for
22 disappearing government grants and shrinking
23 government budget allotments that have left
24 people and organizations in dire need of more
25 funds.

1 Lastly, I, too, would like to
2 encourage you to make it clear in the bill
3 that video poker revenue be considered
4 separate from all purposes of the small games
5 of chance earnings. To not do so would
6 significantly impact the degree to which we
7 could use video poker to make a better life
8 for citizens across the Commonwealth.

9 Now I'd like to turn it back to
10 Commander Wade.

11 COMMANDER WADE: Committee members,
12 as you can probably tell, we would like to put
13 our mission of serving people to work for
14 people for -- from all walks of life. We can
15 only raise so much through fundraisers and our
16 current small games environment.

17 We think that using video poker is a
18 responsible way, makes sense, and it would
19 help preserve the nonprofits who have proven
20 to be the lifeblood of so much community
21 support.

22 And I'd like to say something to the
23 committee. They were talking about Bill 169,
24 passed in 1988. That bill gives you \$5,000 a
25 week that you're allowed. That is your limit

1 on a pay out.

2 That is not the net profit that you
3 get from that 5,000. Your net profit from
4 that alone is \$867.

5 One hundred percent of those monies,
6 the way that bill was written in 1988, must go
7 back to serve the community. You can put
8 siding on the building because that's an
9 improvement to the community or you can fix up
10 your outside. But one hundred percent of
11 those monies must go back to the community.

12 Everyone thinks it's \$5,000 that the
13 club is making per week, and that is not the
14 case. Your pay-out on that most of the time
15 is 80 to 82 percent.

16 So members of the committee, you can
17 see where we're coming from with that, and we
18 do need help with this. The way the bill was
19 written, we cannot pay utility bills.

20 You cannot pay a mortgage. You
21 cannot fix up the inside of your building
22 because you are a club and you are private.

23 So there are a lot of restrictions on
24 bill -- the bill that was passed in 1988,
25 small games.

1 And I thank you for listening to us.
2 It's greatly appreciated.

3 CHAIRMAN JAMES: We want to thank
4 you for all the great work that you do in the
5 community, and I said earlier that the post
6 was 186 and Ron pointed out to me that, you
7 know, 186, that's your district, too. So the
8 post is 89. It's Post 89.

9 But -- but I again want to thank you
10 for all the work that you do in the
11 community.

12 Now with this bill, this would help
13 alleviate the problems that you addressed that
14 are in one bill, in Bill 169, that was in '88,
15 this would address all those concerns you just
16 raised?

17 COMMANDER WADE: Bill 169 would up
18 your limits to 20,000 and out of that monies
19 on the 20,000.

20 CHAIRMAN JAMES: You mean this bill?

21 COMMANDER WADE: You're probably
22 looking at 2400. That's Bill 169 that is in
23 committee right now. It has not been passed.

24 CHAIRMAN JAMES: Oh, okay.

25 COMMANDER WADE: So we have to abide

1 by the bill that was passed in 1988.

2 CHAIRMAN JAMES: Okay.

3 COMMANDER WADE: And that's a
4 twenty-year-old bill right now, and it's way
5 outdated.

6 CHAIRMAN JAMES: Okay. Now, also you
7 said in the testimony that you had spoke to
8 some other state commanders.

9 COMMANDER WADE: Yes, sir.

10 CHAIRMAN JAMES: Is it possible that
11 you can identify which states they were?

12 COMMANDER WADE: West Virginia and
13 Ohio.

14 CHAIRMAN JAMES: Okay.

15 COMMANDER WADE: West Virginia is
16 tied into the state. Everything is
17 automatic. I believe it is at five o'clock in
18 the morning the deposits that would come out
19 of that machine go directly, it's an
20 electronic fund, into the account for the
21 state.

22 So that takes away anybody trying to
23 get their fingers on the -- on the monies.

24 CHAIRMAN JAMES: Does Ohio close down
25 also?

1 COMMANDER WADE: I'm not sure on
2 Ohio, but I believe so.

3 CHAIRMAN JAMES: All right. Well,
4 thank you.

5 Representative Waters.

6 REPRESENTATIVE WATERS: Yes. Thank
7 you, Mr. Chairman. I -- Mr. Wade?

8 COMMANDER WADE: Yes, sir.

9 REPRESENTATIVE WATERS: All right.
10 Thank you so much for your testimony and I'm
11 happy that you were able to come out and let
12 us know how this measure would affect your
13 VFW.

14 I just want to ask you is there --
15 where -- where is your post located that you
16 frequent the most?

17 COMMANDER WADE: In Sankertown.
18 That's right in between Altoona and
19 Johnstown.

20 REPRESENTATIVE WATERS: Okay.

21 COMMANDER WADE: Right up on the
22 mountain. We're -- we're -- we're out in the
23 boonies a little bit.

24 REPRESENTATIVE WATERS: All right.
25 Thank you for giving us something -- some help

1 with that.

2 Is there a casino that has virtually
3 affected the -- in -- in the small town, the
4 casinos have been in operation now, the
5 attendance at the VFW that you go to?

6 COMMANDER WADE: There is one down in
7 Pittsburgh. I was visiting that post. It's a
8 new one that opened up, I believe. I'm not
9 sure what the name of it is.

10 But their business has fallen off
11 drastically as far as small games of chance.
12 Even the \$867 you would make on your \$5,000
13 limit, that has dropped off dramatically
14 because of the casino being almost right next
15 door to them.

16 If they do come in and play, one of
17 the complaints that they had, if they would
18 win, let's say, \$100, they would take that
19 money and go across the street and go to the
20 casino.

21 REPRESENTATIVE WATERS: Wow. Okay.
22 That's not good. So when they go across the
23 street, they're also not there patronizing the
24 bar at the VFWs. They're not --

25 REPRESENTATIVE CLYMER: I told you.

1 grants are dwindling. So this would produce
2 something for us to benefit the community by
3 going out and buying the uniforms ourselves.

4 Or if we have a homeless vet that
5 comes in, we have the money there in the kitty
6 to help them. And we do do these things.

7 REPRESENTATIVE WATERS: It would help
8 you operate more independently?

9 COMMANDER WADE: Yes, sir.

10 REPRESENTATIVE WATERS: And operate
11 more self-sufficiently. And have you -- have
12 you over the years been able to measure how
13 much of a loss a community has encountered as
14 a result of your lack of income to be able to
15 give back?

16 COMMANDER WADE: Some of the
17 hardships that a lot of posts have hit that
18 was explained here, as the LCE went around and
19 busted posts, it seems ludicrous that they're
20 going in busting the post on small games of
21 chance on monies that we give back to a
22 community.

23 So we're paying a fine on money that
24 we're giving away. And it is hurting our
25 clubs big time.

1 And you cannot use that money to pay
2 your utility bills. You can't use that money
3 to pay wages. There are restrictions on
4 that. It must go back to the community.

5 REPRESENTATIVE WATERS: I really
6 appreciate that. And it's nice to hear the
7 good things and the good intentions that the
8 VFWs have for the community and definitely the
9 sacrifices that have been made to -- over
10 the -- the years as veterans fight in behalf
11 of our country.

12 Thank you again, Mr. Wade.

13 COMMANDER WADE: Thank you, sir.

14 CHAIRMAN JAMES: Thank you. Also
15 Chairman -- Chairman Clymer.

16 REPRESENTATIVE CLYMER: Thank you,
17 Chairman James.

18 Commanders Wade and Getz, I just want
19 to commend you for your good work, for the
20 service you provided for the country.

21 COMMANDER WADE: Thank you, sir.

22 REPRESENTATIVE CLYMER: For promoting
23 patriotism, for good citizenship, for doing
24 those things that make us feel proud about
25 America. And God bless you.

1 PAST COMMANDER GETZ: Thank you, sir.

2 COMMANDER WADE: Thank you.

3 CHAIRMAN JAMES: Representative

4 McIlhattan.

5 REPRESENTATIVE MCILHATTAN:

6 Commander, just a couple of questions here.

7 I'm trying to figure out this gambling culture

8 and -- and these games of chance versus the

9 video poker.

10 Are you telling me that the video

11 poker machines you think is a better deal for

12 the post? This 60 percent of the money that

13 you keep, does this bill let you do anything

14 you want to do with the money?

15 I mean that is my first question.

16 COMMANDER WADE: We're not sure yet.

17 We've just looked at this bill when it come

18 out. So we haven't had much of a chance

19 really to tear this thing apart and look at it

20 as to what's going on. And I won't give you

21 an indirect answer on something that I don't

22 know.

23 REPRESENTATIVE MCILHATTAN: Okay.

24 Well, if this is going to be a good thing for

25 you, I would assume you're going to tell me

1 that you still have the games of chance and
2 you want to go to video poker.

3 Now, in a normal thought process, I
4 might think, well, video poker might well hurt
5 the games of chance, but I think what you're
6 going to try to convince me, or at least
7 you're going to try to convince the members of
8 your club, we're going to have a lot more
9 people gambling, so we're going to make more
10 money all the way around.

11 Is that your thought? What's your --
12 what's your -- what are your thoughts on this
13 process? I'm trying to figure this out. Are
14 we going to have -- is -- is the video poker
15 machine going to be a better deal or are we
16 going -- is that just going to be another
17 venue or we're going to have a lot more people
18 gaming and gambling?

19 COMMANDER WADE: We're not looking
20 for more people to be out there gambling, not
21 any more so than what would be in a casino.
22 But one thing that it should do for us --

23 REPRESENTATIVE MCILHATTAN: Good.
24 You're not a casino I hope. You don't want to
25 mess with --

1 COMMANDER WADE: No. Right.

2 REPRESENTATIVE MCILHATTAN: That's
3 my -- that's my -- that's my concern.

4 COMMANDER WADE: And that's our
5 concern, too. That's our concern, too. We
6 don't want somebody coming in there spending
7 their whole paycheck. That -- that's not a
8 good thing for anybody involved.

9 But what we're looking at is the
10 video poker would give us unrestricted funds.

11 REPRESENTATIVE MCILHATTAN: Okay.

12 COMMANDER WADE: That we can keep the
13 lights on. That we can pay the heating bill
14 and so forth.

15 REPRESENTATIVE MCILHATTAN: Let me
16 ask you this. If we would give you the games
17 of chance, unlimited spending, however you
18 want to spend it, would -- and let it go at
19 that and not go video poker, would you be
20 happy?

21 COMMANDER WADE: No.

22 REPRESENTATIVE MCILHATTAN: Why not?

23 COMMANDER WADE: Because there would
24 be posts that would probably abuse this, and
25 we want to use these monies for the community,

1 to keep doing -- doing the good work that we
2 do do. So I would like to see a percentage
3 that the clubs could spend any way they would
4 like to, but the others -- the other spendage
5 would be for the community itself.

