

1
2 COMMONWEALTH OF PENNSYLVANIA
3 HOUSE OF REPRESENTATIVES
4 HOUSE GAMING OVERSIGHT COMMITTEE

5
6 THE MAIN CAPITOL
7 ROOM 140
8 HARRISBURG, PENNSYLVANIA

9
10 WEDNESDAY, JUNE 2, 2010
11 9:30 A.M.

12
13 PUBLIC HEARING ON
14 HOUSE BILL 2379

15
16 BEFORE:

17 HONORABLE DANTE SANTONI, JR., CHAIRMAN
18 HONORABLE BRYAN BARBIN
19 HONORABLE JOSEPH F. BRENNAN
20 HONORABLE THOMAS R. CALTAGIRONE
21 HONORABLE DOM COSTA
22 HONORABLE WILLIAM F. KELLER
23 HONORABLE MICHAEL H. O'BRIEN
24 HONORABLE EDDIE DAY PASHINSKI
25 HONORABLE EDWARD G. STABACK
HONORABLE JAMES WANSACZ
HONORABLE WILL GABIG
HONORABLE ROB W. KAUFFMAN
HONORABLE ROSEMARIE SWANGER
HONORABLE RANDY VULAKOVICH

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ALSO PRESENT:

HONORABLE PAUL COSTA
HONORABLE EUGENE DePASQUALE
HONORABLE JOHN J. SIPTROTH
HONORABLE RON MILLER

MICHELLE LESLIE, EXECUTIVE DIRECTOR (D)
JENNIFER WEETER, EXECUTIVE DIRECTOR (R)
MICHAEL HILLMAN, RESEARCH ANALYST
JENNIFER TYLER, RESEARCH ANALYST

BRENDA S. HAMILTON, RPR
REPORTER - NOTARY PUBLIC

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P R O C E E D I N G S

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CHAIRMAN SANTONI: Good morning. Everybody got quiet without even being asked. Wow.

I'd like to call this meeting of the House Gaming Oversight -- this public hearing of the House Gaming Oversight Committee to order.

I'm Chairman Dante Santoni. We have a hearing before us on House Bill 2379, prime sponsored by Representative Eugene DePasquale and Ron Miller, both from York. And we like to see that bipartisanship. We appreciate that, gentlemen.

So I think what we'll do is we'll start by allowing the sponsors of the bill to make a brief presentation, some brief remarks, before we get into the testimony.

So Representatives DePasquale and Miller, you're on.

REPRESENTATIVE DePASQUALE: Yeah. Thank you, Mr. Chairman, and members of the committee. Appreciate your attention to this and appreciate the opportunity --

CHAIRMAN SANTONI: Representative, could I just interrupt? I'd like to -- I'd like to -- so people know who's here --

1 REPRESENTATIVE DePASQUALE: Oh.

2 CHAIRMAN SANTONI: -- just go around to the
3 members who are in attendance. If we could start up with
4 Representative Dom Costa up on the top and just let
5 everybody know who you are and where you're from. Thanks

6 REPRESENTATIVE DOM COSTA: Dom Costa,
7 Allegheny County.

8 REPRESENTATIVE O'BRIEN: Mike O'Brien,
9 Philadelphia.

10 REPRESENTATIVE STABACK: Ed Staback,
11 Lackwanna and Southern Wayne.

12 REPRESENTATIVE GABIG: Will Gabig from
13 Cumberland County.

14 REPRESENTATIVE KAUFFMAN: Rob Kauffman,
15 Franklin and Cumberland Counties.

16 REPRESENTATIVE VULAKOVICH: Randy
17 Vulakovich, Allegheny County.

18 REPRESENTATIVE PAUL COSTA: Good morning.
19 Paul Costa, Allegheny County.

20 REPRESENTATIVE BRENNAN: Joe Brennan,
21 Lehigh and Northampton Counties.

22 REPRESENTATIVE SIPTROTH: John Siptroth,
23 Monroe and Pike Counties.

24 REPRESENTATIVE BARBIN: Bryan Barbin,
25 Cambria County.

1 REPRESENTATIVE PASHINSKI: Eddie Day
2 Pashinski,Luzerne County.

3 CHAIRMAN SANTONI: Thank you, everybody.
4 Okay. Thank you.

5 I'm sorry.

6 REPRESENTATIVE SWANGER: RoseMarie Swanger,
7 part of Lebanon County.

8 CHAIRMAN SANTONI: I apologize.
9 Gene.

10 REPRESENTATIVE DePASQUALE: I saw you,
11 representative. Make sure you didn't get missed there.

12 Thank you, Mr. Chairman and members of the
13 committee, for allowing us to have a hearing on this
14 legislation today. And Representative Miller and I have
15 both co-authored this bill, and I'm going to have some
16 brief remarks. Representative -- Representative Miller
17 may add a point or two and then obviously we'll be
18 welcome to take any questions you may have.

19 I do not have to tell this committee of the
20 fiscal challenges that we are dealing with this session.
21 In fact, when this testimony was drafted, we thought we
22 were at a \$1 billion hole. Now it looks like this
23 morning the -- the economic hole has gotten a little bit
24 worse for this budget, just from the news that was
25 released this morning.

1 We have made deep funding cuts in just
2 about every area of government. I mean some are -- think
3 we should go a little bit more, some think we should go a
4 little less, but we have been clearly making cuts while
5 we treat -- while we keep trying to keep supports for the
6 programs that help the most in need.

7 In the past several weeks, we have learned
8 we now have a massive transportation hole to fill, on top
9 of Mcare and the ballooning pension program. All told,
10 we are facing a shortfall of billions of dollars both
11 this year and the next coming years.

12 We have to meet our responsibilities to our
13 constituents in an era of revenues that continue to fall
14 short of expected expenditures. We should anticipate
15 that these shortfalls will continue beyond this current
16 fiscal year.

17 Pennsylvania has been, in many instances in
18 the past, late into a recession but also late out of a
19 recession. So we have nothing to tell us that this time
20 will be any different. Our challenges are great, but we
21 are hopeful that together we can craft a budget that is
22 in the best interests of all Pennsylvanians.

23 Among the immense fiscal challenges we must
24 tackle is the pension problem. Before we talk about the
25 specifics problems of this legislation and how we look to

1 tackle the -- the pension issue with this legislation, I
2 just want to let you know that from a personal point of
3 view small taverns is how my family put dinner on the
4 table growing up. My family owned a small bar that
5 became a small bar and restaurant, that still operates
6 today, and I know how recessions impact that.

7 And I also know when the bridge
8 replacement -- because the bar was between the University
9 of Pittsburgh and Carnegie Mellon University in a
10 business district in the neighborhood of Oakland, and
11 there was a point in time where there was a year where a
12 bridge replacement had to take place between the main
13 thoroughfare of Squirrel Hill and Oakland.

14 That time was a very tough time for my
15 family because, think about it, half your people could
16 not cross that bridge to get to the establishment. So I
17 know how economic troubles happen, I know what
18 infrastructure impacts the small taverns, and I also know
19 what happens in a challenging economy like we are in
20 today.

21 House Bill 2379 would modernize the Local
22 Option Small Games of Chance Act by increasing the
23 individual -- individual prize limits for small games of
24 chance from 500 to \$1,000, and it increases the weekly
25 limits from \$5,000 to 20,000.

1 In addition, it will expand existing law to
2 permit taverns to offer small games of chance. Adding
3 taverns to the -- to the current law is one of the most
4 significant differences between our legislation and the
5 bill that passed by an overwhelmingly bipartisan fashion,
6 House Bill 169, just a couple weeks ago. And we would
7 add that including taverns in the laws would help us
8 tackle the challenges we outlined above, specifically the
9 pension crisis.

10 Our amendment would allow clubs and
11 fraternal organizations to use 50 percent of their
12 proceeds for operating expenses and 50 percent for
13 charitable purposes.

14 Under our bill taverns would pay 30 percent
15 of the weekly gross revenue to the Commonwealth, which is
16 expected to raise an estimated \$100 million for the
17 pension stabilization reserve fund, which is a top
18 priority for us, and I believe a top priority for all
19 members of the General Assembly.

20 In addition, taverns will contribute 20
21 percent of their weekly gross revenues to a charitable
22 organization designated in their license applications,
23 such as local fire companies, local recreation, and civic
24 organizations.

25 It is very important to note that this

1 weekly assessment will only apply to the new licensed
2 establishments and it would not impact clubs or volunteer
3 charitable organizations already licensed to conduct
4 small games of chance.

5 For charities the benefits are great. This
6 bill would raise 80 million to help them raise more funds
7 to continue their service and outreach for their
8 communities.

9 We know that House Bill 169 passed by an
10 overwhelming bipartisan majority. As a result, we
11 suspect many here are questioning what would happen if --
12 here today if this bill passed.

13 While House Bill 169 would indeed help
14 clubs better meet their missions, that bill does
15 absolutely nothing to raise revenues for the
16 Commonwealth. House Bill 169 creates just one set of
17 winners, while our bill helps fraternal and social clubs,
18 supports charities, allows family-owned taverns, who
19 provide many good-paying jobs for fellow Pennsylvanians,
20 compete on a more level playing field and help raise
21 important new revenues for our Commonwealth.

22 Some have raised concern about the impact
23 of this bill on the state lottery, while others have
24 asked questions about the State Police's ability to
25 enforce the law. While we are confident that the bill,

1 as written, would not be detrimental to the lottery and
2 that it contains provisions that are adequate to ensure
3 that the law enforcement community has the tools it needs
4 to uphold the law, we are prepared to offer additional
5 amendments that would put some of these concerns at
6 rest.

7 And as anyone here knows, Representative
8 Miller and myself, while we certainly have our views that
9 are strong at times, but if it means making the bill
10 better as we go along, we are certainly flexible to doing
11 that and we respect both sides of the aisle as we move
12 forward in this process and we are not wedded to every
13 single comma that is in here.

14 First, I do want to say that we do not
15 believe that this plan will negatively impact the
16 lottery. Simply put, lottery players will continue to
17 play the lottery games they enjoy, regardless of whether
18 the small games prizes are increased or if taverns are
19 included in the law. Nevertheless, our amendments would
20 hold harmless the state lottery fund if the amendments
21 are accepted by the committee and General Assembly.

22 In addition, our amendment would empower
23 the revenue secretary to evaluate the impact on the
24 lottery every year, beginning in June 2011.

25 If the revenue secretary determines that a

1 decrease in the revenue deposited in that next fiscal
2 year in the state lottery fund is due to the play of
3 small games of chance in retail licensed facilities in
4 this Commonwealth, the Secretary shall certify the amount
5 of the decrease due to the play.

6 The secretary's determination shall be
7 based upon an audit or other report of an independent
8 expert with respect to such a decrease. A sum equal to
9 the amount of the decrease, shall be deducted from the
10 amount to be distributed to the general fund under the
11 subsection in the next fiscal year and deposited in the
12 state lottery fund.

13 So we want to make clear that if there is
14 an audit that determines that the Small Games of Chance
15 law that allows the taverns to operate is decreasing
16 monies from the state lottery fund and that audit shows
17 the precise amount and we'll take the amount that is
18 raised from the taverns and put it back into the state
19 lottery fund.

20 In addition, taverns would be assessed an
21 additional two percent each month, with those funds set
22 aside for use by the Department of Revenue and the
23 Pennsylvania State Police/Liquor Control Enforcement for
24 administrative and enforcement costs. The two percent
25 assessment applies to taverns only.

1 And one of the things I want to state here
2 is sometimes, you know, we are in an era where, you know,
3 the word tax becomes more of a four-letter word, even
4 though we all know it's three letters.

5 But the taverns that we have talked to in
6 this legislation, they support these provisions.

7 So I want to state again, the only people
8 that these taxes or assessments, depending on how you
9 want to define it, are assessed, the people behind this
10 legislation, support those provisions.

11 We hope our testimony provides you with
12 information and background you need to move forward with
13 this very important piece of legislation.

14 We're asking the committee to move swiftly
15 on our proposal and send it to the full chamber as soon
16 as possible. We all know that the budget will be very
17 challenging this year, and we believe this is an
18 important component of it. And I believe the chairman
19 has the amendments and, if not, we will certainly get
20 that language to you before the committee were to
21 consider it.

22 And I also want to -- I want to point out
23 one final comment. The community director of the Allied
24 Charities has specifically reached out to me yesterday
25 and wanted me to let you know that be assured that the

1 clubs that he represents do not have a problem with
2 tavern licenses.

3 Again, I want to be specific. It is the
4 community director of Allied Charities that has made that
5 point clear, that he believes and his organization
6 believes that the people that go to clubs would continue
7 to go to clubs and the people that go to taverns would
8 continue to go to taverns and they do not view this as
9 competition.

