



Testimony on House Bill 1317
Delivered to House Gaming Oversight Committee
By Amy Christie-Harter
May 21st, 2009

Good morning. I would like to thank you, Chairman Santoni, and the Oversight Gaming Committee members for allowing the Pennsylvania Tavern Association to voice our thoughts and concerns again on House Bill 1317 in front of you today. My name is Amy Christie-Harter and I am the Executive Director of the association. I delivered testimony to you on April 7th at Westmoreland Community College on House Bill 1317 known as the Tuition Relief Act.

The Tuition Relief Act is a worthy and noble cause. In a time of economic crisis, the strides the Chairman has taken, in conjunction with the Governor, will not only help ensure that our Commonwealth youth be able to receive a higher education, the Tuition Relief Act will also ensure that our Commonwealth will be able to retain educated people which will result in better job opportunities, more expendable incomes, and more consumer spending in the Commonwealth. The Pennsylvania Tavern Association is proud to be a part of this venture.

The Pennsylvania Tavern Association has also researched the possibility of acquiring some type of gaming in our establishments for many years. Private clubs have been gaming since 1988, the Off Track Wagering sites have been running in the Commonwealth since the early 90's, and most recently the casinos were opened in Pennsylvania. We would like to express our sincere appreciation to Chairman Santoni for recognizing the small tax-paying businesses that have been in operation since prohibition ended in the early 1930's and our need to be able to fairly compete with our industry counterparts.

As much as we want this opportunity, we also want the Tuition Relief Act to be a successful program that continues to educate Commonwealth children for years to come. The state model that House Bill 1317 is most similar to in comparison is the Oregon model that places video terminals in licensed establishments. Their program is also run solely through a state-run lottery. This state's model also has produced the smallest percentage of licensees that are willing to participate in the program. Some language in House Bill 1317, concerning implementation of the program that we believe would likewise discourage Commonwealth licensees to participate and hinder the state from maximizing its' potential revenue and to truly aid the future generation of Pennsylvania citizens are as follows:

- There are many key items in the bill that are left undefined that the Pennsylvania Tavern Association would request to be

considered by the committee. House Bill 1317 gives full reign of the program to the Department of Revenue. The bill states that a licensee must apply to be in the program and that the Secretary of Revenue may refuse to issue a license for the machines. The Secretary would be the person determining items of a licensed establishment such as if the establishment is in good standing with the PLCB but that term "good standing" is not defined in the bill.

- Other language in the bill left to the complete discretion of the department Secretary is the language that states that the Secretary shall determine the "financial fitness, responsibility, and security of the applicant and the applicant's business."
- Another item left undefined but would be crucial to a licensee's decision to participate and, in return, the state's ability to ensure the programs' longevity in the Commonwealth is the language that starts explaining licensees' fees to join the program. This is quickly followed by the statement that in addition to the nonrefundable applicant fee of \$500 or the annual license renewal fee of \$100 that licensees pay to get started in the program, the licensee is also required to pay an annual fee of \$500 per machine and the Secretary has the ability to increase this cost to "other amount as determined by the secretary." This is a potential open-ended, and unregulated cost increase for the licensee to incur.
- Further hindering a successful program is the clause in the bill that would probably prohibit most private clubs and some licensees from even participating is the statement that applications would be denied by the Secretary if the applicant has been convicted of illegal gambling. You can be found guilty of gambling in Pennsylvania for events including everything from 50/50's or raffles for charity groups like Easter Seals, fundraisers to aid families in the community facing hardship, to football pools. We feel that clarification of previous gaming activity should be in statute.
- Finally, also left undefined in the bill is the statement that the Secretary shall consider the "volume of expected number of plays on a video lottery terminal at the licensed establishment," in order to determine how many machines should be placed in the establishment. There is absolutely no basis or definitions in

the bill that would allow anyone but the Department of Revenue to know exactly how that determination is made. Our members would be the best to determine if their establishments would be able to carry one to five machines based on their clientele and the costs that they would have to incur to be able to host the machines at all.

In addition to the above points in the bill that the PTA would like reviewed by the committee are the following items that a licensee is also going to be faced with in making the decision whether to participate in the program or not:

- The licensees hosting these machines are allotted 25% of the revenue generated. On top of the above-mentioned fees driving down that percentage, the licensees will also not be protected from their local municipalities from taxing the 25% even further. The cost to hold entertainment permits are already \$1000.00 yearly in Pittsburgh for licensees that have pool tables, juke boxes, pinball, etc.
- A glaring problem in the language is that the owner of the licensed establishment agrees under this bill to have sufficient funds available at the licensed establishment to pay out anticipated prizes. This would be a hardship for many licensees as we are in an economic crisis while suffering from a recently passed smoking ban. If a licensee has three of these machines and each machine pays out the stated top prize of \$600.00 two times in one weekend, the licensee would have to have \$3600.00 on hand in their licensed establishments. To complicate matters, the bill makes no mention of when the licensee would be reimbursed by the Department of Revenue or how often. Respectfully, I am unaware of any small businesses that would be able to agree to this kind of business deal.
- Additional added costs that participating in the program add to our members' small business includes the cost of installing security systems, and the subsequent dramatic increase in health and liability insurance and workers compensation. These expenses and other expenses this bill would create for licensees may eat up the majority of their 25% share leaving the

licensee to decide for himself if the aggravation of the process is worth it to participate.

As I stated earlier, the Pennsylvania Tavern Association fully supports the concept behind the Tuition Relief Act. We want to be able to recommend that most licensees participate and make House Bill 1317 a legendary piece of legislation. We strongly feel that the issues we have discussed in this testimony need to be addressed so that we can all move forward to successfully provide affordable higher education to Commonwealth kids. The people of the Commonwealth are also very supportive of this venture according to the recent statewide Quinnipiac poll showing a whopping 68% approval for video-gaming machine revenue to aid the Tuition Relief Act.

We will be happy to work with the committee and offer any input that will help you to perfect this legislation as the true beneficiaries of this bill will be the countless numbers of Commonwealth children that will be given the opportunity to further their education. Personally, my family applauds the Chairman's bold initiative. My brother gained a scholarship through a program in another state that uses video terminal revenue for higher education for his Pre-Med studies. He went on to complete his medical degree and has remained in the state that aided him in reaching his educational goals. Results like that will only help to solidify the future of Pennsylvania's economy by producing many more educated people that will attract higher paying jobs and produce more expendable income for consumer spending.

Thank you for your time and attention today to this testimony.