6 REPRESENTATIVE MCILHATTAN: Would you
7 like to see that same some -- somewhat
8 restriction on the video poker money, sir?

9 COMMANDER WADE: I would go along
10 with that, sir.

11 REPRESENTATIVE MCILHATTAN: Okay.
12 Thank you.

13 COMMANDER WADE: And that's my
14 opinion.

15 CHAIRMAN JAMES: Okay. Any other
16 questions?

17 Okay. I want to thank you. And,
18 again, thank you for your commitment to
19 service in the community and to -- and for the
20 country also.

21 COMMANDER WADE: And we thank you.

22 PAST COMMANDER GETZ: Thank you.

23 COMMANDER WADE: All the chairmen.

24 CHAIRMAN JAMES: Yes. We have
25 Randall Wenger, legal counsel for Pennsylvania

1 Family Institute.

2 Did I say your name correctly?

3 MR. WENGER: Randall Wenger. Thank
4 you very much chairmen, Chairman James,
5 Chairman Clymer, and Vice Chairman Waters for
6 having me here today to talk about how we at
7 the Pennsylvania Family Institute believe this
8 bill would be harmful to the Commonwealth.

9 There are many good organizations
10 that are feeling a pinch for funds these
11 days. However, the need for fundraising for
12 good organizations shouldn't be confused with
13 good fundraising.

14 Gambling is harmful and, therefore, a
15 harmful way to raise funds. The Pennsylvania
16 Family Institute has long opposed gambling
17 because of the addictive effect of gambling
18 and the propensity for folks to spend too much
19 money on gambling rather than on the needs
20 that they have for life.

21 CHAIRMAN JAMES: Excuse me. Did
22 you -- excuse me. Did you submit something in
23 writing?

24 MR. WENGER: Yes, I did.

25 CHAIRMAN JAMES: I'm sorry.

1 MR. WENGER: Are there other members
2 that are in need of a copy of my testimony?
3 Okay.

4 MS. SAMMON: They all have that.

5 MR. WENGER: Okay.

6 CHAIRMAN JAMES: Proceed.

7 MR. WENGER: Thank you.

8 CHAIRMAN JAMES: Oh, we need one
9 more.

10 MS. SAMMON: You need one more?

11 MR. WENGER: If you need them, I have
12 a few more copies.

13 MS. SAMMON: You have more copies?

14 MR. WENGER: I do, yes.

15 CHAIRMAN JAMES: We got it. We got
16 it. Okay. Thank you.

17 MR. WENGER: Thank you.

18 CHAIRMAN JAMES: Sorry about that.

19 MR. WENGER: No problem. We're
20 concerned about the effects of gambling
21 addiction and the effects then on the family
22 in our communities because of marital
23 breakdown and strife caused by funds
24 improperly spent on gambling.

25 Not only is gambling addictive but

1 according to Robert Hunter, clinical
2 psychologist at the Problem Gambling Center in
3 Las Vegas, video gambling machines are the
4 crack cocaine of gambling because they're so
5 addictive. It's one of the fastest ways to
6 get a gambling addiction.

7 According to researcher, Dr. Bob
8 Breen, he stated that, quote, we found out
9 that the men and women who got hooked on video
10 gambling became compulsive gamblers in about
11 one year. Those who got hooked on other kinds
12 of gambling, such as horses, sports betting,
13 blackjack, et cetera, became compulsive
14 gamblers after about three-and-a-half years.

15 Not only is the addiction fast, but
16 the pain that the addict and their family
17 feels comes quickly as well. According to
18 Gamblers Anonymous, those who gamble on horses
19 hit bottom in about 20 years while video
20 gamblers reach the same stage in about two.

21 A 2003 study of Southern Nevada
22 Gamblers Anonymous stated, quote, without a
23 doubt, video poker machines were the game of
24 choice for the Gamblers Anonymous members.
25 Over two-thirds found the machines to

1 constitute a serious problem for them.

2 Why is video poker so addicting?

3 Well, it has to do with the speed of play. It
4 has to do with kind of the hypnotizing
5 effect. It has to do with the -- the notion
6 that there's skill involved and that you can
7 keep playing it over and over.

8 But in addition to that, with this
9 bill, there's an accessibility issue.

10 Accessibility to gambling, particularly such
11 an addictive form, increases the opportunity
12 for addiction.

13 If it's hard to access, a person is
14 not going to necessarily drive to a casino or
15 to another state in order to play; but if it's
16 close by, if it's a few miles away, or if it's
17 in the club that you're already attending, and
18 people are playing it much like they'd be
19 playing a video game, you may not step foot
20 into a casino but the lure of that machine
21 that's right there may be a bit different.

22 Once you play, at that point it's --
23 it's rather much like statistics. There's a
24 certain number of persons who are -- who are
25 problem gamblers in the state of

1 Pennsylvania. A recent study that I looked at
2 said that it's about 4.8 percent of
3 Pennsylvanians.

4 And I'll give you an example of how
5 accessibility affects gambling additions.
6 Video lottery in South Dakota, it wasn't
7 prevalent. Then because of a court order it
8 was stopped for a certain period of time.
9 Prior to the time it was stopped, there
10 were -- there were four treatment centers in a
11 study that were on average treating about 11
12 gamblers per month.

13 After the study -- after the gambling
14 was put on hold and there wasn't the video
15 lottery machines, which are essentially the
16 same thing, video poker machines, there was
17 less than one person treated per month after
18 the machines went away. Then after it was
19 allowed again, the numbers jumped back up.

20 And I was reading also from Timothy
21 Madigan, a professor of sociology at Mansfield
22 University, and he noticed that the
23 populations who are closest to gambling
24 centers here in the state of Pennsylvania have
25 the most gambling addicts.

1 So the -- the propensity for
2 addiction in the Philadelphia area that -- is
3 about twice as much as in the rest of the
4 state.

5 There's a huge cost to these
6 addictions. Some gamble away savings,
7 children's savings, their homes, and even
8 grocery money. Problem gambling can lead to
9 marital break-up and a break-up of the
10 family.

11 It's estimated that the cost of a
12 pathological gambler is \$13,586 per year, and
13 that breaks down to nearly \$4,000 related to
14 crime, nearly 4,000 related to business and
15 employment costs, around 300 for bankruptcies,
16 700 for illnesses which includes being treated
17 for depression and psychological issues
18 associated with gambling, about 600 for social
19 service costs, about a hundred for family
20 costs, which includes family court costs
21 because of marital break-up, and about 4,000
22 in money that was taken under false pretense.

23 This number doesn't count the costs
24 arising out of suicides. Any advance in
25 gambling adds to this burden. This is

1 particularly true with an extra addictive form
2 of gambling mixed with accessibility.

3 But add to that an extra addictive
4 form, proximity, and alcohol, because alcohol
5 is being mixed in in these clubs as well. So
6 a study of video lottery terminals, which,
7 again, is a fancy name for video poker, shows
8 that the consumption of alcohol increased the
9 time spent gambling, the amount gambled, and
10 the proportion of losing hands at video
11 poker.

12 I have no doubt that many very good
13 charitable organizations have relied on small
14 games of chance for funding, and I'm also sure
15 that it's more difficult to make money on
16 these small games of chance now that slot
17 machines have come to Pennsylvania.

18 The allure of gambling has moved
19 elsewhere. It's a mistake, however, to simply
20 allow more gambling in order to attract more
21 gambling money. That's not the solution.

22 Instead, we should be ready to
23 recognize that the expansion of gambling came
24 with problems and the best solution may be to
25 push back gambling rather than to invite more

1 of it.

2 The Local Option Small Games of
3 Chance Act states that, quote, the playing of
4 small games of chance for the purpose of
5 raising funds by certain nonprofit
6 associations for the promotion of charitable
7 or civic purposes is in the public interest.

8 Video poker should not be permitted
9 under this act because, as described above,
10 it's not in the public interest. It may be in
11 the interest of -- of some, but certainly
12 those who are losing their money to gambling,
13 it's certainly not in their interests. It's
14 not in the interest in those who get caught in
15 problem gambling.

16 Likewise, it's not a small game of
17 chance. Instead, according to the proposed
18 legislation, there's no limit -- well, I
19 should say from what we've heard talked about
20 today, there's a limit on the number of
21 machines that may be in the organizations, but
22 there's been talk about having no limit on the
23 amount that can be gambled. And I didn't see
24 that in the act itself and I haven't seen it
25 in the Small Games of Chance Act.

1 So in South Carolina, for instance,
2 when they had video lottery machines, before
3 they gave up on the idea and banned them, the
4 average profit per poker machine was \$22,000.
5 Five of those machines, over a hundred
6 thousand dollars. That hardly constitutes a
7 small game of chance.

8 Instead, it can transform good,
9 charitable organizations into mini casinos all
10 over the state. Perhaps if this bill is
11 passed, the act should be amended to read,
12 quote, large and highly addictive games of
13 chance act.

14 Who says that video poker will stop
15 with charitable organizations? And based on
16 what I heard earlier during this hearing, it
17 sounds like the talk is already beginning that
18 it shouldn't stop with charitable
19 organizations.

20 If we want -- if we're willing to --
21 if we're willing to turn a blind eye to the
22 effects of gambling to help charitable
23 organizations, what's going to stop us from
24 allowing more gambling for all kinds of
25 organizations, which -- which kind of leads to

1 convenience gambling.

2 Other states have tried it, where the
3 gambling machines end up all over the state.
4 They end up in bars. They end up in
5 convenience stores. They end up everywhere.

6 And that just increases the
7 propensity for problems that arise from
8 gambling.

9 And in South Carolina, for instance,
10 they gave up on the idea. One of the prime
11 sponsors of the bill allowing the video
12 lottery terminals to come into that state was
13 also one of the people who voiced his
14 opposition to it in the future because he saw
15 the harm that came to the community.

16 The government should be in the
17 business of crafting good policies that serve
18 the people of the Commonwealth. Gambling
19 preys upon greed and ignorance. More often
20 than not, it's those who can least afford it
21 that are providing the gambling revenues.

22 And I'll grant that it's not in
23 the government's -- it's not the government's
24 intention or the intention of charitable
25 organizations to take advantage of persons'

1 greed or to hook them into a destructive
2 lifestyle.

3 However, this bill would do just that
4 by furthering gambling in this Commonwealth
5 through making one of its most addictive forms
6 more accessible, even in places where alcohol
7 is served.