10 They view it as a way to enhance both --
11 both the business side of the taverns and the clubs. So
12 he wanted me to stress that to you today as I conclude my
13 remarks.

14 CHAIRMAN SANTONI: Chairman or
15 Representative Miller, who is chairman.

16 REPRESENTATIVE MILLER: Thank you,
17 Mr. Chairman. I believe that Representative DePasquale
18 has analyzed the intent of this legislation very well,
19 explained it.

20 I would just offer the fact that I've long
21 been concerned that expanded gaming might hurt the
22 lottery. In the past, I've offered amendments to other
23 forms of gaming to protect the lottery.

24 So I think this is an amendment that should
25 be considered by the committee and adopted if this bill

1 is to move forward. Otherwise, I see it as pretty much a
2 win/win for the Commonwealth, for our small business
3 people, the tavern owners across Pennsylvania, and also
4 raises some much needed revenue to help stabilize some of
5 our commitments to our employees and to our taxpaying
6 public.

7 So with that, I think it would be
8 appropriate to go to questions instead of more remarks
9 from me.

10 REPRESENTATIVE DePASQUALE: Or us.

11 REPRESENTATIVE MILLER: Or us.

12 CHAIRMAN SANTONI: I think what I'd like to
13 do now is just invite you guys to the -- to the table and
14 then in the interest of time --

15 REPRESENTATIVE DePASQUALE: Okay.

16 CHAIRMAN SANTONI: -- we -- we're going to
17 start getting the public --

18 REPRESENTATIVE DePASQUALE: Sure. Okay.

19 CHAIRMAN SANTONI: -- testimony from the
20 affected groups. And I'm sure there will be questions
21 along the way. And we'll certainly work with you on the
22 amendments. We'll need those amendments from you. I
23 don't -- I don't think we have those --

24 REPRESENTATIVE DePASQUALE: Okay. We'll
25 get those for you.

1 CHAIRMAN SANTONI: -- that you talked
2 about.

3 We've been joined by Representative Jim
4 Wansacz from Lackawanna County.

5 Our first testifier is from the Office of
6 the State Fire Commissioner, Edward Mann. Welcome.

7 FIRE COMMISSIONER MANN: Good morning,
8 Mr. Chairman and members of the committee. I normally
9 don't make a habit of reading testimony because you're
10 always provided with a copy of it, but to stay on message
11 I think I'll read it today.

12 First of all, I want to make it clear that
13 I am not here representing, nor do I have a dog in the
14 fight, if you will, with the tavern owners, with VFWs,
15 with American Legions. As a retired Air Force veteran, I
16 understand what those clubs do.

17 I'm the state fire commissioner, and I
18 think it's important that you understand from my
19 perspective, because many of you don't have volunteer
20 fire companies in your legislative districts that have
21 bars and that have small games of chance, and that's why
22 I'm here.

23 I've been telling this story for four years
24 now at least, and I -- and I just want to point out some
25 of the -- the issues. So I'll begin with my testimony.

1 I will not -- will not be providing
2 testimony about any specific bill. Instead, I will focus
3 specifically on issues pertaining to volunteer fire
4 companies, especially those volunteer fire companies with
5 bars that sell alcohol and the problems associated with
6 the current small games of chance law.

7 I agree with the need to increase the
8 weekly prize limits with the current act. However, I
9 have some very serious concerns with the expansion of
10 small games of chance because there are significant
11 problems with the current small games of chance.

12 Under the current law, the profits, the
13 proceeds from small games of chance can be used to pay
14 prizes, purchase additional small games of chance.

15 The balance, or the proceeds, the profits,
16 are supposed to be used for a public interest. So if
17 you're a volunteer firefighter who gets up in the middle
18 of the night and you happen to belong to a fire company
19 that has a club and they have a small games of chance
20 license, as you would expect that you as a firefighter
21 would see the benefit of those proceeds.

22 Unfortunately, that's not the case in many
23 instances. For example, a few years ago a fire
24 department in Lebanon County, the firefighters were
25 paying the bar \$500 a month rent to keep fire trucks in

1 the fire station.

2 The establishment, they had a bar, had a
3 liquor license, had a small games of chance license, but
4 the firefighters were out doing chicken barbecues so they
5 could raise money to pay rent to keep fire trucks in the
6 fire station.

7 Eventually, the firefighters had enough,
8 retaliated, moved out, and built their own building, and
9 now you can stand on the ramp of the new firehouse and
10 look across the street at the old fire station where the
11 bar still continues to operate.

12 A fire company in Columbia County, there
13 were water coolers in the apparatus bays. The trustees
14 of the bar decided that \$10 a month to pay for the water
15 coolers for the firefighters was too expensive so they
16 removed them, but the following week the bar went and
17 purchased two large screen TVs for the bar.

18 A fire company in central Pennsylvania, the
19 bar within the fire company spent over \$300,000 to
20 remodel the bar and the firefighters got a \$300 donation
21 that year from the bar.

22 I could give more and more examples that
23 have been conveyed to me by firefighters, fire chiefs
24 from across the state.

25 Now, in all fairness, I have to tell you in

1 nearly ten years of being the fire commissioner, I have
2 had two fire chiefs approach me and tell me that they
3 were tickled to death with the way things worked at their
4 bar.

5 A good example is a volunteer fire
6 department, they went and bought an aerial device. When
7 they got it back to the station, they realized it
8 wouldn't fit, because of the -- the -- the -- the angle
9 of the ramp in front of the station. They went to the
10 bar with their problem and said, we're going to have to
11 remove the ramp and tear our apparatus bay floor out.
12 Can you help us out?

13 The bar basically said, tell us what it's
14 going to cost and go get it done. They removed enough
15 concrete from the fire station that they had to add two
16 full door panels to the front of the overhead doors.

17 That's what the intention was of the small
18 games of chance legislation to begin with.
19 Unfortunately, that's not -- that's -- that's -- what I
20 just described to you is the exception to the rule.

21 I can recall doing a legislative round
22 table for two legislators in Franklin County -- or Adams
23 County, and I was asked a question, why are you opposed
24 to the expansion of small games of chance? I'm not
25 opposed to it.

1 But I'm -- I made those points. The issue
2 in Adams County is there are no fire companies with bars
3 in them, so the legislators weren't aware of the fact
4 that those problems were occurring elsewhere across the
5 state.

6 The bottom line is, folks, representatives,
7 I just want to make it clear, my interest in this matter,
8 as I said earlier, has nothing to do with all of the
9 legislation that's out there.

10 All I want to do is make sure that the men
11 and women who get out of bed in the middle of the night
12 to respond to calls and give so much to their community
13 and sacrifice so much with their -- their families are
14 the ones that are actually benefiting from what's going
15 on with small games of chance.

16 That's my only interest in this. And with
17 that, I'll take any questions you may have.

18 CHAIRMAN SANTONI: Questions starting with
19 Representative Pashinski.

20 REPRESENTATIVE PASHINSKI: Thank you,
21 Mr. Chairman.

22 And thank you, Commissioner Mann.

23 Your concern is one that Chairman Santoni
24 and myself and several other members have discussed. The
25 concern is the fiduciary responsibility of the monies

1 coming in.

2 Could you answer a question or two about
3 those that own the bar? Who owned the bars in these
4 situations?

5 FIRE COMMISSIONER MANN: It's -- it's
6 the ord -- the charter nonprofit organizations. So if
7 it's the Acme Hose Company, it's that charter nonprofit
8 corporation known as the Acme Hose Company.

9 REPRESENTATIVE PASHINSKI: So basically it
10 was the members of that company that had a relationship
11 with the bar who were still members of that company. Is
12 that correct?

13 FIRE COMMISSIONER MANN: Yeah, that would
14 be.

15 REPRESENTATIVE PASHINSKI: So it's
16 basically moving money?

17 FIRE COMMISSIONER MANN: Well, the issue
18 you ran into is, is that years ago fire companies that
19 had bars used those bars to attract members so -- and --
20 and individuals would join the fire company both to drink
21 and respond to fire calls.

22 Over the last 20 years that's improved
23 dramatically. And I'm glad that it has, but the bottom
24 line is now people join the fire company to do one of two
25 things. They join to drink or they join to fight fire.

1 And the majority of those members are
2 social members, if you will, and in many of the
3 organizations there aren't categories of membership.
4 It's you're a member, you're a member.

5 So if I'm the fire chief and I go to a
6 company meeting and I want to spend money to replace the
7 water tank in my pumper because it's shot and the
8 majority of the membership there that night happened to
9 be social members and they vote no, I as the fire chief
10 don't get to replace my water tank. Because of the
11 majority of the membership.

12 Now, I've been -- said -- been told by
13 members of the General Assembly, have them amend their
14 bylaws. Well, amending bylaws in a volunteer fire
15 company is almost as difficult sometime as getting
16 legislation passed. Because you have to -- you know,
17 whatever you want to amend to the bylaws in many cases
18 has to be reduced to writing. Then it has to be read at
19 two consecutive company meetings. It has to be posted
20 somewhere where everybody can read it. And then it's
21 acted on in the third meeting.

22 Well, if I'm a social member in that
23 organization and -- and the only thing I'm interested in
24 is being able to preserve my 75 cent draft or my dollar
25 draft and my dollar hamburger, I could care less what the

1 fire guy wants and I'm not going to vote for any
2 amendment to the bylaws that may give that fire chief
3 more control over what goes on with the proceeds from
4 small games of chance. So the bylaws never get amended.

5 Long answer to a short question.

6 REPRESENTATIVE PASHINSKI: Well, I'm almost
7 speechless because I thought they -- they joined the
8 volunteer company to become, you know, a volunteer
9 fireman, to fight fires, but I didn't realize that other
10 part there.

11 Okay. You've answered my question.

12 You know, the check and balance system, the
13 whole system the way it is right now, really needs some
14 serious review so that if the -- if a company is going to
15 have the opportunity to garner funds through small games
16 of chance, it needs to be placed where it should be first
17 and that's based upon the fire company's needs.

18 FIRE COMMISSIONER MANN: Yes, sir. And --
19 and I don't even have an objection because as it stands
20 now, all of the proceeds have to go to the public
21 interest. I don't even have an objection -- in fact,
22 I've offered language in the past that, let's say, 60
23 percent of the proceeds have to go directly to the
24 firefighters. The other 40 percent can be kept by the
25 bar to be spent any way they see fit.

1 REPRESENTATIVE PASHINSKI: Uh-huh.

2 FIRE COMMISSIONER MANN: Okay? And that
3 gets us around some of those other issues with the
4 current law.

5 I mean a lot of clubs are struggling.
6 There's no doubt about that. And -- and they're
7 restricted at times as to what they can spend the money
8 on.

9 So if we make it, say, a 60/40 split, 60
10 percent of it has to go to the fire -- to the -- to the
11 -- in the case of a volunteer fire company, you have to
12 be able to show me that 60 percent of the profit from
13 your small games, in the case of a volunteer fire company
14 with a liquor license and a -- a small games of chance
15 license, went to the firefighters, the other 40 percent
16 can be kept by the club to be used any way they see fit.

17 REPRESENTATIVE PASHINSKI: Thank you. I
18 appreciate that. Thank you.

19 FIRE COMMISSIONER MANN: Thank you, sir.

20 CHAIRMAN SANTONI: Representative Swanger.

21 REPRESENTATIVE SWANGER: Yes. I'd just
22 like to point out that within House Bill 169, the small
23 games of chance bill that passed in the House, that
24 amendment was in that bill to allow a split and that was
25 my amendment.

1 But it was 60 percent would go to public
2 interests and 40 percent could be used for the facility
3 or maintenance of their operation.

4 FIRE COMMISSIONER MANN: Okay.

5 REPRESENTATIVE SWANGER: But it's not -- I
6 understand that provision is -- is not contained within
7 House Bill 2379 at the current time.

8 Thank you.

9 CHAIRMAN SANTONI: Just -- just one quick
10 question, commissioner. I -- I know in your testimony
11 you talk about enforcement, and it says, today none of
12 the bills introduced provide any enforcement. I just
13 wonder if you have any specific recommendations on that
14 of how we can do -- what we can do to -- to maybe make
15 you happy.

16 FIRE COMMISSIONER MANN: Okay. I've
17 maintained all along the small games of chance license
18 should be tied to the liquor license.

19 Because here's what happens. If you get
20 jammed up with small games of chance, you may end up with
21 a 250 or \$500 fine when you go before a liquor -- the
22 administrative law judge.

23 And a lot of the organizations have
24 realized, look, we could go for months without getting
25 caught and a \$500 fine is the cost of doing business.

1 What I've suggested a couple of times is,
2 is tie the liquor license to the small games of chance
3 license; and if you violate the small games of chance
4 law, it's also a violation of the liquor law. And if it
5 happens the first time, you get a 30-day suspension. If
6 it happens the second time, a 60-day suspension. If it
7 happens again, we revoke both the small games of chance
8 license and the liquor license.

9 Now, I don't -- I don't have a dog in the
10 fight with enforcement, so that's easy for me to say. I
11 think the State Police would be better to answer that
12 question.

13 But that's what I've recommended all along.

14 CHAIRMAN SANTONI: Thank you. We
15 appreciate your testimony.

16 FIRE COMMISSIONER MANN: Thank you, sir.

17 CHAIRMAN SANTONI: We've been joined by
18 Representative Caltagirone from Berks County and
19 Representative Keller from Philadelphia.

20 Next testifier is from the Pennsylvania
21 Federation of Fraternal and Social Organizations, Mr. Ted
22 Mowatt.

23 Ted, you may begin when you're ready.

24 If you could identify --

25 DIRECTOR MOWATT: Okay.

1 CHAIRMAN SANTONI: -- who you are, you
2 gentlemen, just for the record. Thank you.

3 DIRECTOR MOWATT: Thank you, Mr. Chairman.

4 With me is Tom Helsel, who is with the --
5 the Pennsylvania Association for -- Nationally Charter --
6 Chartered Organizations, the VFWs and the -- the Elks and
7 those groups.

8 I'll let Tom introduce himself. He has
9 provided written testimony that he -- he's not going to
10 read. I'm going to try to keep us on -- on the time
11 schedule as well to the extent that I can.

12 I'm going to read my statement, but, you
13 know, it should be fairly brief.

14 Chairman Santoni and Schroder, and members
15 of the Gaming Oversight Committee, I'm Ted Mowatt,
16 executive director of the Pennsylvania Federation of
17 Fraternal and Social Organizations. I very much
18 appreciate this opportunity to comment on House Bill
19 2379.

20 The -- the Federation is a statewide
21 organization of nearly 500 social clubs, veterans clubs,
22 fire companies and other nonprofit service
23 organizations. Our clubs provide numerous charitable
24 works in the local communities, funded largely, by law,
25 by the small games of chance.

1 Particularly in these times of budgetary
2 constraints on state and local governments, our
3 organizations are counted on increasingly to help, but
4 the sources of revenue have not kept up with the need.

5 Further, as our members, age the clubs are
6 constantly struggling to find ways to attract younger
7 members who will take over the essential community
8 activities of the clubs and fire companies.

9 Our members have for years supported the
10 updating of the Local Option Small Games of Chance Act as
11 a way of supporting club activities.

12 As your committee is well aware, there have
13 been no substantive changes in the Small Games of Chance
14 Act since 1988 when it first passed.

15 We very much appreciate the fact that the
16 committee has, in fact the full House has as well, on
17 several occasions over the past several sessions, passed
18 bills, most recently House Bill 169, which accomplished
19 the purpose of updating the law to impose realistic
20 limits on the amounts clubs can pay out.

21 However, thus far final action has not been
22 achieved in the Senate. Small Games of Chance
23 legislation remains the primary goal of the PFFSO. We
24 are hopeful that Senate action will occur in the near
25 future.

1 The Federation has worked tirelessly over
2 the past decade or longer to pass legislation updating
3 the small games of chance law. Through the -- throughout
4 that time, we have gained a growing number of votes in
5 both the House and the Senate based on the premise that
6 these bills were not an expansion of gambling, which many
7 -- which many legislators oppose, but a mechanism for
8 these nonprofit organizations -- and this legislation
9 does not solely apply to private liquor license --
10 private club liquor licensees -- to increase the amount
11 of money they can raise and contribute to other
12 charities.

13 Even when the law passed in 1988, there was
14 resistance but a recognition that this should be a
15 nonprofit endeavor, not an additional source of revenue
16 for for-profit companies. Although the current language
17 in House Bill 2370 does apply to clubs, largely in a very
18 similar way to House Bill 169, the central purpose of the
19 bill is to expand the scope of the law to allow for
20 profit entities, primarily bars and taverns, to also run
21 the games and to be taxed on these proceeds.

22 We have some concern about this prospect,
23 with all due respect to the hard working small businesses
24 with whom our clubs share communities throughout this
25 Commonwealth and who are ably represented here.

1 We have some general, and some specific,
2 concerns with this legislation which we will attempt to
3 enumerate here.

4 As we have testified before you in the
5 past, for many clubs, dues revenues have not been able to
6 keep pace with the structural and other overhead needs of
7 aging facilities, and the clubs have been forced to find
8 other ways to attract new members, and to keep existing
9 members coming into the club.

10 Clearly some clubs have gone outside the
11 parameters of the law, as the popularity of the games
12 have far exceeded the current legal limits. These clubs
13 are paying a high price as enforcement has stepped up in
14 the wake of casinos opening.

15 We have done some informal surveys of our
16 members -- of our member clubs on this issue. We
17 anticipate some lively discussion on it at our convention
18 this coming weekend in Erie.

19 As was the case with the video lottery
20 legislation considered earlier this session in the
21 committee, the opinions vary widely on a regional basis
22 for a number of reasons. There are some areas of the
23 state where clubs do indeed compete directly with taverns
24 down the street, whereas in other areas the two live in
25 perfect harmony, catering to separate clientele.

1 Proponents of this legislation will make
2 the case that they need this legislation to remain
3 competitive and at the same time state that there are
4 club people and there are tavern people so this should
5 not be an issue. If the latter is true, we wonder with
6 whom they are competing.

7 There are two issues with regard to making
8 small games of chance available to for-profit entities
9 that give us, and apparently many legislators, some
10 pause.

11 First, it is important to keep in mind that
12 all -- of all of the thousands of small games of chance
13 licenses applied for each year across the state, only a
14 relatively small percentage are club licenses. Most are
15 501 (c) (3) organizations doing raffles, fairs, 50/50s
16 and so forth to raise money for themselves and for other
17 causes. To permit only one type of for-profit
18 organization to run the games raises the question of why
19 the tavern and not the local dry cleaner or the pizza
20 shop or the gas station? We wonder if this is a door the
21 General Assembly wants to open.

22 Secondly, the taxing of proceeds is also
23 problematic. Yes, the legislation makes it clear that
24 only the taverns would be taxed, and apparently an
25 estimate of a hundred million dollars in state revenue

1 might be expected as a result, in a time of significant
2 need for state coffers.

3 But once this kind of revenue is tapped, as
4 we have surely seen in numerous parts of the budget, we
5 are very concerned that the taxing of nonprofit proffer
6 -- proceeds will be considered again.

7 As we know, the idea was floated last year
8 in the budget debate and was rejected. The argument
9 against it weakens if some are taxed on the revenue that
10 others are not. Some have even raised a valid question
11 of uniformity issues under the state constitution if
12 the -- if the taverns are singled out for the tax,
13 whether they volunteer for it or not.

14 PFFSO is concerned that the Commonwealth
15 will come to view this tax revenue as an essential part
16 of this funding mechanism, even after the economy
17 improves and tax revenues in the traditional areas return
18 to the previous levels. If the state becomes dependent
19 on this revenue, then it will be a short trip down the
20 road to having everybody pay it.

21 Clubs and other nonprofits currently have
22 the freedom of choice as to where their limited
23 fundraising dollars will end up. This bill donates a
24 significant portion of the revenues to the pension
25 stabilization reserve fund to be established.

1 As we testified in the video lottery bill,
2 it is not our issue to comment on what the Commonwealth
3 does with its revenues, and certainly we are aware that
4 currently there is a significant shortfall in some
5 Commonwealth employee pension funds.

6 But we also see numerous other areas that
7 are underfunded as well. Indeed we have seen alternative
8 proposals surfacing in the Senate to fund veterans
9 programs, and likely there are legislators in both
10 chambers and also perhaps in the administration who have
11 valid alternatives to this level of funding. It is our
12 fear that this very discussion could derail this
13 legislation, if you forgive the unfortunate
14 transportation metaphor.

15 House Bill 2379 is introduced -- as
16 introduced also has some specific drafting issues that we
17 would like to point out. First, the weekly limit of
18 \$20,000 is less than the \$25,000 limit that this
19 committee and the House approved in House Bill 169.

20 We suggest raising this, and the other
21 limits, to parallel the limits in Representative
22 Solobay's bill.

23 Similarly, other changes made by the
24 committee in House Bill 169 to clarify terms like
25 progressive and insured games, et cetera, should be

1 included in this bill, if the committee considers it.

2 Other essential elements in House Bill 169
3 that are not addressed in this bill include the use of
4 proceeds language that is central to the needs of clubs
5 and the bill lacks the important enforcement provisions,
6 alluded to by Mr. Mann, included in House Bill 169 to
7 ensure that all small games licensees follow the law.

8 Incidentally, one provision of House Bill
9 169 that is in this bill that may be -- that may have
10 been unintentionally applied is the background check
11 provision that requires all small games of chance
12 licenses to undergo a State Police background check.

13 Although this is not a problem for licensed
14 clubs and taverns, as they already must submit criminal
15 history records with their -- with their liquor license
16 applications, this provision should not apply to limited
17 license -- limited occasional license under Section 10
18 (b.3). This should be clarified if this bill is
19 considered as well.

20 Let me close by reiterating that, whereas
21 our primary objective is to remove outdated restrictions
22 on the small games of chance and bingo laws, the
23 Pennsylvania Federation of Fraternal and Social
24 Organizations believes this bill is flawed in concept and
25 in its drafting and at this time we cannot support it.

1 Thank you again for the opportunity. I'll
2 welcome any questions.

3 CHAIRMAN SANTONI: Thank you for your
4 testimony. First questioner is Representative
5 DePasquale.

6 REPRESENTATIVE DePASQUALE: Thank you, and
7 thanks, Ted, for, you know, certainly your comments and
8 some of your ideas for suggestions for improving the
9 legislation.

10 Two issues I just want to bring up. One is
11 on the tax issue. Would you agree with or without this
12 legislation that there could be a proposal to tax small
13 games of chance now?

14 DIRECTOR MOWATT: Oh, yeah. As I said,
15 there was -- there was -- the idea was floated last
16 session --

17 REPRESENTATIVE DePASQUALE: Yes.

18 DIRECTOR MOWATT: -- or last year in the
19 budget process and, you know, we still have some -- some
20 issue with that.

21 REPRESENTATIVE DePASQUALE: And the reason
22 why I bring that up, it was really a bipartisan rejection
23 at the rank and file level with that idea.

24 So in my view whether this would become law
25 or not, that same resistance would exist. So I just want

1 to point out with or without this becoming law, my view
2 is that that -- that proposal could or could not stand on
3 its own weight anyway.

4 DIRECTOR MOWATT: That's -- that's
5 correct.

6 REPRESENTATIVE DePASQUALE: Yeah. The
7 second issue, I just want to address the uniformity
8 clause, that right now under current law taverns are
9 treated differently than 501 (c) (3)'s and clubs and
10 volunteer organizations under current tax law. Correct?

11 DIRECTOR MOWATT: In -- in some regards, I
12 suppose. I don't know. Tom -- Tom might be better able
13 to answer that

14 MR. HELSEL: There are some occasions where
15 we are treated differently. We are not subject to income
16 tax up to a certain amount.

17 Other than we do pay all the same taxes as
18 the taverns do, real estate taxes, employment taxes, and
19 so forth. But that is more of an IRS regulation than it
20 is a state clause.

21 REPRESENTATIVE DePASQUALE: But the -- but
22 it's also part of the state income tax as well. Correct?

23 MR. HELSEL: Yes. Yes, it does.

24 REPRESENTATIVE DePASQUALE: And -- and you
25 have not found that that -- any instance where that

1 violates the uniformity clause?

2 MR. HELSEL: I think by the fact that it's
3 a 501 (c) (3) and that the state -- it is going back to
4 the IRS, that's the difference.

5 REPRESENTATIVE DePASQUALE: So it --

6 MR. HELSEL: But our state tax code is
7 based on, yeah, part of the IRS.

8 REPRESENTATIVE DePASQUALE: So if we stay
9 within those parameters in this legislation, I don't
10 believe in just using that as -- as precedent, you know.
11 I don't believe that it -- this would violate the
12 uniformity clause as well.

13 MR. HELSEL: Possibly. But I'm not that --
14 that well informed on that particular issue.

15 DIRECTOR MOWATT: It's -- it's certainly
16 a -- a minor issue that -- that we raise. It is just one
17 that has --

18 MR. HELSEL: Correct.

19 DIRECTOR MOWATT: -- that has come up over
20 time and apparent -- I would suspect that if it were
21 raised, it would probably be raised by somebody who would
22 have to pay the tax, not someone who is not.

23 REPRESENTATIVE DePASQUALE: No. Usually
24 that's correct. Thank you.

25 CHAIRMAN SANTONI: Hearing no other

1 questions, we appreciate your testimony. We'll certainly
2 incorporate that into our committee discussions as we
3 move forward on House Bill 2379.