8 Because this bill will not serve the
9 public interest, it should be opposed. Thank
10 you.

11 CHAIRMAN JAMES: Thank you for your
12 testimony.

13 Chairman Clymer.

14 REPRESENTATIVE CLYMER: I thank you,
15 Mr. Wenger, for your very expert piece of
16 testimony on this issue.

17 I notice that as you were pointing
18 out some of the financial problems involved
19 that you had quoted Earl L. Grinols as one of
20 the expert testifiers who has studied this
21 issue for -- for some time, and I know that --
22 that there have been a number of others who
23 have looked at this issue as well and
24 professor John -- from the University of
25 Illinois. Yeah. His name?

1 MR. WENGER: I'm sorry?

2 REPRESENTATIVE CLYMER: It's a name I
3 just had in my -- in my thoughts a moment
4 ago.

5 Well, anyway, he has also been a
6 serious professor who has studied the -- the
7 same issues, and I think both these gentlemen
8 have had their works published in the Michigan
9 Law Review, the Oregon Law Review, the
10 Arkansas Law Review. So these are serious
11 works that have been done by these two
12 professors.

13 And -- well, the point is I'm saying
14 these are just figures that you just didn't
15 throw up in the air but --

16 MR. WENGER: No.

17 REPRESENTATIVE CLYMER: But these are
18 figures that -- that you have cited from --
19 from --

20 MR. WENGER: From academic studies.

21 REPRESENTATIVE CLYMER: Right. From
22 academic studies. From people who have
23 studied these issues over a number of years.

24 MR. WENGER: Yes.

25 REPRESENTATIVE CLYMER: And whose

1 works have been validated and -- to the point
2 that they're -- that they are hurting them.
3 Such influential studies, such as the ones I
4 just mentioned, indicates that there is
5 a certain amount of validity to this.

6 So we all -- we have to be careful.
7 That's the point that I'm saying.

8 MR. WENGER: And if I can add.

9 REPRESENTATIVE CLYMER: Sure.

10 MR. WENGER: It's a very academic
11 study. They were careful because they didn't
12 include everything that's the fallout of
13 gambling. There were subject areas they
14 decided not to touch. Costs that they decided
15 that they were not going to address simply
16 because there was clear evidence in certain
17 areas and they weren't about to hypothesize
18 about other areas.

19 So I felt that it was a very balanced
20 and conservative estimate of what the costs
21 were.

22 REPRESENTATIVE CLYMER: And I think
23 that's -- that's very important. And there
24 have been other professors. Professor Good, I
25 think, from the University of Massachusetts

1 has also come up with things, and Professor
2 Thompson of Las Vegas Nevada University has
3 also done a study.

4 So we can -- we can list a number of
5 these academic studies that have been done --

6 MR. WENGER: Yes.

7 REPRESENTATIVE CLYMER: -- very
8 thoroughly, very carefully, and that have
9 indicated that there will be a real problem.

10 Now, my other -- other than
11 identifying the fact that these numbers are
12 validated, what you had mentioned, the
13 operation of the video poker machine itself is
14 very dazzling and intriguing, and they're
15 always updating the machine. It's not as
16 though, if you take the example of the slot
17 machines, which has three cherries and three
18 blueberries and --

19 MR. WENGER: Right.

20 REPRESENTATIVE CLYMER: You know,
21 three pieces of fruit, and you would win or
22 lose. Today they are so -- there's so much
23 high technology and psychology that has worked
24 into the machines that it does attract and it
25 does almost hypnotize people through the

1 sounds, through the noises.

2 So it's not as though the patron
3 really has a fair chance. It's as though the
4 patron, once they begin playing and they hear
5 the music and they see the -- the spinning of
6 the -- the numbers that this is almost
7 dazzling, if you will, and, again, it's --
8 it's something, as public policy, as
9 legislators, we're saying is this what we want
10 for the people of Pennsylvania?

11 MR. WENGER: Well, that's correct.
12 It is hypnotizing. If I think back to when I
13 was a kid and played video games, there wasn't
14 any money involved and there wasn't any
15 alcohol involved, even though it was addicting
16 because of what was happening.

17 Hey, these games are crafted after
18 years and years of experience of what hooks
19 people on video games, but to that we're
20 adding -- we're adding gambling on top of it.
21 We're adding alcohol on top of it. We're
22 adding the ability to keep on playing and keep
23 on adding money.

24 So the addictive qualities are huge,
25 which is why we see problem gamblers keep

1 pointing back to the video poker as
2 particularly problematic.

3 REPRESENTATIVE CLYMER: Well, I
4 appreciate your thoughts. I think -- I know
5 your testimony was well thought out and well
6 done.

7 Thank you for providing this
8 committee with this very important information
9 as we look to make determinations on -- on
10 House Bill 1663. Thank you.

11 MR. WENGER: Thank you.

12 REPRESENTATIVE CLYMER: Thank you,
13 Mr. Chairman.

14 CHAIRMAN JAMES: Thank you.
15 Representative McIlhattan?

16 REPRESENTATIVE MCILHATTAN: Thank you
17 for your testimony, sir.

18 Could you go and review for me a
19 little bit the South Carolina experience? You
20 talked about that, that they had video poker.
21 Then they got rid of it.

22 MR. WENGER: Sure.

23 REPRESENTATIVE MCILHATTAN: Can you
24 talk to me a little bit about that?

25 MR. WENGER: Yeah. Okay. They had

1 video poker for the best part of ten years.
2 And it was -- it was called convenience
3 gambling. No entity could have more than -- I
4 forget whether it was three to five machines,
5 but they ended up having lots of machines,
6 just lots of entities with lots of machines.

7 REPRESENTATIVE MCILHATTAN: They
8 allowed those anywhere? Is that what you're
9 saying?

10 MR. WENGER: They were allowed pretty
11 much anywhere, yeah. What ended up happening
12 is, because they were so accessible, people
13 were getting hooked.

14 It was a useful form of revenue for
15 the state. There was no doubt about that.
16 The -- the problem, however, was the addictive
17 nature.

18 So somebody who -- one of the
19 representatives who was supportive of the bill
20 initially, because he thought it was going to
21 help out the local communities in South
22 Carolina, he was concerned about the things
23 that you all are so properly concerned about,
24 concerned about helping out your -- your local
25 districts, helping out those who are having

1 economic problems.

2 The problem was it wasn't helping out
3 the communities the way that they wanted to
4 help out the communities. There were people
5 who were getting so badly hooked that it was
6 having fallout in those communities and people
7 were coming back to the representative and
8 saying, hey, look, please help us out. Please
9 get rid of these. I'm addicted. I'm going to
10 keep playing these until you make them
11 illegal.

12 REPRESENTATIVE MCILHATTAN: Okay.

13 MR. WENGER: And after a period of
14 time, there was enough of a ground swell of
15 opposition that they signed a bill prohibiting
16 the -- I think they had 34,000 or so in the
17 state.

18 REPRESENTATIVE MCILHATTAN: Very
19 interesting. I think what you're trying to
20 point out here, and I think it's something
21 that all of us should really consider it
22 before we take a serious look at voting on
23 this legislation, you know, when we look at a
24 piece of legislation, I think we should ask
25 ourselves is this good public policy? Is this

1 good public policy?

2 And I think what we -- we all know
3 about gambling is that availability affects
4 addiction. We all know that. That's why we
5 didn't have gambling in Pennsylvania for a
6 long time, and that's why four years ago, when
7 this legislature finally did pass a -- a -- a
8 slot machine bill, it had slot machines
9 everywhere in the state. They had -- ended up
10 with 14 venues.

11 Now, what we're going to do is take
12 one of the most addictive form of gambling and
13 make it a lot more accessible in thousands of
14 places around this Commonwealth. In thousands
15 of places around this Commonwealth.

16 Availability affects addiction. We
17 all know it. Is this legislation good public
18 policy? I think, if you think it through, we
19 all agree that it is not.

20 Thank you, Mr. Chairman.

21 CHAIRMAN JAMES: All right. Thank
22 you.

23 I have a question for you. In terms
24 of South Carolina, was there any dedicated
25 funding to the community that you may or may

1 not know of?

2 MR. WENGER: I'm afraid that I -- I
3 don't remember offhand. I think that there
4 was, but I can't -- I can't remember so I
5 don't want to testify to that.

6 CHAIRMAN JAMES: Okay. All right.
7 Thank you.

8 All right. Thank you. Thank you for
9 your testimony. We're going to --

10 MR. WENGER: Thank you, Chairman.

11 CHAIRMAN JAMES: All right. Thank
12 you.

13 Okay. Kit Watson, Department
14 Adjutant of Pennsylvania American Legion.

15 MR. WATSON: Yes, sir.

16 CHAIRMAN JAMES: Do we have copies of
17 your testimony?

18 MR. WATSON: I'm to going to leave --
19 leave this copy to my -- when I'm --

20 CHAIRMAN JAMES: You just have one
21 copy?

22 MR. WATSON: Yes, sir.

23 CHAIRMAN JAMES: Okay. All right.
24 Please state your name and organization.

25 MR. WATSON: My name is Kit Watson.

1 I'm the Adjutant for the Pennsylvania American
2 Legion, and we represent -- or I represent
3 226,000 members statewide. We have 830
4 posts. Approximately 460 of them have
5 licenses -- liquor licenses that are licensed
6 under the state.

7 I'm delighted to bring testimony here
8 to you today. I'll briefly touch about the
9 history of our post, and the interactivity
10 with the respective communities is a
11 well-known fact.

12 Our presence in the communities is an
13 asset to the community. Many people get
14 married and they have their baby showers,
15 their community event, much like the fire
16 halls are, too.

17 We view our mission as a post -- of
18 our post as a place for camaraderie for the
19 veteran and their families, service to the
20 community, and to promote the ideals of our
21 American Legion, period.

22 You have to be a member to be -- to
23 come into our -- to our posts. Our posts
24 number over 800 across the Commonwealth and
25 have been in existence for many, many years.

1 Many of them were World War I posts and have
2 been chartered since 1919.

3 The task of involvement and service,
4 as you can readily relate, is always budget
5 mindful. Today's post is much less relying on
6 alcohol sales than it is on food,
7 entertainment, and gambling, which gives our
8 membership something to come out and support
9 the club for and offers a visible means of
10 support to our programs.

11 Our operational overhead has
12 continually risen while in this day of public
13 awareness, DUIs, alcohol consumption, all
14 right, if we're doing our job right, we're
15 cutting back on those, not promoting the use
16 of them. And they can't point to any
17 statistics of saying the clubs are full of
18 alcoholics now because they don't cut people
19 off because they're members. That's simply
20 not true. We -- we are under the same laws
21 that the -- that the bars and other -- and the
22 other establishments do.

23 And we also know we need to change
24 with the times. However, with the -- with the
25 gaming there has been several questions today

1 on have -- have the casinos hurt? Yes, they
2 have.

3 You know, if you're going to -- going
4 to look at this bill to help the clubs, it
5 would help the clubs. Or are you going to go
6 back and cut the casino out? I would doubt
7 that's going to happen.

8 But that would help the clubs, too,
9 because in the Pittsburgh area, anywhere
10 there's casinos, our clubs -- and we can
11 bring, we can fill this room with people to
12 testify from the independent clubs. We view
13 House Bill 1663 as a win/win for our posts,
14 the communities, and our Commonwealth.

15 The added legal source of income for
16 all entities would prove to be a welcome
17 source of revenue while offering the citizens
18 of this great state the local community
19 setting which they can enjoy.

20 A lot of our people don't go to
21 casinos. And whether we condone them or not,
22 or whether they're legal or not, poker
23 machines are prevalent in the east and west.
24 They're not in the center part of the state.
25 Whether they're legal or not, they're all over

1 the place in the east and west, in many, many
2 venues.

3 I don't see that that's been a
4 problem. They've been there for decades.
5 They didn't just spring up.

6 This bill would also put an end to
7 those vendors who operate gaming machines that
8 are far less accountable and do not contribute
9 to the tax base in a true manner.

10 By making all entities truly
11 accountable and transparent, this bill is a
12 win/win. I applaud those who wrote it and
13 urge support of its passage.

14 I would just say that our -- our
15 posts -- and this is filed with the -- the IRS
16 in Pennsylvania, us, all states, we have what
17 we call -- have a consultant post report, and
18 roughly 400 posts answered this out of the
19 830.

20 It's not mandatory they do it, but
21 this is -- these are facts that are verifiable
22 through the IRS.

23 Emergency aid through the
24 Pennsylvania posts, 123 -- \$123,000 (sic).

25 Volunteer hours, 35,000 hours.

1 VA contribute -- contributions in
2 Pennsylvania, 107,000.

3 Service officers monthly stipend to
4 veterans in Pennsylvania, \$19 million a month
5 average in 2007.

6 Pints of blood donated 6,200.

7 Funeral honors for more than 10,000.

8 Homeless veterans program, we operate
9 six veterans homes throughout the state.

10 Keystone Boy State (sic), 38,000.

11 Legacy Scholarship Fund for deceased
12 people, people have paid -- deceased veterans
13 that have paid the ultimate sacrifice,
14 \$23,823.

15 Legion baseball teams number over
16 600. The cost of Legion baseball is over
17 \$700,000 to implement.

18 Boy Scouts, we have over 200 units
19 supported with a cost over 128,000.

20 Scholarship costs \$310,000.

21 Community service, over 80,000
22 volunteer hours.

23 And costs of Children and Youth
24 donations and projects, over 197,000.

25 So we're not just a bar down on the

1 corner. We have a long legacy of
2 contributing.

3 We believe that the small games of
4 chance did become outdated and it's only
5 allowed to be used for so much.

6 And if you're wondering the extent
7 that the gaming bill put in, that money that
8 the game -- the casinos put in directly is
9 affecting -- read the LCB magazine, the posts
10 that they're going out and hitting. They're
11 good posts that give a lot of good money to
12 communities. A lot of it isn't reported
13 here. A lot of these posts don't like to do
14 paperwork, and it's not mandatory that they do
15 it. And all over this area those posts are
16 hurting big time and they're from Erie to
17 Philadelphia as well.

18 I can see that you say -- some of you
19 saying -- and I can kind of relate to it --
20 about the gambling, increasing the gambling,
21 where is it going to stop? And all of that
22 might be true but, you know, most assuredly we
23 aren't going to go back and something has to
24 be done. We have good posts that have a good
25 track record, that are well-run organizations,

1 that are severely being hurt by this.

2 So that's all I have. If you have
3 any questions for me. I thank you for putting
4 me on early, and I'll give a copy of my
5 testimony.

6 CHAIRMAN JAMES: All right. Thank
7 you. Just -- we have -- Chairman Clymer.

8 REPRESENTATIVE CLYMER: Thank you,
9 Chairman James.

10 As I had mentioned to the other
11 commanders that were here, I -- I do
12 appreciate, Adjutant Watson, your dedication
13 and your commitment and the good work that the
14 VFW and American Legion does.

15 I know I played American Legion
16 baseball and -- when I was younger, and I
17 appreciate the support from Hartzell
18 Crouthamel post in Perkasio at that time.
19 It's still functioning, but it's under
20 difficult days.

21 I just mention that because -- just,
22 again, to observe what you have mentioned, the
23 good work that the organizations have done,
24 and I just need to say again that the casinos
25 are out there in such a way to beat up on

1 small organizations such as Legion clubs and
2 other groups that have been mentioned
3 earlier.

4 I think this is just the wrong way to
5 go. Someone had said, and rightfully so, in
6 earlier testimony -- in earlier conversation
7 that the casinos are multi-million dollar
8 corporations and yet they provided that \$5
9 million just to go after those small
10 organizations that provide far more charity,
11 far more concern for the local community, than
12 the casinos with all their multi-million
13 dollars, and we just need to keep that in
14 focus.

15 But, again, you know my concern about
16 the big video poker machines. So, anyway,
17 thank you for being here and sharing your
18 insights.

19 MR. WATSON: You're welcome.

20 CHAIRMAN JAMES: Okay. I want to
21 thank you again. The -- you know, we're
22 closing -- like I said, well, my post, Lincoln
23 Post Number 89, you know, 20th and Federal
24 Street in my district, and also we've just
25 done a food program with the Henry Hill Post

1 Number 385 and Billy Denny in which there was
2 -- they was able to give food to a lot of
3 needy families in the local community.

4 MR. WATSON: I know Bill Denny well.

5 CHAIRMAN JAMES: Okay. All right.
6 Well, again, I want to thank you for your
7 testimony and, again, thank you for all the
8 work that you do and we appreciate you being
9 able to testify.

10 MR. WATSON: Thank you.

11 CHAIRMAN JAMES: All right. We want
12 to call Dianne Berlin from CasinoFreePA.
13 Okay.

14 We got the testimony, right? Did you
15 get a copy of the previous person's
16 testimony?

17 MS. SAMMON: Yes.

18 CHAIRMAN JAMES: Okay. Thanks.

19 MS. BERLIN: Chairman James --

20 CHAIRMAN JAMES: Please state your
21 name and proceed.

22 MS. BERLIN: -- and members of the
23 House Gaming Oversight Committee.

24 My name is Dianne Berlin, and I serve
25 as the volunteer coordinator of CasinoFreePA.

1 Thank you for the opportunity to testify at
2 this hearing considering gambling expansion
3 via mini casinos at clubs.

4 I must address the issue about the
5 short amount of time for notification of
6 hearings held by this committee. Ordinary
7 citizens do not usually have the luxury of
8 scheduling trips for hearings at the last
9 minute; and if experts were to be brought in,
10 more time is needed to make those arrangements
11 as well. A minimum of two weeks would
12 certainly be more considerate of the citizenry
13 and transparency as a committee.

14 We are pleased that there will be a
15 hearing tomorrow on House Bill 783, but the
16 notice that House Bill 8 -- 783 was the focus
17 of the hearing did not appear on the hearing
18 schedule site until this morning. Perhaps
19 others would have been able to testify if the
20 notice was more timely.

21 For the record, CasinoFreePA supports
22 House Bill 783.

23 The news about our gambling debacle
24 has gone around the country and, in fact, the
25 world. Pennsylvania is being used as the

1 poster child of what can go wrong when
2 gambling is embraced. Here is a quote from
3 the GamblingCompliance, Limited article Casino
4 Plans in Turmoil as Pennsylvania Rethinks
5 Gambling Strategy.

6 Quote: Overall, observers see
7 significant structural problems in the way
8 Pennsylvania has immersed itself into the
9 world of slot machine gambling, with political
10 considerations appearing to have trumped sound
11 business strategy and effective regulation,
12 unquote.

13 This is a pro-gambling writer who is
14 sharing this picture with the rest of the
15 world. My copy of this article came via
16 e-mail from a person in Australia. So our
17 shameful reputation on gambling is out there
18 for the world to see.

19 This committee has the power to begin
20 changes for the worse or better or keep our
21 less than honorable reputation.

22 Of course, CasinoFreePA hopes that
23 this committee will work for changes for the
24 better.

25 When fighting gambling expansion

1 prior to the passage of the slots, the bars,
2 taverns, clubs, et cetera, were all opposed to
3 the tracks getting slots. They were loud and
4 clear on that as they did not want the tracks
5 to get slots if they couldn't.

6 For years, the Pennsylvania LooTery,
7 or lottery, contract included Keno and video
8 poker in case the legislature approved them.
9 The company holding that contract would have
10 gotten the contract for those machines.

11 I'm not sure how the contract is
12 written now, but it appears as though this
13 legislation calls for the machines to be under
14 a division of the lottery. So it may still be
15 in there. I just did not have time to
16 research this point.

17 Did their near silence on the slots
18 in 2004 just mean a postponement and once the
19 clubs beg for theirs the rest of the licensees
20 will follow?

21 I have two shopping bags filled with
22 lists of alcoholic beverage licenses I
23 requested several years ago from
24 Representative Creighton's office. One would
25 hope that no legislator is considering

1 sponsoring gambling in those other sites.
2 However, we are here today to discuss one of
3 those groups getting video gambling machines.

4 Roger Horbay, and his contact
5 information is there, is considered an expert
6 on the workings of video gambling devices.
7 Here is what he sent me when I asked about
8 this legislation and the video, quote, draw,
9 unquote, poker machines as described in House
10 Bill 1663.

11 Quote, am I missing something? Are
12 they saying, quote, draw, unquote, poker is
13 different from -- different than video poker?
14 If so, why would they say that?

15 It's a standard video poker machine
16 with a \$500 price limit just like any other
17 VLT video poker machine. Adding the word draw
18 doesn't change what it is. It's VLT video
19 poker like you find here in Canada in bars and
20 in many U.S. states.

21 You are correct. They are very
22 similar to slot machines in that they have set
23 pay tables and a random selection is made from
24 the pay tables that over the long-term ensures
25 they payback, or hold, at a set percentage of

1 each wager. If a player plays perfect
2 strategy, they'll lose less than a bad
3 player. Both lose in the long term because of
4 the fixed payback like slot machines,
5 unquote.

6 Mr. Horbay and Tim Falkiner from
7 Australia have researched the inner workings
8 of electronic slot machines and their report,
9 Unbalanced Reel Gaming Machines, which raises
10 the questions of whether or not any of the
11 slot machines could pass consumer protection
12 or anti-fraud laws.

13 This report is worth studying and
14 this committee needs to press for an
15 investigation which would answer those
16 questions. It is available on CasinoFreePA's
17 website under the resources page.