4 Thank you, gentlemen.

5 DIRECTOR MOWATT: Thank you very much.

6 MR. HELSEL: Thank you very much.

7 DIRECTOR MOWATT: Thank you.

8 CHAIRMAN SANTONI: Believe it or not, a
9 House Gaming Oversight Committee meeting is early --
10 is -- is actually on time. We're actually early. So
11 that's a shocker. We usually last much later than the
12 scheduled time, but we'll knock wood.

13 Our next testifier is our good friend from
14 the Pennsylvania State Police, Major John Lutz, Bureau of
15 Liquor Control Enforcement.

16 Major Lutz.

17 MAJOR LUTZ: Good morning. Good morning,
18 Chairman Santoni and Schroder. My name is Major John
19 Lutz, and I serve as the director of the State Police
20 Bureau of Liquor Control Enforcement. With me today is
21 Captain Thomas Butler, director of the Operations
22 Division of the Bureau of Liquor Control Enforcement.

23 We are here today to talk about local
24 options small games of chance. Local options small games
25 of chance were legalized by the General Assembly in 1988

1 for the stated purpose of raising funds by certain
2 nonprofit associations for the promotion of charitable or
3 civic purposes.

4 Organizations eligible for small games of
5 chance permits include charitable organizations,
6 religious organizations, fraternal organizations,
7 veterans organizations, clubs, and civic and service
8 organizations. Many of these organizations are also
9 eligible to have liquor license.

10 As part of its overall responsibilities,
11 the Bureau of Liquor Control Enforcement enforces the
12 Local Options Small Games of Chance Act in establishments
13 having a valid liquor license.

14 The current law requires proceeds derived
15 from small games of chance shall only be used for two
16 purposes. The first is to purchase additional small
17 games of chance. The second is for public interest
18 purposes.

19 Public interest purposes are somewhat
20 broadly defined but include charities, nonprofit
21 organizations, and offsetting government costs. Some
22 examples of the -- of these include renovating a local
23 community park, helping to fund a local Little League or
24 youth sports organization, or supporting the local
25 volunteer or paid fire company.

1 As part of its responsibility the bureau
2 also provides ongoing assistance to clubs across the
3 state by educating them about their current Small Games
4 of Chance Act. In 2009 the bureau participated in 22
5 such educational seminars statewide.

6 In addition, the bureau attends the four
7 PLCB licensee conferences conducted around the state each
8 year where small games are discussed in detail and a
9 block of time is dedicated for clubs to ask questions.
10 This doesn't include the countless number of phone calls
11 and visits by BLCE officers for the purpose of answering
12 questions and explaining the statute.

13 Unfortunately what the bureau has observed
14 is that the vast majority of clubs are not complying with
15 the current statute. More often than not, proceeds --
16 proceeds derived from small games of chance are being
17 retained by the clubs in order to support operating
18 expenses such as the purchase of food, alcohol, large
19 screen TV's, pool tables, or to pay utilities or even
20 salaries of bartenders or club officers.

21 In addition, the bureau has observed many
22 clubs, particularly larger clubs, that are grossly
23 exceeding the \$5,000 weekly statutory payout limit. In
24 some instances the bureau has observed clubs consistently
25 paying out as much as \$100,000 or more per week. These

1 are no longer small games of chance.

2 Because of the large amounts of cash being
3 exchanged, the bureau has also seen instances where the
4 one or two individuals in charge of small games at a club
5 are involved in the theft of proceeds from the small
6 games and converting it to personal use.

7 Enforcement of small games of chance
8 presents unique challenges for the bureau. Small games
9 investigations are resource intensive. A single small
10 game audit can take upwards of six to eight hours in a
11 club where record keeping is exemplary, to over a
12 thousand hours in a club where record keeping is poor and
13 multiple violations are being committed.

14 As further impediments to investigations
15 some clubs have resorted to maintaining two sets of books
16 or, in some cases, no records at all, choosing to be
17 cited for the failure to keep records rather than
18 disclose information regard -- regarding their small
19 games activities.

20 Another tactic BLCE has observed is some
21 clubs making a highly publicized donation of a seemingly
22 substantial amount of monies to a public interest
23 purchase while, in fact, retaining the vast majority of
24 the proceeds for the club's operating costs.

25 BLCE has seen numerous examples of clubs

1 donating anywhere from a thousand dollars to \$10,000 to a
2 public interest purpose -- to public interest purposes
3 over the course of a year; however -- however, during the
4 same period having retained upwards of \$500,000 or more
5 for their own use.

6 Because BLCE is already tasked with
7 enforcement in licensed establishments around the state,
8 we believe the bureau is best suited to enforce the Small
9 Games of Chance Act and to ensure proceeds are disbursed
10 as required.

11 Experience has demonstrated that simply
12 reviewing annual reports is not an effective way to
13 conduct an audit and is almost completely ineffective in
14 uncovering a host of potential violations. Enforcement
15 must be tied to on-site visits.

16 Furthermore, we believe by ensuring any
17 changes to the current statute are clear and easy to
18 follow, both licensees and enforcement benefit. For
19 example, complicated provisions such as the exclusion of
20 prizes under a stated dollar amount such as \$26, will
21 make record keeping, and conversely, auditing very
22 difficult.

23 While we agree that in some larger clubs
24 the current \$5,000 weekly cap is difficult to remain
25 under, we also believe that should the cap be raised, any

1 provision to allow multiple permits at the same location
2 would render the new cap meaningless and make auditing
3 and enforcement very difficult.

4 Finally, penalties for violations of the
5 act, particularly repeat violations, should be a more
6 effective deterrent. The current Liquor Code fine of 50
7 to a thousand dollars is often perceived as a small cost
8 of doing business for clubs illegally making much more
9 than that amount every week.

10 We recommend mandatory suspensions for
11 repeat violations, including violations brought by BLCE
12 under the provisions of the Liquor Code.

13 This concludes our testimony today. We
14 will now answer your question -- answer any questions you
15 may have.

16 CHAIRMAN SANTONI: Representative Swanger.

17 REPRESENTATIVE SWANGER: Yes. Thank you
18 for your testimony. Could you tell me how many clubs
19 actually have liquor licenses? How many nonprofit
20 organizations? Do you know that?

21 MAJOR LUTZ: There are 3,022 club and
22 catering club liquor licenses in Pennsylvania.

23 REPRESENTATIVE SWANGER: Thank you.

24 CHAIRMAN SANTONI: Representative
25 Pashinski.

1 REPRESENTATIVE PASHINSKI: Thank you,
2 Mr. Chairman.

3 And thank you very much, sir, for your
4 testimony. The violators, have -- have their licenses
5 been revoked at all?

6 MAJOR LUTZ: I -- I don't believe we have
7 had any revocations. We are starting to get to the point
8 where the administrative law judges are suspending
9 licenses for significant periods of time.

10 But what we see are the licensees are
11 appealing the process on and on so the licensees continue
12 to operate.

13 REPRESENTATIVE PASHINSKI: Do you have a
14 recommendation in order to speed up that process and
15 prevent this?

16 MAJOR LUTZ: Well, the first recommendation
17 that I have is that the law is currently very difficult
18 for us to enforce. Simply because it's -- audits are so
19 time consuming and resource intensive.

20 And, unfortunately, without a specific
21 provision in the Liquor Code that mandates a
22 suspension -- I think initially the administrative law
23 judges didn't really perceive this as a -- you know, a
24 typical Liquor Code violation so they weren't treated as
25 seriously. But I think now that they're starting to see

1 the types of revenue that are being generated illegally
2 it's starting to get a more serious look.

3 But I would like to see something
4 specifically tied to the Liquor Code and liquor license.

5 REPRESENTATIVE PASHINSKI: Is there -- have
6 you thought about a system that will keep people honest
7 by having enforcement officers visit more often and have
8 spot check audits? And if so, how many more enforcement
9 officers do you think you may need?

10 MAJOR LUTZ: Well, we currently have a
11 policy in the bureau that any time we conduct a routine
12 inspection of a club that has a small games of chance
13 permit, it generates an automatic audit of their small
14 games of chance permit. So we put a checks and balance
15 system in place within the bureau. But unfortunately we
16 really don't have enough people to audit all the clubs on
17 a regular basis.

18 And while I can tell you we would need more
19 people, I can't estimate how many it will be at this
20 point. I really wasn't asked to submit an enforcement
21 plan.

22 REPRESENTATIVE PASHINSKI: A round number?
23 Ten? Twenty? Fifty?

24 MAJOR LUTZ: Probably at least 20.

25 REPRESENTATIVE PASHINSKI: Thank you very

1 much.

2 MAJOR LUTZ: You're welcome.

3 CHAIRMAN SANTONI: Representative Gabig.

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

6 I'm sorry. I did not hear the answer to
7 Representative Swanger's question. I was motioning to
8 ask a question when she asked how many club licenses
9 there were throughout the Commonwealth.

10 MAJOR LUTZ: Sir --

11 REPRESENTATIVE GABIG: What was the
12 answer?

13 MAJOR LUTZ: There are 3,022 club and
14 catering club licenses.

15 REPRESENTATIVE GABIG: 3,022 of these -- of
16 all the groups that you talked about at the beginning,
17 the charitable, the religious, all those?

18 MAJOR LUTZ: No. No. When I say club and
19 catering club, they're liquor licenses.

20 REPRESENTATIVE GABIG: Oh, that was my
21 question. So these are just the ones with the liquor
22 license?

23 MAJOR LUTZ: Correct.

24 REPRESENTATIVE GABIG: And those could
25 include -- we heard the fire commissioner's testimony.

1 Those could include volunteer fire companies, I guess.

2 Is that right?

3 MAJOR LUTZ: That's right. They generally
4 fall in that category.

5 REPRESENTATIVE GABIG: And are those who
6 you're charged with enforcing? Only those? Not the
7 other clubs that don't have liquor license in terms of
8 the small games of chance?

9 MAJOR LUTZ: If -- if they don't have a
10 liquor license, then they don't fall under the
11 jurisdiction of my bureau.

12 REPRESENTATIVE GABIG: You know, you might
13 not know the answer to this then. Who enforces those
14 ones that don't have a liquor license? Do you know?

15 MAJOR LUTZ: Well, if -- if they're an
16 eligible entity and they have a small games of chance
17 permit, generally it would fall under the local District
18 Attorney and that's usually a complaint-based
19 investigation.

20 REPRESENTATIVE GABIG: Okay.

21 MAJOR LUTZ: But it's a somewhat different
22 environment, because for the most part those entities are
23 groups like the Little League that might do a raffle in
24 order to purchase uniforms. They don't have the same
25 kind of environment that the club where people come in

1 and sit and, you know, they drink alcohol and, you know,
2 provides that environment for small games to be sold at a
3 much greater level.

4 REPRESENTATIVE GABIG: Although there
5 are -- in my area, Cumberland County, for example, there
6 are some pretty significant bingo operations that do
7 small games of chance that raise not insignificant
8 amounts of money. Significant amounts of money for their
9 operations anyways.

10 And they don't -- many of them don't have
11 the liquor license, so they're -- throughout the
12 Commonwealth there's some areas that have these liquor
13 licenses.

14 Representative Kauffman and I were
15 talking. We weren't familiar with these volunteer fire
16 companies that had these liquor licenses as much and I
17 guess other parts of the state have them. It's -- it's a
18 more serious thing, I guess, there.

19 But could you answer this question then?
20 Since the D. A.'s Office, just the local, based on the
21 complaints of a -- you know, a Knights of Columbus or
22 some bingo operation that doesn't have a liquor license,
23 they're a certain category and I know, for example,
24 they've been prosecuted in Cumberland County.

25 When I was there as an assistant D.A., some

1 of those do get into the issues that you talked about.

2 But is it more difficult or do you see more
3 violations where there's this alcohol involved or less in
4 terms of the -- I don't know how you could put it in a
5 category to make this -- some common sense out of it.

6 If there's -- if there's booze there, it
7 always seems like there's more chance for people to make
8 misjudgments maybe or -- or bad judgments or -- or, you
9 know, maybe dip into the till a little bit more often
10 than say if they're sober. That just -- that's been my
11 experience in life.

12 And I didn't know, Major, if you could
13 share with us either statistically or through -- how many
14 years have you been with the State Police, sir?

15 MAJOR LUTZ: I'm just finishing my 32nd
16 year.

17 REPRESENTATIVE GABIG: 37 [sic] years.
18 Wow. You look like such a young man. You're well
19 preserved.

20 But anyways, could you just share with us,
21 do you think it's more difficult or less difficult or is
22 there more likely enforcement issues involved where
23 there's also liquor flowing?

24 MAJOR LUTZ: Well, you know, I think that
25 the bar environment or club environment where there's

1 alcohol being served does tend to provide a, you know,
2 more conducive environment for the sale of small games of
3 chance.