18 Those questions need to be answered
19 before any more machines are put into the
20 Commonwealth.

21 House Bill 1663 would dump mini
22 casinos in just about every community in the
23 Commonwealth. I have followed other areas
24 where this has happened and it is not
25 something that enhances lives or communities.

1 One of those places is our neighbor,
2 West Virginia. West Virginia's report on
3 calls to their hotline for gamblers from 2000
4 through 2006 was just released, and I have
5 included it for your information. And it's
6 also available online.

7 It is important for us to look at
8 this today as it relates to House Bill 1663,
9 even though their population is lower than
10 ours, because they began licensing mini
11 casinos in 2002. The figures for Kanawha, the
12 county with the most people and the most
13 gambling venues, had the highest number of
14 calls to the hotline over that time period,
15 1,141.

16 The most calls to the hotline were
17 gamblers using video gambling machines.
18 Please note the numbers for 2002, when the
19 mini casinos were implemented those numbers
20 escalated the following year at a very high
21 rate.

22 The first year that the mini casino
23 opened, 2002, 127 people called the helpline
24 due to them. The following year, as more and
25 more mini casinos opened, the numbers were

1 425, 778, 916, and in 2006, there were 923 who
2 called due to gambling at the mini casinos.

3 West Virginia's example should serve
4 as a warning to the wise.

5 Australia and New Zealand have these
6 electronic bandits at hotels and clubs. They
7 are now trying to reduce the harm caused by
8 this convenience and addictive gambling. Some
9 communities have rolled back the numbers of
10 machines. Issuing smart cards is being
11 considered.

12 Act 71 of 2004 was reckless
13 legislation with 13 communities having
14 casinos. Why would Pennsylvania want to open
15 the door to thousands of mini casinos and
16 cause more gambling problems than we already
17 have?

18 No matter how good the cause is,
19 gambling is not sound public policy. The
20 parasitic, predatory nature of gambling needs
21 to be considered when any votes on gambling
22 expansion or repeal are held.

23 House Bill 1663, like Act 71 of 2004,
24 is not in the best interest of health, safety
25 and well-being of Pennsylvania citizens. Not

1 only is it poorly drafted with what appears to
2 be intentional deception about these
3 electronic bandits, but it is legislation
4 which, if enacted, would cause great harm.
5 This legislation does not pass the smell
6 test.

7 CasinoFreePA recommends a unanimous
8 no vote on House Bill 1663.

9 If you have any questions, I would be
10 glad to try and answer them. I am the vice
11 chair of the National Coalition Against
12 Legalized Gambling, have been dealing with
13 this for over 15 years on a daily basis.

14 Again, thank you for allowing me to
15 testify.

16 CHAIRMAN JAMES: All right. Thank
17 you for your testimony.

18 You had indicated in your testimony
19 that you were not notified or that you had
20 less than --

21 MS. BERLIN: Right.

22 CHAIRMAN JAMES: -- two weeks
23 notification?

24 MS. BERLIN: Right. There was
25 nothing on the website. When I check to see

1 what hearings are being held, I go to the
2 website under House committee hearings and
3 that's when I -- you know, where I went.

4 I was keeping track of it because the
5 bill on the monthly statements was coming out,
6 you know, and we knew that Mr. Kearney needs
7 to testify tomorrow.

8 But I often alert our interested
9 citizens on times and places of hearings.
10 However, it wasn't put out until Friday and I
11 was out doing my good deed. You know, I was
12 taking my neighbor to run some errands that
13 she had to run, and it was not listed until
14 Friday, you know, Friday some time.

15 So I didn't see it until I got home
16 and it was too late to call to ask to
17 testify.

18 So I appreciate you putting me in,
19 but I -- I think it does a disservice because
20 there are experts that we could bring in.
21 I'm -- I'm amazed that we don't have a slot
22 machine in here to look at to see exactly how
23 these work. I think that it's important for
24 us to know. And I think that having --

25 REPRESENTATIVE FABRIZIO: Go to the

1 casino?

2 MS. BERLIN: Well, I mean you don't
3 see the inner workings, and the tests that are
4 run are only on whether -- you know, what the
5 pay out rate is.

6 What we want to know is do these
7 machines meet state and federal consumer
8 protection laws, anti-fraud laws, and that
9 should be done and this --

10 CHAIRMAN JAMES: Well, I --

11 MS. BERLIN: -- is the committee to
12 do it.

13 CHAIRMAN JAMES: Well, I agree. And
14 in terms of the communications, I just wanted
15 to know. Because I asked the staff, when you
16 raised that issue, you know, did we -- did we
17 do the two-week notification, so I have a
18 paper here saying that we did submit the
19 paperwork for the two-week notification.

20 MS. BERLIN: Then you have to follow
21 through to make sure it's on the site, because
22 that's what the citizens see.

23 CHAIRMAN JAMES: I see. So the
24 community -- the citizens don't see it until
25 it comes on the site you say?

1 MS. BERLIN: Right. Right. And
2 there are notices out there. You know, there
3 were notices up there for over a month, you
4 know, that I'd seen of hearings of other
5 committees.

6 CHAIRMAN JAMES: Right.

7 MS. BERLIN: But I was especially
8 watching this one because this is our issue.

9 So thank you very much for pursuing,
10 you know, and checking that out.

11 CHAIRMAN JAMES: Well, we just want
12 to make sure the people can access --

13 MS. BERLIN: Right.

14 CHAIRMAN JAMES: -- or have
15 communications and know when we're having it.

16 And I think in addressing your point
17 about looking at casinos -- I mean looking at
18 the slot machines, I think we have a lab over
19 in Strawberry Square.

20 Had you visited that or --

21 MS. BERLIN: That -- what -- what
22 should happen is you should bring in gambling
23 experts, such as Mr. Horbay. He's from
24 Canada. He testifies all over. He -- he
25 presented at the National Coalition Against

1 Legalized Gambling in --

2 REPRESENTATIVE PALLONE: Ms. Berlin,
3 what qualifies him as an expert in gambling?

4 MS. BERLIN: Okay. Well, he --

5 REPRESENTATIVE PALLONE: Because I
6 think I'm an expert in gambling, too.

7 MS. BERLIN: Well, you're -- you're
8 on -- on the other end. I'm -- I --

9 REPRESENTATIVE PALLONE: I'm a
10 gambler also. I actually game -- actually
11 perform gaming. I -- I enjoy it very much.

12 MS. BERLIN: I love how -- how he
13 used the word games -- gaming and not
14 gambling. I always like to say it takes the
15 BL out, and that stands for big loser.

16 But, you know, I think that we don't
17 understand --

18 REPRESENTATIVE PALLONE: What
19 qualifies him as an expert?

20 MS. BERLIN: He was an addictions
21 counselor for quite a number of years, and he
22 had studied the machines, the inner workings.
23 He has gone out to places like the IGT, you
24 know, who make the machines.

25 REPRESENTATIVE PALLONE: Makes the

1 machines, yes.

2 MS. BERLIN: Yes. I mean he has --
3 if you look him up, you can see, you know, his
4 qualifications. You contact him. I'm not
5 saying he's the only one.

6 But I think -- because the
7 legislature dumped this on us without us ever
8 having a voice --

9 REPRESENTATIVE PALLONE: Does he have
10 a background in mathematics, do you know?

11 MS. BERLIN: That I don't know, but I
12 saw the machines.

13 REPRESENTATIVE PALLONE: Advanced
14 calculus.

15 MS. BERLIN: He has a presentation
16 which is available on www.ncalg.or, and you
17 can see what he presented at the National
18 Coalition Against Legalized Gambling
19 conference last year and see what the inner
20 workings of the machine was. Years ago when
21 we had the one-armed bandits, you know, you
22 saw those reels.

23 REPRESENTATIVE PALLONE: Those aren't
24 mechanical machines.

25 MS. BERLIN: You saw those -- you saw

1 those reels. I mean what -- what you saw, you
2 know, go through there, you saw the actual
3 reels. These are computers.

4 REPRESENTATIVE PALLONE: Yes.

5 MS. BERLIN: This is an entirely
6 different ball game. And just like any
7 computer game, you know, it is, like I think
8 Mr. Wenger mentioned, it is a mesmerizing
9 effect with video gambling that we understand
10 happens.

11 But I think that it behooves any good
12 consumer -- and you're a consumer -- to know
13 exactly what you're up against and to have
14 that made very clear. Because that's what a
15 good business practice is, that you know what
16 you're dealing with.

17 It's not like you and I are making a
18 wager that we see face to face. This is --
19 this is an unknown element inside the machine
20 and what happens, very briefly, to my way of
21 understanding -- I'm not a mathematician, but
22 I am --

23 REPRESENTATIVE PALLONE: Are you a
24 computer science major?

25 MS. BERLIN: No, I'm not. I have --

1 I have --

2 REPRESENTATIVE PALLONE: Is this
3 gentlemen from California -- or from --

4 MS. BERLIN: No, he's from Canada.

5 REPRESENTATIVE PALLONE: Canada. Was
6 he a computer --

7 MS. BERLIN: You ask him --

8 REPRESENTATIVE PALLONE: Okay.

9 MS. BERLIN: -- for his credentials.
10 I did --

11 REPRESENTATIVE PALLONE: Well, you
12 cited him as being an expert.

13 MS. BERLIN: Yes, he is.

14 REPRESENTATIVE PALLONE: So I assumed
15 you knew what his credentials were if you're
16 saying he's an expert.

17 MS. BERLIN: Well, I don't have those
18 with -- I don't have those with me.

19 REPRESENTATIVE PALLONE: So you don't
20 know if he's an expert or not.

21 MS. BERLIN: Oh, I believe that he
22 is. And there is --

23 REPRESENTATIVE PALLONE: In your
24 opinion.

25 MS. BERLIN: Well, not in my -- just

1 in my opinion, but in many -- you know, the
2 opinion of many across the world.

3 REPRESENTATIVE PALLONE: Well, I'm
4 asking you on his credentials that you don't
5 know anything about. So how can you make the
6 decision that he's an expert if you don't know
7 anything about the credentials?

8 MS. BERLIN: Then don't ask him.
9 Don't ask him. But I'm -- I -- I cite him.

10 REPRESENTATIVE PALLONE: I will ask
11 him, but I'm asking you.

12 MS. BERLIN: But I'm citing him as
13 someone who is note -- you know, as a noted
14 expert. I really find it very interesting
15 that you're not asking me questions about
16 other testimony, but I will tell you, I think
17 it's important --

18 REPRESENTATIVE PALLONE: Actually I'm
19 getting to that.

20 MS. BERLIN: Yeah. I think it's
21 really important, very, very important for us
22 to know what kind of, quote, devices we're
23 putting out there for citizens to dump their
24 money into and so that they know.

25 What I saw, and Roger explained this

1 so that I understood it, on ordinary slot
2 machines there would be a certain number of
3 stops or -- excuse me -- symbols in a certain
4 number of sequences. Okay. On every reel.

5 In the electronic ones, there are
6 many stops in between. So what happens is
7 that the near misses -- and this is something,
8 if you ever watch slot machine players, they
9 are mesmerized, and they think the next time
10 they push that button it's going to be -- it's
11 going to hit because two of these lined up or
12 if it's an eight liner, maybe seven lined up,
13 but that is stuff that really needs to be
14 exposed to the public for the public good and
15 for you to have a comfortable feeling about
16 passing legislation that enables these
17 machines to be out there.

18 REPRESENTATIVE PALLONE: I have an
19 interesting story. My father, God rest his
20 soul, he passed away about two years ago. He
21 played the lottery religiously. And he
22 thoroughly, 100 percent believed that one day
23 he was going to win. And he knew every day
24 that he was putting a dollar or two dollars on
25 the lottery to win the million dollars and it

1 was the Powerball and all these big games.

2 MS. BERLIN: Right.

3 REPRESENTATIVE PALLONE: He
4 wholeheartedly believed that he was going to
5 win that. But we all knew that the
6 probability was one in 200 million or whatever
7 the odds are.

8 And we allowed him to do it. He
9 enjoyed it, you know, because it was fun. It
10 gave him a pleasure to -- to go to the
11 drugstore every day, play his lottery numbers,
12 and come home and say, I'm going to win
13 tonight.

14 He didn't win. He'd play again next
15 week or the next day or whatever. It was a
16 pleasure for him, and he knew, and everybody
17 else knew, what the odds were.

18 And the consumer protection there was
19 that -- that the odds were the odds. He knew
20 that.

21 But I recall as a young teenager,
22 when the lottery started in Pennsylvania,
23 there were families that mortgaged their
24 home --

25 MS. BERLIN: Right.

1 REPRESENTATIVE PALLONE: -- and went
2 out and bought literally thousands of
3 dollars --

4 MS. BERLIN: Right.

5 REPRESENTATIVE PALLONE: -- of
6 lottery tickets and ended up losing their
7 homes because they didn't win. It was an
8 unfortunate circumstance.

9 I don't think consumer protection
10 under any circumstance, whether it's gaming,
11 lottery, gambling, predicted loss, whatever
12 you want to call it, or any other consumer
13 protection law, whether it be for automobiles,
14 food, goods, or whatever, can protect people
15 from poor decision making.

16 And I think that's what you want us
17 to try to do. Because you want the
18 legislature to come in and legislate proper
19 and good decision making.

20 Can't do it. Can't happen. We can't
21 legislate morality and we can't legislate good
22 decision making.

23 All we can tell you is, based on the
24 studies that our professionals, who I will
25 presume to be experts, because I don't know --

1 MS. BERLIN: And who are they?

2 REPRESENTATIVE PALLONE: -- their
3 credentials. The people that we've hired in
4 the -- in the gaming division of the
5 Commonwealth of Pennsylvania, I presume to be
6 experts or at least near experts in the field,
7 that are highly trained professionals, are
8 ensuring us that -- that we've met the
9 guidelines, that what the legislation says, a
10 fixed percentage must be paid out. They do it
11 in Las Vegas. They do it in all other states
12 that have the gaming.

13 Incidentally, Pennsylvania has the
14 highest percentage payout of any gaming state,
15 or gambling state, in the country. And that's
16 truly a test of the credibility of the gaming
17 industry.

18 MS. BERLIN: I'm not --

19 REPRESENTATIVE PALLONE: So I take
20 issue with -- with some of the statements that
21 you're making. While I certainly want to
22 protect the consumers, I don't know that we
23 can protect the consumer from himself --

24 MS. BERLIN: I --

25 REPRESENTATIVE PALLONE: -- or

1 herself.

2 MS. BERLIN: And I'm not asking you
3 to do that. I'm not asking you to do that.
4 Your job as a legislator is to make good
5 decisions.

6 REPRESENTATIVE PALLONE: Yes.

7 MS. BERLIN: That's the part that we
8 thought --

9 REPRESENTATIVE PALLONE: You're
10 suggesting that --

11 MS. BERLIN: No. The --

12 REPRESENTATIVE PALLONE: -- we were
13 not informed.

14 MS. BERLIN: Let -- no.

15 REPRESENTATIVE PALLONE: And we
16 were.

17 MS. BERLIN: Well, I want to tell you
18 that a lot of the studies that were used by
19 the Commonwealth of Pennsylvania were done by
20 people who are tied to the casino interests.
21 Okay. And I do know the background of a lot
22 of them.

23 REPRESENTATIVE PALLONE: And they
24 were --

25 MS. BERLIN: I will tell you --

1 REPRESENTATIVE PALLONE: Let me
2 interrupt. And many of the studies that you
3 are citing are prepared by people who are
4 anti-gaming.

5 MS. BERLIN: There --

6 REPRESENTATIVE PALLONE: So that --
7 that phenomena exists.

8 MS. BERLIN: No. They're -- they're
9 not --

10 REPRESENTATIVE PALLONE: And I'm --
11 that phenomena exists in all realms --

12 MS. BERLIN: I'm --

13 REPRESENTATIVE PALLONE: -- of
14 analysis.

15 MS. BERLIN: I will tell you that
16 they are -- the anti-gambling people, for the
17 most part, have never paid for any studies and
18 what the National Gambling Impact Study
19 Commission said was that the -- any studies
20 that are done are to be independent.

21 And they were not independent
22 studies. They were studies that were done by
23 people connected to the gambling interests.

24 But I will tell you, we're not
25 quibbling about the payout rate. I'm pretty

1 sure that that is, you know, very well
2 documented.

3 But what I am saying is that a
4 consumer has the right to know what he or she
5 is purchasing. They need to know the terms of
6 the sale.

7 If -- and I -- I beg to differ with
8 you, but you're going to pick on me because
9 I'm not -- I am not a gambler, but I can
10 relate to your story about your father and I
11 will elaborate a little bit on that.

12 But I'm not quibbling about the
13 payout rate. I am saying any decisions that
14 are made by this legislature and approved by
15 any of our governors should be made in the
16 interest, the best interests of the citizens.
17 We never --

18 REPRESENTATIVE PALLONE: I see that
19 you --

20 MS. BERLIN: We never -- we never --
21 we never had a chance to look at Act 71 before
22 it was passed. And you know that. I mean I
23 testified before.

24 REPRESENTATIVE PALLONE: Actually I
25 read it very thoroughly.

1 MS. BERLIN: Well, you did.

2 REPRESENTATIVE PALLONE: Okay.

3 MS. BERLIN: But the citizens did
4 not. We didn't have access to it. But I -- I
5 will point out something.

6 REPRESENTATIVE PALLONE: Let me
7 conclude real quick, because I believe the
8 legislature is a very deliberate body and
9 particularly in this field. I think the
10 legislature was very deliberate in what the
11 legislature did with Act 71.

12 And while I think in any of the
13 thousands of pieces of legislation that we
14 have introduced and/or passed there will
15 always be debate as to whether we were good,
16 bad, or otherwise on them, I respect your
17 opinion that you didn't prefer gaming. And I
18 respect that.

19 But I also want to suggest to you
20 that we need to be careful when we just throw
21 terms out there like expert and -- and due
22 diligence, consumer protection, things to
23 those effects, because they're terrific buzz
24 words and they read so well in a daily report
25 or newspaper article.

1 But when you really get to -- the
2 crux of the issue is, the legislature has been
3 a -- a very diligent body and we continue to
4 be and through our chairman we're looking at
5 issues like this today, House Bill 1663, the
6 issue whether or not we should be sending
7 statements or not to folks.

8 I mean we are looking at those
9 issues. So we are by definition, and your
10 mere appearance here today, diligent. So I
11 really take issue with that.

12 And I suggest to you very strongly
13 that we be more cautious as -- as we advance
14 our attacks upon the legislature --

15 MS. BERLIN: I am -- I am not
16 attacking --

17 REPRESENTATIVE PALLONE: Because --

18 MS. BERLIN: I'm not attacking the
19 legislature.

20 REPRESENTATIVE PALLONE: Thank you.

21 MS. BERLIN: I am really stressing
22 that the legislature do its real job, which is
23 to act in the best interests of the citizens.

24 When you talked about the lottery, my
25 father also loved the lottery. And -- but he

1 believed that his government would not lie,
2 that he would go home as a winner.

3 I want it made very clear, and I
4 think that that isn't wrong to ask of this --
5 of this committee or of our legislature that
6 we be very clear about it. That's good
7 business, to be very clear about the deal that
8 you're making.

9 And as far as you're -- you know,
10 you're saying there was due diligence with Act
11 71, there may have been. But the citizens
12 never had a hearing on it. We were never
13 allowed to have a hearing on that
14 legislation.

15 Sorry about that.

16 CHAIRMAN JAMES: Okay. All right.
17 Well, thank you.

18 Representative Fabrizio.

19 REPRESENTATIVE FABRIZIO: Yeah. Just
20 a -- thank you, Mr. Chairman.

21 And thank you, Ms. Berlin. We
22 appreciate your testimony.

23 Just a different perspective.

24 MS. BERLIN: Uh-huh.

25 REPRESENTATIVE FABRIZIO: So, once

1 again, I'm -- I'm also a partaker in the
2 casino in Erie.

3 MS. BERLIN: There are lots of
4 people.

5 REPRESENTATIVE FABRIZIO: And I'm a
6 regular and -- but I keep my eyes and ears
7 open too. Okay?

8 So I am in tune with the consumer,
9 and I am in tune with the public, and I am in
10 tune with what's going on up there.

11 You used the word in your, you know,
12 testimony that really kind of disturbed me.
13 You said that gambling was predatory.

14 MS. BERLIN: Yes.

15 REPRESENTATIVE FABRIZIO: Well, come
16 to Erie, because there's more of a --
17 symbiotic. That gambling in Erie has become
18 not only the economic engine for a lot of
19 different businesses, the 2500 hotels rooms
20 that we've put in, the tourism that we're
21 benefiting from. It's become the standard
22 bearer, the provider for the arts, for social
23 agencies, for all kinds of other things with
24 millions of dollars. So I think we're
25 protecting the consumer and the taxpayer

1 here.

2 MS. BERLIN: If you would like me to
3 address the issue of the word predatory, I
4 will do that.

5 If you and I gambled, I really don't
6 want you to have my money or my item of value,
7 and you really don't want me to have yours.
8 Is that accurate?

9 REPRESENTATIVE FABRIZIO: I correct
10 myself. Actually I should have used the word
11 parasitic. You know, it's more symbiotic than
12 parasitic.