4 REPRESENTATIVE GABIG: I thought so. And
5 I'm glad you were able to -- to help us with your 37
6 years of experience on under -- understanding that.

7 REPRESENTATIVE KAUFFMAN: 32 years.

8 REPRESENTATIVE GABIG: 32?

9 REPRESENTATIVE KAUFFMAN: 32.

10 REPRESENTATIVE GABIG: 32. I didn't mean
11 to -- 32 years of experience.

12 MAJOR LUTZ: Just seems like 37.

13 REPRESENTATIVE GABIG: That's right. After
14 this hearing. Right.

15 I have one final question. And since we
16 are still ahead of schedule, Mr. Chairman, if I may, or
17 should we move on for the next round?

18 Okay. My -- my last question would be the
19 small games of chance, we had -- we had another hearing
20 earlier in this session about video poker and -- and then
21 there's -- there's slots, of course, at the casinos and
22 there's been some discussion by some people about per --
23 perhaps slots and maybe what is even the distinction
24 between video poker and slots.

25 But what's easier to -- to enforce, the

1 small games of chance or a centralized system like the
2 video poker? What -- what would be easier from an
3 enforcement standpoint?

4 MAJOR LUTZ: I -- I think they both present
5 unique and different challenges. You know, obviously the
6 illegal video gambling devices are very popular in
7 western PA. I mean that is the game of choice in western
8 PA. And that's where a lot of clubs and, to some extent,
9 the bars generate the revenue out west.

10 And the challenges out there is, of course,
11 we have to go in, generally get a payout on the machine
12 or show that it's an illegal gambling device, per se
13 device.

14 You know, collecting the machines up and
15 storing the machines present unique challenges for us.
16 We actually have a warehouse that we've used at times
17 that's filled with illegal machines just because we've
18 confiscated so many. As we take them out the front door,
19 they're bringing new ones in the back door. So that has
20 its own unique challenges.

21 But that's kind of more of a western
22 Pennsylvania issue and to some extent southeast and
23 northeast.

24 And the challenge with the small games is
25 the fact that the audits are so resource intensive and

1 it's become kind of a war of escalation with the clubs
2 where as we've gone in and you've heard them say that are
3 -- we have been to some extent effective with our
4 enforcement, but what it's generated is different tactics
5 in order to avoid, you know, being detected such as, you
6 know, keeping notebooks, keeping two sets of records,
7 showing us one, which aren't the factual records, and
8 then we sometimes have to go to distributors to see how
9 many games they sold to a club. So they can just become
10 resource intensive.

11 REPRESENTATIVE GABIG: So in that sense
12 it's -- it's more difficult, more time consuming on the
13 small games of chance?

14 MAJOR LUTZ: Yes, sir.

15 REPRESENTATIVE GABIG: Okay. Thank you
16 very much, Major.

17 Thank you, Mr. Chairman.

18 CHAIRMAN SANTONI: Representative Barbin.

19 REPRESENTATIVE BARBIN: And thank you,
20 Major Lutz, for your testimony. I have one question.

21 Do you also enforce liquor violations if
22 someone applies for the special licenses? Say that PTA
23 group or the church group has a raffle but they also ask
24 for a special occasion permit. Would you also be charged
25 with reviewing? Or if somebody complained about that,

1 would that be your bailiwick as well or --

2 MAJOR LUTZ: We could --

3 REPRESENTATIVE BARBIN: -- the district
4 attorney's?

5 MAJOR LUTZ: We could -- we could have a
6 whole other hearing on special occasion permits.

7 REPRESENTATIVE BARBIN: No. But is it
8 yours or the district attorney?

9 MAJOR LUTZ: It's ours, but for the most
10 part there's -- they're not very enforceable the way
11 they're currently structured in Pennsylvania. So there's
12 very little we can do with special occasion permits.

13 Because by the time we would catch somebody
14 with a violation -- the permit is only good for up to six
15 days. By the time we catch them with a violation, the
16 permit goes away and then we're unable to bring an action
17 against them. So it does come under us. I -- I think --

18 REPRESENTATIVE BARBIN: So practically you
19 can't really enforce special occasion licenses?

20 MAJOR LUTZ: That's correct.

21 REPRESENTATIVE BARBIN: So you're really
22 only engaged in regulating the liquor license
23 establishments?

24 MAJOR LUTZ: That's correct. Unless we go
25 criminally against the special occasion permit, and

1 that's really rare that we would actually -- but we
2 usually go through the administrative law judges as
3 you've heard today.

4 REPRESENTATIVE BARBIN: Not through the
5 District Attorney?

6 MAJOR LUTZ: That's correct.

7 REPRESENTATIVE BARBIN: Do you file cases
8 in common pleas court?

9 MAJOR LUTZ: Occasionally we do file
10 criminal charges, but our system is primarily designed
11 among -- around the administrative law judge process.

12 REPRESENTATIVE BARBIN: Thank you, Major.

13 CHAIRMAN SANTONI: Representative Dom
14 Costa.

15 REPRESENTATIVE DOM COSTA: Thank you,
16 Mr. Chairman.

17 Thank you, Major. A question for you.
18 Representative Caltagirone and I were just up here
19 sidebarring and basically the types of video lottery that
20 we're talking about, not the ones we have in western
21 Pennsylvania, the ones that we're contemplating
22 legalizing, which would be tied in like the lottery
23 machines, would they be easier for your -- your group to
24 oversee because they're tied in? And I'm sure, what,
25 once they are legal the other ones will be completely

1 illegal, even to have for amusement. Would that be
2 easier for you as far as enforcement?

3 MAJOR LUTZ: Representative, you're
4 referring to the initiative, I think it was last year, to
5 come up with a legalized video machine that was regulated
6 by the state?

7 REPRESENTATIVE DOM COSTA: Correct. And it
8 also would be tied in just like a lottery machine, hard
9 wired into our system that would basically tell the sales
10 and everything right as it was -- they were occurring.

11 MAJOR LUTZ: I think if it was done
12 properly, you know, with controls that we had
13 recommended, it would certainly be easier.

14 REPRESENTATIVE DOM COSTA: Okay. Then let
15 me ask you this then, too. Along the lines of the small
16 games of chance, I know the legal -- the liquor control
17 has certain regulations as far as me keeping books if I
18 have a liquor license and keeping appropriate records.

19 If we decided not to tie these together, if
20 we took those types of regulations and applied them to
21 the small games of chance, this way your manhours
22 wouldn't be as intense with -- if you went somewhere and
23 you came into my place and said, let me see your records,
24 they had to be produced or you could be suspended, would
25 that help you?

1 MAJOR LUTZ: Well, we currently have that
2 provision. They must maintain their small games of
3 chance records for two years.

4 But, unfortunately, what we find is either
5 the record keeping is so poor or that it's intentionally
6 done, you know, as I said, two sets of records or what
7 we're seeing now is no records, just go in and they have
8 no records. We'll cite them for failure to maintain
9 records, but we'll have no idea how much money was going
10 through that operation.

11 And they'd rather, you know, pay the fine
12 and hopefully I -- I think they feel they won't get
13 suspended for no records and really then we don't know
14 what the club was doing.

15 So the requirement is already placed. It's
16 just not being complied with.

17 REPRESENTATIVE DOM COSTA: I see. Okay.
18 Thank you, Major. I appreciate your coming here.

19 MAJOR LUTZ: You're welcome, sir.

20 CHAIRMAN SANTONI: Chairman Staback, next
21 question?

22 REPRESENTATIVE STABACK: Thank you,
23 Mr. Chairman.

24 Major, the number that you threw out before
25 of 3,022 clubs that have liquor licenses, does that

1 number include also the volunteer fire companies that we
2 have that would have small games of chance licenses as
3 well a liquor license?

4 MAJOR LUTZ: Yes.

5 REPRESENTATIVE STABACK: Okay. But it's
6 not necessary for -- for all clubs that -- that don't
7 have a liquor license, those clubs can also be subject to
8 have a small games of chance license?

9 MAJOR LUTZ: That's correct.

10 REPRESENTATIVE STABACK: That's right?
11 Okay. Now, how often -- how often do your people get
12 around to auditing these clubs that have the small games
13 license?

14 MAJOR LUTZ: As an example, last year we
15 did 356, what we refer to as, routine inspections of
16 clubs and catering clubs. So I think less than -- just
17 over ten percent of the clubs out there.

18 So on that basis, we would get every club
19 over a ten-year period.

20 REPRESENTATIVE STABACK: Okay. Are your --
21 your -- I would presume that your audits are
22 unannounced. You come in whenever you feel like doing
23 this and -- and get it done?

24 MAJOR LUTZ: They're somewhat announced in
25 that we -- when we generally get to the club and advise

1 them, I mean we don't call ahead and -- for the most part
2 and say we're doing an audit. But once we get there, we
3 tell them we're doing an audit. A lot of times their
4 records aren't together so what we'll tell them -- this
5 is part of the -- where they become resource intensive --
6 we need to see your records. We'll give them a day or
7 two to get their records and then we'll go back and start
8 the actual audit process. So they have time to get all
9 their records together for us.

10 REPRESENTATIVE STABACK: Okay. Are -- are
11 clubs that are determined to be problematic audited on a
12 more regular basis than those that are not?

13 MAJOR LUTZ: Yes, sir.

14 REPRESENTATIVE STABACK: Okay. Now, how
15 many times -- how many times will you audit a club that
16 is deemed to be problematic before a recommendation is
17 made that the license be lifted? And do you have the
18 authority to actually lift a license?

19 MAJOR LUTZ: To answer your second question
20 first, we do not have the authority to lift the liquor
21 license. And, you know, that's something that we've
22 talked about with regards to nuisance bars. We're
23 somewhat limited in what we can do.

24 What we'll generally do with a club -- and
25 I don't know if there's a specific time period, but if we

1 go in and their small games is not being run properly,
2 they're not using proceeds properly, they're exceeding
3 the cap, we'll do our investigation, which can take
4 months.

5 REPRESENTATIVE STABACK: Uh-huh.

6 MAJOR LUTZ: Once the investigation is
7 done, they'll be cited. It may take months to go through
8 the process. And I mean many months if they decide to go
9 through the appeal process. But if -- and we'll also
10 explain to them exactly what they need to do in order to
11 comply with the law. And what we'll generally do is go
12 back, we'll set -- we'll let them know we're going to be
13 back within six months or nine months in order to do
14 another audit to see if you're in compliance.

15 Or sometimes you'll get another complaint
16 that the club is once again violating the law and that
17 will take us back in.

18 REPRESENTATIVE STABACK: Okay. Aside
19 from -- aside from the complaints perhaps that you might
20 receive on -- that would pertain to a liquor license, how
21 about a small games of chance license where you find
22 numerous violations over a time period at a given club?
23 Do you have the authority to -- to lift a small games of
24 chance license?

25 MAJOR LUTZ: No, we do not. And neither

1 does the administrative law judge.

2 REPRESENTATIVE STABACK: Okay.

3 MAJOR LUTZ: That is -- there's a process
4 set in place that allows that to be done if they're found
5 guilty of a criminal violation, that the license may be
6 repealed -- the treasurer's office -- the treasurer's
7 office can, I think, revoke or lift the license --
8 suspend the license, I think. It's a six-month
9 suspension.

10 REPRESENTATIVE STABACK: Can you
11 approximate for me as best you can the number that are
12 lifted in the course of a year? Do you have any idea at
13 all?

14 MAJOR LUTZ: Very, very few.

15 REPRESENTATIVE STABACK: Very few?

16 MAJOR LUTZ: I think you could probably
17 count them on two hands anyway.

18 REPRESENTATIVE STABACK: Okay.

19 MAJOR LUTZ: That I'm aware of.

20 REPRESENTATIVE STABACK: Okay. Thank you,
21 Mr. Chairman.

22 Thank you, Major.

23 MAJOR LUTZ: You're welcome.

24 CHAIRMAN SANTONI: Representative Swanger
25 has a follow-up.

1 REPRESENTATIVE SWANGER: Thank you, Major.
2 My question is, you didn't refer to House Bill 2379, but
3 because of the problems that you've cited with
4 enforcement, can I take it then that you would not like
5 to see these games expanded to private clubs?

6 MAJOR LUTZ: I think the expansion of games
7 to taverns is a decision for the General Assembly and the
8 Governor.

9 My concern would be some of the provisions
10 within the bill that would limit our ability to do
11 effective enforcement.

12 The multiple permits, there's a provision
13 in the bill that would basically allow multiple permits
14 within one establishment. So you could have the sons of,
15 the daughters of, the brothers of, and the sisters of,
16 all get a small games permit under the liquor license and
17 your cap of 20,000 would become meaningless.

18 Because if you run a different permit every
19 day, you could literally have a cap of \$140,000 and that
20 would pretty much take us out of the enforcement
21 business.