13 MS. BERLIN: That's when a third
14 party is involved and you have --

15 REPRESENTATIVE FABRIZIO: No. It
16 means it's a mutual benefit for both, you
17 know, both --

18 MS. BERLIN: Well, the parasite --

19 REPRESENTATIVE FABRIZIO: Both
20 agencies participating, or organisms
21 participating, or animals participating.

22 MS. BERLIN: Well, the parasite
23 actually feeds off what's happening with the
24 gamblers.

25 REPRESENTATIVE FABRIZIO: If it's a

1 parasite, it actually causes a lot of good.

2 MS. BERLIN: What?

3 REPRESENTATIVE FABRIZIO: It's called
4 a symbiotic relationship.

5 MS. BERLIN: But it is the bookmaker
6 element that is parasitic, and I -- you may
7 love to gamble. You may love to lose things.
8 You may love to win. I love to be a winner.

9 REPRESENTATIVE FABRIZIO: I -- I
10 don't --

11 MS. BERLIN: I love to be a winner.

12 REPRESENTATIVE FABRIZIO: I don't --
13 I don't know the bookmaker at the casino in
14 Erie and --

15 MS. BERLIN: Well --

16 REPRESENTATIVE FABRIZIO: -- I'm
17 there quite a bit.

18 MS. BERLIN: Well, bookmakers are
19 people that supposedly get them to spend --

20 REPRESENTATIVE FABRIZIO: That's
21 illegal, bookmaking. It's an illegal
22 enterprise.

23 MS. BERLIN: But we've legalized the
24 third party, is what we have done.

25 REPRESENTATIVE FABRIZIO: Can you

1 tell me who is making book at the casino?

2 MS. BERLIN: Bookmakers are people or
3 venues that hold wagers and dispense the
4 spoils, or the wins, whatever you want to call
5 it. So that really -- that fits a lot of
6 different venues whether they're --

7 REPRESENTATIVE FABRIZIO: You talked
8 about the terms --

9 MS. BERLIN: Yeah.

10 REPRESENTATIVE FABRIZIO: -- that we
11 provided. It's a very simple thing. \$1500.
12 Put a quarter in. Take your chance.

13 You put your quarter in. You might
14 win 1500. You probably won't. It's that
15 simple. Those are the terms. It's simple.

16 MS. BERLIN: But now how the machine
17 works.

18 REPRESENTATIVE FABRIZIO: Yeah. The
19 music goes round and round and it all --

20 MS. BERLIN: I'd like to --

21 REPRESENTATIVE FABRIZIO: It comes
22 out here.

23 MS. BERLIN: I'd like to point out
24 something that -- I think one of your previous
25 testifiers mentioned Bob Breen. He said

1 something that astounded me. And it was how
2 much you can gamble in a five cent machine in
3 one minute. Do you know how much it is?

4 REPRESENTATIVE FABRIZIO: I have no
5 idea. I've probably done it five times, you
6 know, in ten minutes.

7 MS. BERLIN: \$64 -- excuse me -- \$54
8 a minute.

9 REPRESENTATIVE FABRIZIO: Well, we
10 have another testifier, and I don't want to
11 delay the proceedings. But we really
12 appreciate it.

13 But I want to just reiterate what my
14 colleague, Representative Pallone, said. We
15 can't legislate morality, nor can we
16 effectively legislate good decision making --

17 MS. BERLIN: But you're not --

18 REPRESENTATIVE FABRIZIO: And only
19 two-and-a-half percent of the adult population
20 in this country has a gambling problem.

21 MS. BERLIN: But you know what? If
22 two-and-a-half percent of those people had
23 E. coli, wouldn't we be seeking out the
24 source?

25 REPRESENTATIVE FABRIZIO: Heck, more

1 people are infected with E. coli.

2 MS. SAMMON: Actually everyone has E.
3 coli.

4 MS. BERLIN: Yeah. Excuse me.
5 Excuse me. The symptoms of the -- you know,
6 it's more symptoms than just carrier -- being
7 a carrier. But they all sought out the
8 jalapeno peppers well enough.

9 But I -- I do want to put something
10 out there that has been bugging me
11 tremendously. We will not ever, you know, do
12 things that will make everybody obey the law.
13 But you are in the business of making the laws
14 for the people of this Commonwealth.

15 Prior to the casinos opening, slot
16 machines were illegal. And as the gentleman
17 here said, they're proliferating all over the
18 Commonwealth. It should have been stamped
19 out. What happened in West Virginia and the
20 hard lesson that they're learning. And it did
21 not change their standing in education. It
22 didn't change their budget. It did not change
23 things.

24 But what happened is that we put a
25 stamp of approval on something which legalized

1 this and we did not go after and enforce our
2 laws.

3 We like a society of law-abiding
4 citizens. And in that process it may be or
5 may not be what people consider a moral
6 decision, but we're not asking our legislature
7 to be amoral. I think every decision that you
8 make is one where you consider or should
9 consider the good and the bad of a piece of
10 legislation.

11 CHAIRMAN JAMES: Okay. Well, thank
12 you very much for your testimony. Appreciate
13 it.

14 MS. BERLIN: And the debate.

15 CHAIRMAN JAMES: Okay. It's always
16 healthy.

17 REPRESENTATIVE FABRIZIO: Always
18 healthy.

19 MS. BERLIN: And that's what we
20 thought, too, and that's why we pressed for
21 the repeal of Act 71, so we could debate.

22 Thank you.

23 CHAIRMAN JAMES: All right. So we
24 want to call Thomas Helsel, secretary, and
25 Gary Schenk -- is Gary here?

1 MR. HELSEL: No, sir. Gary was
2 unable to make it this afternoon.

3 CHAIRMAN JAMES: Okay. And that's
4 probably -- you know, the Pennsylvania
5 Association of Nationally Chartered
6 Organizations. And you're Thomas?

7 MR. HELSEL: Yes, I am.

8 CHAIRMAN JAMES: Okay.

9 MR. HELSEL: Good afternoon, Chairman
10 James, Chairman Clymer, distinguished members
11 of the House Gaming Oversight Committee. I
12 want to thank you for allowing me to present
13 testimony today on House Bill 1663.

14 My name is Tom Helsel and I'm
15 secretary of the Pennsylvania Association of
16 Nationally Chartered Organizations. PANCO's
17 membership consists of fraternal and veterans
18 organizations that are nationally chartered.

19 We count among our membership lodges
20 and posts from the Benevolent and Protective
21 Order of Elks, the Loyal Order of Moose, the
22 Fraternal Order of Eagles, the American
23 Legion, and VFW.

24 On the outset of reviewing House Bill
25 1636, it is our consensus to support the

1 measure. We welcome any opportunity to help
2 our organizations to raise funds for their
3 purposes.

4 However, we are concerned that there
5 are many issues that currently exist with
6 small games and that those issues could be
7 further exasperated (sic) if not properly
8 addressed.

9 I believe the gentlemen from the VFW
10 and American Legion started to touch on some
11 of those.

12 Let me first say that -- that as the
13 bill is currently proposed, it provides a
14 vehicle for accountability. And
15 accountability of small games revenue has been
16 an issue raised by this legislature.

17 Linking each terminal with a central
18 control system under the control of the
19 Commonwealth would assure accurate accounting
20 for both club revenue and property tax relief
21 funding.

22 It would reduce the opportunity to
23 commit fraud and embezzlement and ensure that
24 all concerned are realizing the income that is
25 due.

1 Outside of the positive of increased
2 accountability, we quickly can come to some of
3 the negatives. And when I say negatives, I'm
4 not speaking against having video poker, just
5 the way some of the language is currently
6 written, and, again, some of the speakers here
7 previously had touched on some of those
8 things.

9 Under small games, the raising of
10 funds is tied to payouts. Currently the
11 weekly pay out limit is at \$5,000 and the
12 single prize limit of \$500. The bill does not
13 address the issue of either increasing these
14 limits or setting revenue derived from video
15 poker separately from the currently
16 established weekly limit.

17 If the revenue derived from video
18 poker is subject to the current weekly
19 limitations, then we must question the
20 licensing fee. If the revenue limit is
21 unrestricted or is exclusively and separately
22 limited, then the thousand dollar per machine
23 licensing fee becomes a valid issue.

24 As many of you are aware, the issue
25 of payout limits is paramount to our

1 industry. In June of 2007 this Chamber passed
2 House Bill 169 and sent it to the Senate for
3 their approval. House Bill 169 has languished
4 there since.

5 To refresh your memory, the bill
6 would increase the weekly payout from five to
7 \$20,000 and increase the single prize limit
8 from 500 to a thousand dollars.

9 We are expected under current
10 legislation to be held to a limit established
11 20 years ago that has not and does not account
12 for inflation or any other form of economic
13 change. Imagine being asked to make do with
14 today's prices on a salary from 1988.

15 Our collective focus has been to get
16 this inequity changed. Without having these
17 necessary and vital increases, adding an
18 additional source of potential revenue is
19 somewhat defeatist. We need to have
20 significant changes to the Small Games Act to
21 make this work properly.

22 A second issue arises in that House
23 Bill 1663 does not address the question of the
24 use of proceeds. As it is currently written,
25 the proceeds derived from video poker would be

1 subject to the use of proceeds as defined by
2 the current act, Act 156.

3 Again, House Bill 169 addressed that
4 issue by allowing proceeds to be used for
5 certain general operating expenses.

6 Use of proceeds is a significant
7 issue that will only get worse if not properly
8 addressed. What seems to be lost on many is
9 that our organizations are predicated on
10 helping our communities and our veterans.

11 We provide funding for youth sports
12 activities, such as Legion baseball; funding
13 for local scholarships, funding for veteran
14 programs, funding for police, fire, and EMS
15 needs that small municipalities cannot
16 provide, and funding for the disabled and the
17 infirm.

18 At the center of these funding
19 sources are our local lodges, posts, and
20 clubs. Without them, the financial sources go
21 away.

22 Our local organizations bear the
23 brunt of increasing operating costs and the
24 expectation of providing increases in
25 charitable giving. We pay real estate taxes

1 on the property we own.

2 I am aware that a number of the
3 veteran organizations are constitutionally
4 exempt from that, but the Elks, the Moose, the
5 Fraternalists, we all pay property taxes, and we
6 will not see property tax relief since we are
7 considered a commercial establishment.

8 This upcoming heating season will no
9 doubt prove to be the most expensive on
10 record. The proposals in House Bill 169
11 provides some relief in allowing us to use
12 proceeds to offset expenses such as these.

13 We have entered an age where our
14 gaming entertainment dollars are at their most
15 sought after. Charitable, fraternal, and
16 veterans organizations are seeing these
17 dollars less frequently. High gas prices,
18 alternative sources of gaming entertainment,
19 and other factors have weighed in and created
20 this decline.

21 Locally, several volunteer fire
22 companies have and are contemplating
23 eliminating bingo as a source of revenue.

24 I believe the Patriot News yesterday
25 ran an article on this, and I believe -- I

1 think there was also one on Sunday.

2 These organizations rely on small
3 games revenue generated during their bingo as
4 an additional supplement. We need to be
5 appreciative, helpful, and understanding of
6 the plights of our organizations and recognize
7 that when they die a significant portion of
8 charitable funding is lost forever.

9 House Bill 1663 offers our
10 organizations a new and valuable source of
11 revenue, but without significant changes
12 already sought to the Small Games Act, it
13 is -- that potential is negated.

14 Thank you.

15 CHAIRMAN JAMES: Chairman -- Chairman
16 Clymer.

17 REPRESENTATIVE CLYMER: Thank you,
18 Chairman James.

19 Thank you for your testimony here
20 today and, Mr. Helsel, we appreciate you
21 coming.

22 MR. HELSEL: Thank you.

23 REPRESENTATIVE CLYMER: My question
24 is this. You were talking quite a bit about
25 the payouts and the amounts you feel would be

1 fair.

2 Slot machines in Pennsylvania have a
3 minimum average winning percentage of 85
4 percent. That's what they're -- that's the
5 amount that they pay out. A minimum of 85
6 percent.

7 Is there a minimum that you think
8 these video poker draw machines should pay out
9 as well?

10 MR. HELSEL: I don't think we
11 question the payout limit from the video
12 poker. As you said -- as you say, 85
13 percent.

14 In small games, the punch boards, the
15 pull tabs are paying out anywhere between 75
16 to 85 percent also.

17 It is not that limit that we're
18 concerned about. It is the overall limit of
19 how much we actually pay out. I believe
20 Commander Wade discussed earlier that on
21 \$5,000 of a weekly payout we actually only see
22 an \$800 to a \$900 income.

23 With the LCB right now doing their
24 enforcements and fining clubs and -- and those
25 organizations that are licensed under the PLCB

1 for violating the \$5,000 a week limit, adding
2 this additional source would probably get us
3 over the limit on the first day of a week.

4 So, as was suggested earlier, if you
5 place a higher limit on what our weeklies are
6 or place video poker separately from that,
7 that's where we would see to see something
8 happen, where it makes this use of video poker
9 economically feasible for us to use.

10 For us to pay a thousand dollars a
11 year for one machine to put it into one of our
12 clubs, when we would be limited to paying out
13 \$5,000 a week, we'd have to shut down other
14 games and we'd probably have to shut that down
15 very quickly.

16 And, again, that doesn't show the
17 revenue that we actually get. That's the
18 revenue that we pay out.

19 And from reading the bill, it appears
20 to me that we would right now be limited to
21 those limits that are currently in force and
22 it's \$5,000 a week and 5 -- \$500 total.

23 REPRESENTATIVE CLYMER: Well, the
24 machine would still have to make the payout.
25 I'm still a bit confused here.

1 I understand what you're saying on
2 the other end as to the increase that you
3 would like to see as a payout, but the machine
4 has to pay out.

5 So what minimum or maximum are you
6 looking for that video poker machine? You
7 have five video poker machines, we'll say. So
8 what is -- how is it going to be regulated
9 that there -- that there will be so much
10 percentage of winnings?

11 I don't quite -- I don't quite see
12 how you're going to be able to control that if
13 you don't have a -- a percentage in there.
14 Every -- every club and organization that has
15 these machines then can dictate as to what
16 their payout is going to be.

17 MR. HELSEL: I wouldn't --

18 REPRESENTATIVE PALLONE: If I can
19 interrupt, as a point of clarification, with
20 the 85 percent payout requirement under the
21 Act 71, means that if a fraternal order, the
22 VFW or whatever, has one video machine, if
23 there's -- I think it's \$5900 worth of
24 gambling that day, 85 percent of that is
25 \$5,000.

1 REPRESENTATIVE CLYMER: Okay.

2 REPRESENTATIVE PALLONE: \$5900 in a
3 week would then cap them at not being able to
4 do any other small games of chance, whether it
5 be pull tabs or punch boards or things to that
6 affect, if I'm -- if I'm hearing your
7 testimony correctly.

8 MR. HELSEL: It's -- you're on --
9 you're on the line with me here.

10 REPRESENTATIVE PALLONE: Yeah.

11 MR. HELSEL: The question is not the
12 payout of the game itself. It's what we're
13 allowed --

14 REPRESENTATIVE PALLONE: The dollars,
15 that \$5,000, right. And if you did 85 percent
16 of 50 -- I think it's \$5,882, 85 percent of
17 that is the \$5,000. That's your cap per week
18 per organization for all small games of
19 chance. That's why if you ever go into a
20 club, okay, you'll be able to do a pull tab,
21 sometimes it pays a hundred dollars, sometimes
22 it pays a hundred fifty, whatever.

23 But the cumulative amount of money
24 they're allowed to pay is capped right now.

25 MR. HELSEL: Correct.

1 REPRESENTATIVE PALLONE: You would
2 hit that cap so fast --

3 MR. HELSEL: Exactly.

4 REPRESENTATIVE PALLONE: -- it would
5 just eliminate the -- the value. You need to
6 raise the cap with the additional games.

7 MR. HELSEL: Correct.

8 REPRESENTATIVE PALLONE: That's what
9 the bill is that we sent over to the Senate.
10 It helps to -- I believe it helped the bingos
11 as well.

12 MR. HELSEL: Yes, it did.

13 REPRESENTATIVE PALLONE: Allowed them
14 to raise their -- their weekly caps as well.

15 MR. HELSEL: Yes.

16 REPRESENTATIVE PALLONE: Yeah. So
17 it's a point of payout.

18 REPRESENTATIVE CLYMER: Right.
19 Let's -- let's -- so we'll say, for example,
20 that we raise the cap and it's -- it goes up
21 to \$10,000. All right? So it's \$10,000. So
22 now --

23 MR. HELSEL: Okay. We can use that
24 as an example.

25 REPRESENTATIVE CLYMER: So now the 85

1 percent, that's still the standard payout,
2 building additional earnings then to go higher
3 because we've raised the cap for you. Is that
4 correct?

5 MR. HELSEL: Our additional
6 earnings?

7 REPRESENTATIVE CLYMER: Yes, your
8 additional earnings.

9 MR. HELSEL: Would be able to go
10 higher and we would be able to play the games
11 a bit longer than what we would be if --

12 REPRESENTATIVE CLYMER: Suppose --

13 MR. HELSEL: -- this didn't happen.

14 REPRESENTATIVE CLYMER: All right.
15 Suppose you still have that machine there and
16 it exceeds the payout. In other words, the
17 monies that you are winning exceed. We've now
18 raised it to \$10,000. Now what happens if
19 it's above that limit?

20 MR. HELSEL: I would assume that
21 since it's tied to a state agency, we'd be
22 getting a knock on the door from a Liquor
23 Control Enforcement Agency saying that we're
24 in violation.

25 REPRESENTATIVE CLYMER: So that

1 machine would have to close down?

2 MR. HELSEL: Correct. And, again, is
3 that -- there's that accountability issue that
4 everybody is asking for right now.

5 And I'm sure there are -- are -- are
6 club operators out there that are saying, oh,
7 my God, I don't want to see this. But my
8 membership, and I know the membership from the
9 VFW and the American Legion which testified
10 earlier is, we are concerned about
11 accountability and we want to see that type of
12 accountability.

13 So it -- tying it into a central
14 system, I mean it -- it -- it helps us and it
15 helps you.

16 REPRESENTATIVE CLYMER: Well, yeah.
17 I agree tying it into a central system --

18 MR. HELSEL: Yeah.

19 REPRESENTATIVE CLYMER: -- is
20 accountability.

21 Thank you, Mr. Chairman.

22 CHAIRMAN JAMES: Thank you.

23 Representative Fabrizio.

24 REPRESENTATIVE FABRIZIO: Just one
25 quick thing. Thank you, Mr. Chairman.

1 Mr. Helsel, is it?

2 MR. HELSEL: Yes, it is.

3 REPRESENTATIVE FABRIZIO: Your points
4 are well taken. And were you here when
5 Representative Caltagirone said that he may
6 well enter -- entertain some -- some tweaking
7 of his bill?

8 MR. HELSEL: Yes, I did.

9 REPRESENTATIVE FABRIZIO: Okay.

10 MR. HELSEL: And after listening to
11 him, we could almost be out of a job.

12 REPRESENTATIVE FABRIZIO: Okay.

13 MR. HELSEL: He was -- he was very
14 good.

15 REPRESENTATIVE FABRIZIO: My advice
16 to you is, you know, based upon 169, I would
17 approach our brethren in what they call the
18 deliberative body --

19 MR. HELSEL: Yes.

20 REPRESENTATIVE FABRIZIO: -- and
21 let's see if we can move their butts along to
22 get Bill 169 passed.

23 MR. HELSEL: We've been trying to
24 light a fire.

25 CHAIRMAN JAMES: Okay?

1 Any other questions?

2 Okay. We want to thank you for
3 testifying and thank you for representing your
4 organizations and presenting your
5 information. And I know that you'll be ready
6 as we continue to debate this issue and add
7 more information and -- and gather more
8 information.

9 MR. HELSEL: Thank you very much,
10 Chairman James.

11 CHAIRMAN JAMES: Thank you.

12 Representative Clymer, any closing
13 statement?

14 REPRESENTATIVE CLYMER: Just thank
15 you, Mr. Chairman, for having this meeting.
16 It was very informative, very educational, and
17 I appreciate your due diligence to this very
18 important issue.

19 CHAIRMAN JAMES: Thank you,
20 Mr. Chairman.

21 And I also would like to take this
22 opportunity to thank all those who testified
23 today before this committee. I always find
24 myself a bit more knowledgeable after these
25 hearings, and for this I'm always grateful.

1 Also I'd would like to acknowledge
2 and thank the members of the House Gaming
3 Oversight Committee who came from their
4 districts to be here today, and I know I speak
5 for many of them when I say that we'll be
6 certain to weigh what we learned today before
7 making a decision on this matter.

8 I look forward to seeing the members
9 at the House Gaming Oversight Committee
10 tomorrow morning at 9:30 in this same room,
11 and I want to thank you all for being here,
12 and the meeting hereby is adjourned.

13 Thank you.

14 (The proceedings were concluded at
15 3:32 p.m.)

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I hereby certify that the proceedings
and evidence are contained fully and
accurately in the notes taken by me on the
within proceedings and that this is a correct
transcript of the same.

Brenda S. Hamilton, RPR
Reporter - Notary Public