22 In addition the under \$26 exemption for
23 prizes would pretty much take us out of enforcement,
24 because, as I said, it's difficult enough now trying to
25 piece together what the clubs are doing without making it

1 more complicated.

2 REPRESENTATIVE SWANGER: Thank you.

3 CHAIRMAN SANTONI: Just a follow-up on the
4 auditing provisions, and I -- is it that the auditing
5 provisions are so complex or it's just the clubs just
6 don't really bother feeling like they have to put the
7 things together?

8 Because it says even on a simple audit that
9 it takes you guys six to eight hours of -- of work. So
10 I'm just wondering if there's a way to simplify that
11 audit or it's just -- we just have to make sure that the
12 clubs adhere to the law better?

13 MAJOR LUTZ: I think the process is some
14 people did their best to try and make the process as
15 simple as they could at the time. I think it's naturally
16 complicated by the fact that there's different games.
17 Some games, you know, daily drawing, weekly drawing,
18 hundred percent payouts. The statute offers exemptions
19 in certain areas which makes it a -- a little tough to
20 do.

21 But really I think it's complicated in the
22 areas where the clubs just don't keep the records they're
23 required to keep, and that's really what presents a
24 challenge.

25 CHAIRMAN SANTONI: Thank you for your

1 testimony.

2 MAJOR LUTZ: You're welcome.

3 CHAIRMAN SANTONI: We really appreciate
4 it. We thank you for your time.

5 MAJOR LUTZ: You're welcome.

6 CHAIRMAN SANTONI: Look forward to working
7 with you on the issue --

8 MAJOR LUTZ: Thank you.

9 CHAIRMAN SANTONI: -- as we move forward.
10 Let's bring our next group to the table
11 from the Pennsylvania Tavern Association. Amy Christie,
12 executive director, Pennsylvania Tavern Association;
13 Jonathan Grimes, tavern owner from The Twist in Luzerne
14 County; Don Hershey, VFW Post 1599 in Chambersburg; and
15 Don Konkle, Pennsylvania Fire and Emergency Services
16 Institute.

17 You can make your way to the table.

18 I just want to make an announcement. The
19 reason I'm wearing an orange shirt today is in honor of
20 the Philadelphia Flyers who are in the Stanley Cup
21 finals. I know that when the team from the west are in
22 any kind of finals we have to wear certain colors. But
23 when the teams from the east are there we so I'm doing
24 that in honor of the Flyers. I know -- I know we're down
25 0/2, but we're going to come back. So I just wanted to

1 make that announcement for my good friend, Paul Costa.

2 REPRESENTATIVE PAUL COSTA: You can see
3 when we get the chance.

4 CHAIRMAN SANTONI: We want to try to keep
5 the Stanley Cup in Pennsylvania.

6 When you're ready, you may -- you may start
7 in any order that you decide. Just announce who you are
8 and your title for the stenographer. Thank you.

9 EXEC. DIRECTOR KONKLE: Good morning,
10 Mr. Chairman and committee members. I'm Don Konkle. I'm
11 executive director of the Pennsylvania Fire and Emergency
12 Services Institute.

13 The Pennsylvania Fire and Emergency
14 Services Institute represents county firemen's
15 associations, state firemen's association, state fire
16 chiefs' association. And the role of the institute is
17 really to try to provide fire companies the tools they
18 need to succeed.

19 With that, we support House Bill 2379. As
20 many of you are aware, the pressures on volunteer fire
21 companies are immense. Recruiting and retention is a --
22 is a major issue, and part of that recruiting and
23 retention problem is the amount of time it takes to do
24 fundraising for the average volunteer firefighter.

25 Not only are they training one or two

1 nights a week, they are also running the chicken corn
2 soup dinner or the chicken barbecue on the weekends.

3 And this bill provides an opportunity for
4 both clubs -- and just as we talk about clubs, I would
5 support what Commissioner Mann said about I'm seeing that
6 a -- a fair percentage of the proceeds from volunteer
7 fire clubs go back to the operation of fire companies.
8 That was the original concept, I think, when it was done,
9 and we've clearly moved away from that.

10 But beyond that, the ability of the taverns
11 to donate proceeds from their small games of chance
12 operations back in the community, including volunteer
13 fire companies, we think is a good provision of the
14 bill.

15 It will take some of that fundraising
16 provision off the volunteers, allow them to dedicate
17 their time to doing what's more appropriate, and that's
18 training and serving the public. That is important.

19 And anything that can be done to relieve
20 that pressure is a good thing for public safety. I think
21 the revenue provisions in this that are going to the
22 Commonwealth are a good thing for the Commonwealth.

23 And I'm certainly not an expert on the
24 proceeds going to the bars, but obviously I'm --
25 supporting small businesses is something that -- that is

1 a good thing.

2 And oftentimes these small bars and taverns
3 in the communities are already supporting the fire
4 companies, but this would give them an additional revenue
5 source to do that.

6 So with that, I just urge your support of
7 the bill. Thank you.

8 CHAIRMAN SANTONI: Thank you. I think what
9 we'll do is we'll have everybody testify and then we'll
10 just have questions at the end then.

11 Next.

12 MR. HERSHEY: Good morning, Mr. Chairman
13 Santoni, Chairman Schroder, and members of the
14 committee.

15 My name is Don Hershey, and I'm
16 representing, and my colleagues are representing, the VFW
17 Post 1599 in Chambersburg, Pennsylvania and we're here
18 today to testify in support of House Bill 2379.

19 Our VFW post is the largest in Pennsylvania
20 with over 4,000 members and the third largest in the
21 nation.

22 In a few minutes, I'll explain why our
23 organization -- and many others like us that provide
24 support activities for active and retired military
25 personnel -- supports the House Bill introduced by State

1 Representative Gene DePasquale and State Representative
2 Ron Miller, and you other colleagues.

3 Before I start, I want to provide you with
4 a brief overview of the kind of services that we
5 provide. I'm sure many of the members of the committee
6 have a general understanding of who we are and what we do
7 while others may not.

8 Before I explain more about who we are, I
9 want to ensure and make clear who we're not. We're not
10 just a place where veterans and social members can
11 congregate for a good meal or drink. We're -- we're very
12 much more.

13 The Veterans of Foreign Wars of the United
14 States, with its Auxiliaries, includes 2.2 million
15 members in approximately 8,100 posts worldwide. Our
16 mission is to honor the dead by helping the living
17 through veterans' service, community service, national
18 security, and a strong national defense.

19 The VFW traces its roots back to 1899 when
20 veterans of the Spanish-American War and the Philippine
21 Insurrection founded local organizations to secure rights
22 and benefits for their service. Many of these veterans
23 arrived home wounded or sick and there was no medical
24 care or veterans' pensions for them, and many of these
25 vets were left to care for themselves.

1 In their misery, some of these veterans
2 banded together and formed organizations that would
3 become known as the Veterans of Foreign Wars of the
4 United States. After chapters were formed in Ohio,
5 Colorado, and right here in Pennsylvania, the movement
6 quickly gained momentum. By 1915, membership grew to
7 5,000 and by 1936 membership was almost 200,000.

8 Since then, the VFW's voice has been
9 instrumental in establishing the Veterans Administration,
10 creating a GI bill for the 20th century, the development
11 of the national cemetery system, and the fight for
12 compensation for Vietnam veterans exposed to Agent Orange
13 and for veterans diagnosed with Gulf War Syndrome.

14 In 2008, VFW won a long-fought victory with
15 the passing of a GI bill for the 21st century, giving
16 expanded educational benefits to America's active duty
17 service members and members of the Guard and Reserves
18 fighting in Iraq and Afghanistan.

19 The VFW has also fought for improving VA
20 medical centers -- center services for women veterans.

21 Besides helping to fund the creation of the
22 Vietnam, Korean War, World War II, and Women in Military
23 Service memorials, the VFW in 2005 became the first
24 veterans' organization to contribute to the building of
25 the new Disabled Veterans for Life Memorial which is

1 being constructed in Washington, D.C. and is expected to
2 open this year.

3 In 2001, the VFW unveiled its tribute to
4 service and country with its dedication of Centennial
5 Plaza.

6 Annually, VFW members and its Auxiliary
7 contribute more than 13 million hours of volunteerism in
8 the community, including participation in Make A
9 Difference Day and National Volunteer Week.

10 From providing 2.5 million college
11 scholarships to high school students every year and to
12 encouraging elevation of the Veterans Administration to
13 the president's cabinet, the VFW is always there --
14 again, honoring the dead by helping the living.

15 To be sure, we meet our mission in part
16 through the volunteer hours we commit every day
17 throughout the year. Our time is immensely valuable, but
18 we also need adequate financial resources available to
19 achieve our goals. Among the key ways we raise funds is
20 through these games of chance.

21 We support House Bill 2379 because it will
22 bring the existing state law into the 21st century by
23 raising the prize limits on these games. In very simple
24 terms, raising the prize limits makes these games more
25 appealing to our patrons, thus making them more likely to

1 play. The more people that play, the more resources
2 we're able to apply to the programs that our communities
3 have come to rely on throughout the years.

4 This is especially important now, as
5 organizations like ours have not been immune to the
6 problems caused by the economic turbulence of the past
7 two years. We've seen rising costs and declining
8 revenues in our post, and I'm sure others are feeling the
9 economic pain as well. This bill is one way for us to
10 help overcome these fiscal challenges and put our
11 organizations on a positive course for the future.

12 Contrary to what you may be hearing from a
13 vocal minority of clubs, we also believe that local
14 taverns should be allowed to offer these same small games
15 of chance.

16 We don't see this as a threat to our
17 ability to raise funds or to support our mission. Like
18 us, these very same tavern owners have been working to
19 overcome this very tough economy, so the added revenue
20 will be welcome for them. And the fact that a portion of
21 what they raise is turned over to the state in the form
22 of taxes helps the entire Commonwealth.

23 Finally, they will have to designate
24 charitable causes that receive extra resources as well.
25 Whatever we raise remains untaxed unlike previous plans

1 contemplated by the legislature.

2 I know that you're evaluating many
3 different plans, but I believe in my heart that House
4 Bill 2379 is the one that makes the most sense for all of
5 Pennsylvania. I hope that you will move swiftly to get
6 this legislation to the Governor's desk as soon as
7 possible.

8 And I thank you gentlemen very much for
9 your time.

10 EXEC. DIRECTOR CHRISTIE: Thank you.
11 Chairman Santoni, Chairman Schroder, and members of the
12 committee, good morning.

13 On behalf of more than 200,000
14 Pennsylvanians who are employed by family-owned taverns
15 across Pennsylvania, I appreciate the opportunity to
16 appear before you to explain why the Pennsylvania Tavern
17 Association and the small businesses we represent
18 wholeheartedly support House Bill 2379.

19 Also joining me today is Jonathan Grimes,
20 the Pennsylvania Tavern Association board treasurer and
21 president of the Luzerne County chapter of the
22 Pennsylvania Tavern Association and a Commonwealth
23 licensee.

24 Before I elaborate on why this legislation
25 is so important to our members, I want to provide some

1 context on the impact of our industry in Pennsylvania.

2 I am not aware of a single legislative
3 district that does not have at least one family or
4 independently owned tavern within its boundaries. Each
5 one is a tax-generating, job-creating,
6 community-supporting small business.

7 Our members pay an estimated \$140 million
8 annually in local sales and liquor taxes each year based
9 on an analysis conducted for us by the Mercyhurst College
10 Center for Intelligence, Research, Analysis, and
11 Training.

12 Collectively, our members contribute
13 millions more in cash and in-kind contributions to
14 charitable, educational, and other causes in our
15 communities, from Little League baseball teams to
16 volunteer fire companies to religious organizations to
17 Relay -- Relay for Life and many, many more.

18 Included with this testimony is a listing
19 of just some of the charitable causes we support. And
20 that's on the back, and it's attached, and that -- that
21 list is comprised of a hundred taverns. So that's just a
22 hundred taverns of what they contribute to it each year.

23 Many of our member taverns have been in the
24 same family for generations and we are important
25 community institutions where locals and visitors gather

1 to relax with friends and family members, conduct
2 business, and despite what you may have heard, they do
3 talk politics there.

4 In fact, the Continental Congress engaged
5 in serious political discussions about the founding of
6 our republic at the Tun Tavern at Philadelphia, which
7 also was the birthplace of the U.S. Marine Corps. In
8 short, taverns have long been part of the fabric of
9 Pennsylvania.

10 Because of the tough economic times we all
11 have been confronting, however, with what we believe is
12 an unlevel playing field on which we are forced to
13 compete, we fear for the future of these family-owned
14 businesses.

15 It's becoming increasingly difficult for
16 many of our members to stay afloat, let alone expand,
17 because of the dramatically increasing cost of doing
18 business. Our members are facing higher costs of
19 products and services, higher cost of insurance for their
20 employees, and higher taxes. Already more than 900
21 taverns across Pennsylvania have closed their doors or
22 put their licenses on hold because of the tough economy,
23 declining revenues, and unlevel playing field.

24 The following is a very simple illustration
25 of just some of the state rules or policies and how they

1 impact clubs, casinos, and taverns.

2 And, again, another color version is
3 attached to the back of your testimony.

4 Another consequence of this economic
5 climate is that many of our members have scaled back and
6 in some cases have been forced to eliminate their
7 charitable contributions until the economy rebounds.

8 House Bill 2379, however, is a welcome, and
9 winning, solution.

10 This bill is much like one that was
11 considered by the legislature in 1987 that created the
12 Small Games of Chance Act law with clubs and taverns
13 included. Clubs, including VFWs, American Legion posts,
14 and other fraternal organizations and taverns were
15 working in tandem for that bill's passage, and I am
16 hopeful we can do the same in 2010.

17 It is important to note that the final
18 legislation at that time unfortunately did not include
19 the taverns despite the partnership that we forged.

20 Based on our analysis of House Bill 2379,
21 our participating members will contribute a percentage of
22 their weekly gross revenue to a charitable organization
23 designated in their license applications, such as fire
24 companies, and an additional percentage of their weekly
25 gross revenues to the Commonwealth.

1 Put another way, the taverns will pay an
2 extra tax on their gross revenues, in addition to the
3 other taxes they pay while clubs and other volunteer
4 charitable organizations that offer small games of chance
5 will not.

6 Indeed, we're probably the only industry in
7 Pennsylvania right now that is saying, please tax us.

8 In addition, a new weekly assessment will
9 only apply to newly licensed establishments, and it's
10 very important to note that the weekly assessment would
11 not impact clubs or volunteer or charitable organizations
12 already licensed to conduct small games of chance.

13 While a small but vocal group has argued
14 that Pennsylvania should not allow small games in
15 taverns, our state would not be charting a new course by
16 passing House Bill 2379. Sixteen other states today
17 allow taverns to offer these games, including our
18 neighbors and Pennsylvania's regional competitors,
19 Maryland, Ohio, and West Virginia.

20 Another state, Indiana, that recently
21 passed the small games of chance in taverns law in 2008,
22 has actually proven very beneficial for their state
23 budget. The state agency that regulates charitable
24 gaming there had a very positive report on the impact of
25 small games in the Hoosier state, specifically the impact

1 of the rules there that -- have had on the nonprofit
2 organizations that have already existed.

3 Not only has there been an increase in
4 nonprofits applying for charitable gaming, clubs and
5 fraternal organizations have not complained about losing
6 any revenue due to small games of chance being played in
7 taverns.

8 And that is a direct quote from Larry
9 Delaney, who was Deputy Director For Charitable Gaming of
10 the Indiana Gaming Commission Board.

11 In addition, the Indiana VFW State
12 Headquarters Adjutant and Quartermaster, Terry Bruning,
13 shared with me that his organization did not oppose
14 legislation that allowed taverns to offer some games of
15 chance in Indiana. And he also noted that the VFWs
16 considered that they are members-only facilities and did
17 not want to prohibit the ability of the general public
18 from enjoying these games in public taverns.

19 Expanding the Small Games of Chance Law to
20 allow taverns to offer games is our organization's top
21 legislative priority for the session.

22 Back in March more than 500 tavern owners
23 and supporters from every part of the state took time
24 away from their establishments to travel to their state
25 capital to demonstrate just how important this bill is to

1 them, their employees, their communities, and their
2 state. Many more would have been here but they couldn't
3 afford to take a day off work to make that trip.

4 The Pennsylvania Fire and Emergency
5 Services Institute stood with us in support of this
6 plan. The largest VFW in Pennsylvania and one of the
7 largest in the United States stood with us in support of
8 this plan.

9 Many of your colleagues from both sides of
10 the aisle also stood with us in support of this plan.
11 And in the past weeks I've heard from nearly 1,000
12 individuals who are affiliated with fraternal and social
13 clubs across Pennsylvania who also support this plan.

14 At least one tavern owner did not make it
15 that day. For him this proposal is just too late. After
16 90 years of -- as a family-owned business, Mark
17 Drumheller of Halifax, Dauphin County, closed his tavern
18 doors last year. Others have taken dramatic steps to cut
19 costs.

20 For example, a tavern owner who is actually
21 here today, from York County, Jesi Dickensheets, had to
22 lay off her own father earlier this year just to be able
23 to keep on paying the bills, while others have had to cut
24 back on hiring, bypass giving raises to employees and
25 more.

1 As we approach summer vacation, there are
2 undoubtedly many college students who are expecting to
3 wait tables or otherwise find a good summer job who won't
4 be able to find one in a Pennsylvania tavern.

5 We can't afford to let another year go
6 by -- or other family business close -- without giving
7 our members the opportunity to compete and survive. I
8 urge you and your colleagues to pass House Bill 2379 in
9 this session.

10 I also really appreciate the opportunity to
11 appear before you today, and we'd be happy to answer any
12 questions you may have.

13 And just for your reference, over the past
14 three weeks we have distributed these letters to clubs of
15 all manner across the state, fire companies, social
16 clubs, veterans' clubs, sportmen's clubs, and it's over a
17 thousand in just a few weeks that support directly House
18 Bill 2379.

19 Thank you.

20 CHAIRMAN SANTONI: Have you concluded,
21 everybody has concluded with your testimony?

22 Okay. We'll open it up for questions.

23 First questioner is Representative
24 Kauffman.

25 REPRESENTATIVE KAUFFMAN: Thank you,

1 Mr. Chairman. And I just wanted to start out by thanking
2 the gentleman from Charles Nitterhouse VFW Post 1599 from
3 Chambersburg, from the heart of my district, for being
4 here and attest to the -- the good work that Mr. Hershey
5 highlighted in his testimony.

6 There's very, very few times that I'm out
7 on a holiday weekend that I don't see Mr. Gerhart and his
8 Color Guard at a -- at a public event providing service
9 to the community and I appreciate what the post does for
10 our entire community, which is one reason that I've been
11 a -- a huge supporter of House Bill 169, which directly
12 provides relief for organizations such as yours.

13 And I've heard from an extraordinary number
14 of folks in the community from -- from your post and from
15 community service organizations across my district
16 supporting House Bill 169, and I've been a -- a big
17 supporter of that.

18 I'm wondering as -- as you're here today
19 supporting additionally -- which I -- I assume you still
20 support House Bill 169, that you haven't withdrawn your
21 support of that.

22 MR. HERSHEY: If I had my dithers, I would
23 support 2379 of the two.

24 REPRESENTATIVE KAUFFMAN: Sure. But -- but
25 House Bill 169 provides you relief as well.

1 MR. HERSHEY: It's imperative that we get
2 some kind of legislative --

3 REPRESENTATIVE KAUFFMAN: Sure.

4 MR. HERSHEY: -- changes, yes.

5 REPRESENTATIVE KAUFFMAN: Sure. Now, as
6 you're supporting this, do -- there -- you have no fear
7 of -- of -- of competition between the two entities? Is
8 that appropriate?

9 MR. HERSHEY: Absolutely not. As a matter
10 of fact, over the years it seems that as people become of
11 age, the younger folks tend to patronize these taverns.
12 Over a period of years, those folks tend to congregate
13 through the clubs and through attrition it just seems to
14 be a continuous cycle.

15 But as far as competing or fearful of
16 losing our business to the taverns, no, I have absolutely
17 no -- no fear of that at all.

18 REPRESENTATIVE KAUFFMAN: Okay. All
19 right. Well -- and -- and that's been something that
20 I've -- I've actually said myself and believe is the
21 case. You know, there are different clienteles at
22 different times in their life go to different places and
23 -- and --

24 MR. HERSHEY: Absolutely.

25 REPRESENTATIVE KAUFFMAN: -- and I -- I --

1 I think, although that's been one issue that's been
2 brought to me to why this legislation is needed, is
3 because of the competition, I -- you know, I think that
4 competition probably isn't as -- as great as -- as
5 accentuated, but I'll leave it at that.

6 And I -- I appreciate you gentlemen being
7 here and, as always, you know, I will do my best to -- to
8 support you as you serve our community. And especially
9 great thanks to your service over the years in the Armed
10 Forces, which is why you're -- you're part of that post.

11 So thank you, Mr. Hershey and Mr. --

12 MR. HERSHEY: Mr. Kauffman, thank you very
13 much. Appreciate it.

14 REPRESENTATIVE KAUFFMAN: -- Gerhart and
15 the rest of you for your service to the greater
16 Chambersburg community.

17 CHAIRMAN SANTONI: Representative Barbin.

18 REPRESENTATIVE BARBIN: Thank you,
19 Mr. Chairman.

20 And thank you, all of the testifiers today,
21 for -- for the additional information that regards this
22 issue, both House Bill 169 and this bill that we have
23 before us here, 2369 -- 79.

24 But the question I would have is one that's
25 come up, I think, during the 169, which was is -- is

1 there a -- will we have a problem regulating the -- the
2 industry if we expand small games of chance?

3 And I -- I'd like to know -- and I don't
4 know if you have this information for us today, but if
5 you can, if you could provide us how they regulate in the
6 16 other states that all -- that allow the small games of
7 chance to also be used for the -- the private taverns,
8 that would be helpful.

9 Because that's the big issue that we always
10 get from the State Police or -- is that it will be too
11 hard to regulate. We won't have resources. And -- and
12 obviously they're doing it in these 16 other states.

13 So if you -- do you have any information --

14 EXEC. DIRECTOR CHRISTIE: I do.

15 REPRESENTATIVE BARBIN: -- as to how
16 that --

17 EXEC. DIRECTOR CHRISTIE: I do have some
18 information today that I can share with you.

19 Even clubs in Pennsylvania right now and
20 other states have the ability to use a system. In
21 Pennsylvania a popular one is called JarCheck, and what
22 that does is -- is a scanner, an electronic scanner, that
23 reads the bar code on a small games of chance bag before
24 it is opened and all the information goes directly to a
25 centralized computer system.

1 Now, that centralized computer system then
2 also requires, after the bag is closed and the small
3 games of chance is paid out, that you also code that with
4 the bar code device as well. That automatically tracks
5 every ticket sold, every payout that has been given, and
6 what the establishment has kept in profit.

7 So as -- as an answer to a previous
8 question about a centralized commuter system, we do have
9 that available and that would be able to be used in this
10 fashion as well.

11 REPRESENTATIVE BARBIN: Okay. And then the
12 only other question I have is would you have any
13 objection to limiting the -- if the tavern owners were to
14 be provided with this additional benefit for small games
15 of chance, would there be -- would you have any objection
16 to using those proceeds, the ones that are going to the
17 state, for a specific purpose that we're -- we're not --
18 not now providing?

19 For instance, there has been discussion in
20 the past of providing the proceeds for traumatic brain
21 injury or post-traumatic stress disorder injuries with
22 all the people that are coming back from Afghanistan or
23 Iraq. Would you have an objection to that type of an
24 amendment?

25 EXEC. DIRECTOR CHRISTIE: No, sir.

1 REPRESENTATIVE BARBIN: Thank you,
2 Mr. Chairman. That's the only questions I have.

3 CHAIRMAN SANTONI: Representative
4 Pashinski.

5 REPRESENTATIVE PASHINSKI: Thank you,
6 Mr. Chairman.

7 And thank all of you for your testimony
8 today.

9 Pennsylvania is in a unique situation due
10 to the fact that we have the casinos that have -- that
11 have become very prominent, that bring forth a lot of
12 dollars to Pennsylvania. It has really been a source of
13 income that we didn't count on before.

14 But we can't let one business prosper and
15 allow another business to fail. And what's so rewarding
16 here today is that we do have the private clubs as well
17 as the tavern owners speaking in tandem, and I think that
18 that's very important. Because all we need to do right
19 now is to be able to balance the gaming industry and
20 include the small taverns, as well as the clubs, and
21 allow for all of you to prosper. If that system is
22 balanced properly, it can indeed do that.

23 I think it's important to note Amy, by your
24 testimony, that you guys are actually saying tax us.

25 EXEC. DIRECTOR CHRISTIE: Absolutely.

1 REPRESENTATIVE PASHINSKI: And I -- I want
2 to make a point that the casinos were never offered a KOZ
3 zone. They were never offered any kind of tax incentives
4 in order to bring their business here.

5 And -- and family institutions -- the
6 family taverns and those small businesses have been here,
7 as you've pointed out, for years and years, paying their
8 way, paying their taxes, you know, to the people of
9 Pennsylvania so we could indeed conduct our state the way
10 we need to.

11 Amy, do you have, by any chance, an amount
12 of money that those 900 taverns that have closed in
13 Pennsylvania contributed to the state tax coffers?

14 EXEC. DIRECTOR CHRISTIE: Off the top of my
15 head, I do not. I can research that through the
16 Mercyhurst analysis that we had received on our
17 industry.

18 But just with 900 taverns closing, off the
19 top of my head, that would have resulted in a minimum of
20 about 4,000 to 5,000 jobs. So you've lost those jobs,
21 plus you've lost the income wage taxes --

22 REPRESENTATIVE PASHINSKI: Right.

23 EXEC. DIRECTOR CHRISTIE: -- plus you've
24 lost all of the liquor taxes from the Johnstown flood
25 taxes that we pay, plus the property taxes and school

1 dist -- taxes for those districts.

2 REPRESENTATIVE PASHINSKI: And you did have
3 about 12,000 members to the --

4 EXEC. DIRECTOR CHRISTIE: We did have --

5 REPRESENTATIVE PASHINSKI: -- small
6 taverns?

7 EXEC. DIRECTOR CHRISTIE: There are
8 actually a little over 14,000 licensees in Pennsylvania
9 right now. 3,022 of them are private clubs that have
10 liquor licenses. Several other thousand are Red
11 Lobsters, Olive Gardens, and whatnot. There's probably 8
12 to 9,000 mom and pops left in Pennsylvania, and that
13 number has dramatically dropped from 15 years ago to
14 around -- from around 18,000.

15 REPRESENTATIVE PASHINSKI: And that is a
16 significant amount of -- of tax dollars that Pennsylvania
17 does enjoy. Correct?

18 EXEC. DIRECTOR CHRISTIE: Yes, sir.

19 REPRESENTATIVE PASHINSKI: Okay. All
20 right. Well, I want to thank everybody here. Now, I
21 think that we need this sense of cooperation, and I do
22 believe you've stated it doesn't matter how you split up
23 the -- the taxes relative to Representative Barbin's
24 proposal that some of it goes to specific areas.

25 You're not opposed to any of that? You're

1 just concerned to make sure that you are at the table and
2 you get a piece of the cake?

3 EXEC. DIRECTOR CHRISTIE: Yes, sir.

4 REPRESENTATIVE PASHINSKI: Right?

5 MR. HERSHEY: Yes.

6 REPRESENTATIVE PASHINSKI: All right.

7 Thank you very much.

8 EXEC. DIRECTOR CHRISTIE: Thank you.

9 CHAIRMAN SANTONI: Representative Gabig.

10 REPRESENTATIVE GABIG: Thank you,

11 Mr. Chairman.

12 I just wanted to clarify something from the
13 last questioner. I -- I thought I heard -- although I'm
14 in the back here so sometimes it's hard to hear because
15 of the echo in this very large Majority Caucus Room
16 that I -- that I used to sit in when I first got up here,
17 and unfortunately I have to walk up the stairs. It's
18 helped my health.

19 I have something from PANCO, the
20 Pennsylvania Association of Nationally Chartered
21 Organizations, and it -- that was part of the earlier
22 panel where the Pennsylvania Federation of Fraternal and
23 Social Organizations also gave testimony and -- and they
24 say they oppose HB 2379, although they were major, major
25 supporters, as I recall, of HB 169, which we all I think

1 might have passed unanimously or -- or very -- you know,
2 I'm sure there was one -- at one least member that voted
3 against it.

4 But -- so I guess there's some division
5 here among the -- the analysis of the merits of this bill
6 from the -- from the clubs. And the Chambersburg VFW is
7 here, is probably a member of PANCO?

8 MR. HERSHEY: We belong to PFFSO, yes.

9 REPRESENTATIVE GABIG: Okay. So some
10 people in that group, a majority of the -- of them, I
11 guess, oppose this bill, but there's -- there's some,
12 such as yourself, that support it, I guess. Is that --

13 MR. HERSHEY: Well, it --

14 REPRESENTATIVE GABIG: -- the division?

15 MR. HERSHEY: Sorry. Sir, in Chambersburg
16 we -- we have letterhead forms that are signed by all the
17 clubs in Chambersburg that are in support of 2379.

18 REPRESENTATIVE GABIG: No, I mean on a
19 statewide basis. This is the Pennsylvania Association.

20 MR. HERSHEY: Amy also has, I believe, a
21 thousand clubs members statewide or am I misunderstanding
22 the question?

23 REPRESENTATIVE GABIG: Here -- here -- is
24 there some division then? Because it sounds like all the
25 clubs were for it from this group, but we heard from an

1 earlier group that said they were against it. So there
2 must be some dis -- a disagreement or -- of opinion on a
3 statewide basis? Is that a fair statement?

4 I guess I could ask Amy that question. She
5 might -- she has all the paperwork in front of her.

6 EXEC. DIRECTOR CHRISTIE: I'm sorry.

7 MR. HERSHEY: Certainly not that I'm aware
8 of. But the -- the folks that I come into contact with
9 in the club environment are in support of 2379. I don't
10 know.

11 (Discussion held off the record between
12 Executive Director Christie and Mr. Hershey.)

13 MR. HERSHEY: Yeah. Again, prior -- prior
14 to -- I follow where you're at now. With PFFSO, they've
15 been lobbying for us for quite a few years on 169.
16 Again, like I said, it's imperative as far as a time
17 structure goes that something happens for us pretty
18 immediately.

19 With the advent -- and sitting down and
20 trying to -- to -- to work together with Amy and the
21 Tavern Association on this 2379, we just felt that this
22 would be a better avenue for us.

23 REPRESENTATIVE GABIG: Okay. So I guess
24 that answers my question. That the PFFSO, the
25 Pennsylvania Federation of Fraternal and Social

1 Organizations, which testified earlier, and also
2 testimony was provided to us from the Pennsylvania
3 Association of Nationally Chartered Organizations,
4 they're in opposition, but there's -- must be a division
5 throughout the Commonwealth. Some of the clubs are for
6 it and some are against it. That seems to be a fair
7 analysis based on the competing testimony that we have
8 before us on the committee. Is that right?

9 PAST COMMANDER GEORGE KOHLER: No.

10 EXEC. DIRECTOR CHRISTIE: No.

11 PAST COMMANDER KOHLER: No. George Kohler
12 from VFW Post 1599. I go to almost all the Federation
13 club's meetings. I -- I don't make all the Tavern
14 Association meetings.

15 We're more concerned with the output of the
16 small businesses. And we are a small business even
17 though we're nonprofit.

18 Nothing has been done in three years. We
19 need something to be done. The bill that you have here
20 we feel is more -- at our post we feel is more in line
21 with what we need.

22 We have a large post and a lot of
23 membership. But we also see every day -- and when she
24 talked about -- when I was younger, when I first got out
25 of the service, there was probably 18 or 19 taverns in

1 Chambersburg. Now there's seven. And most of those are
2 barely making it.

3 We believe in small business. All veterans
4 do. And we don't want to hurt the small businesses.

5 REPRESENTATIVE GABIG: Okay. Well, I guess
6 --

7 MR. HERSHEY: If I could help clarify, too,
8 I mean in reference to -- to Teddy's testimony, we met in
9 Chambersburg some months back and this was a federation
10 of clubs meeting and we were kind of hashing out the two
11 bills, and there -- there was some conflict there at that
12 particular meeting.

13 But, as I said, you know, we -- we have
14 these forms that Amy had filled out, and virtually
15 everyone that I have spoken to in Chambersburg -- and
16 you've gotten, what, a thousand statewide that are in
17 support of this -- this 2379.

18 REPRESENTATIVE GABIG: All right. Well,
19 I -- I don't want to belabor this point, because we have
20 written testimony from PANCO, the Pennsylvania
21 Association of Nationally Chartered Organizations.

22 It says our membership includes those from
23 the American Legion, the VFW, the Elks, the Moose, the
24 Eagles, and several small organizations. And then it
25 says on -- on the issues that they point out regarding

1 2379, we oppose HB 2379.

2 They have several issues, and they say as
3 currently written. Now, I'm sure that there are
4 amendments that they might want to have, et cetera.

5 Would you oppose this kind of amendment if
6 you were asked? All this money is going to a -- a
7 pension fund. Do you -- do you care where -- or there's
8 a large, 20 percent. Say it went to property tax instead
9 of -- of a state pension fund, do you have any position
10 on that at this time?

11 EXEC. DIRECTOR CHRISTIE: Are you asking
12 the --

13 REPRESENTATIVE GABIG: Yeah. Anybody on
14 the panel.

15 EXEC. DIRECTOR CHRISTIE: I believe that
16 the pension fund is a great -- a great -- has a great
17 need, and I think it would help that.

18 But ultimately wherever the General
19 Assembly deems the revenue to go necessary --

20 REPRESENTATIVE GABIG: Okay.

21 EXEC. DIRECTOR CHRISTIE: -- we support.

22 REPRESENTATIVE GABIG: So if there was an
23 amendment to put it into property tax -- or at least a
24 significant portion of it into property tax relief, which
25 is what my constituents in my district have been up in

1 arms about for ten years, since I've been up here, you
2 would not have any opposition to that it sounds like?

3 EXEC. DIRECTOR CHRISTIE: No, sir.

4 REPRESENTATIVE GABIG: Then it would be up
5 to the General Assembly.

6 EXEC. DIRECTOR CHRISTIE: No, sir.

7 REPRESENTATIVE GABIG: Okay. And -- and
8 how about -- you know, I heard from the fire
9 commissioner, we heard from the fire commissioner,
10 there's nothing in here that puts it into fire
11 companies. It's up to the -- it's up to the discretion,
12 I guess, of the private for-profit businesses where they
13 would put their money.

14 They could give it to the ACLU, which
15 some -- some members might be -- think it would be fine,
16 but, you know, if -- if we were more -- if we were more
17 specific on where it could go to, and prioritizing to the
18 fire companies and -- and to the veterans' groups, et
19 cetera, that do this good work, would you have any
20 objection to that?

21 EXEC. DIRECTOR CHRISTIE: I do not believe
22 so, sir.

23 REPRESENTATIVE GABIG: So you'd support
24 that then?

25 MR. HERSHEY: Yes, sir.

1 REPRESENTATIVE GABIG: Okay. Thank you
2 very much.

3 MR. KONKLE: Representative, just real
4 quickly. I mean obviously we wouldn't have a problem
5 with it going into the fire companies.

6 But this bill actually has the potential to
7 help every fire company in the state of Pennsylvania,
8 whereas the previous bills there's a very small minority
9 of fire departments that actually have small games of
10 chance.

11 So while it helps those, this bill would
12 have the opportunity to see some revenue.

13 REPRESENTATIVE GABIG: Well, no, I'm not
14 talking about the -- the club piece of it. I'm talking
15 about the for-profit taverns and --

16 MR. KONKLE: Exactly. The proceeds from
17 that would help -- have the potential to help every fire
18 company in Pennsylvania.

19 REPRESENTATIVE GABIG: But right now it's
20 in the -- it could help none of them. They -- they could
21 give not a penny under the current way that it's written
22 and if we would -- in statute make sure that they get a
23 portion of it, you would -- I would think that you would
24 probably support that. Is that -- is that correct?

25 MR. KONKLE: We would support that. But we

1 think we will do well for the way the bill as it's
2 currently written. I mean we'll have to lobby for that
3 at -- with individual tavern owners, but we would support
4 either language actually.

5 REPRESENTATIVE GABIG: Thank you very
6 much.

7 Thank you, Mr. Chairman.

8 CHAIRMAN SANTONI: Just one question from
9 me, maybe a request. You've heard some of the previous
10 testifiers' concern with the enforcement provisions and
11 how -- particularly the fire commissioner and the State
12 Police.

13 I just wonder if anybody would have a
14 comment as to -- have any ideas of how we can resolve
15 some of that?

16 EXEC. DIRECTOR CHRISTIE: Yes, sir.
17 Actually the amendments that Representative Gene
18 DePasquale and Representative Ron Miller had spoke about,
19 would actually allow or give the LCE department a percent
20 of the proceeds, and that, we figured, would total
21 several million dollars to enable them to increase the
22 number of enforcement bodies that they needed and it
23 would actually also -- the percent that would go to the
24 Department of Revenue would take care of any
25 administrative costs above and beyond of what they would

1 need.

2 Plus with the JarCheck system that I had
3 spoke about earlier, where you automatically read the bar
4 code, it goes into a centralized computer system, I
5 believe that we have a lot of unused centralized computer
6 systems right now from the lack of slots that would be
7 able to go right into there that would monitor every
8 taxpaying -- and I'm not talking about the clubs being
9 monitored this way, but I'm talking about the taverns
10 that participate in this program.

11 It would actually be a benefit to the
12 taverns as well, because they would not have to sit down
13 and write out figures left and right. This would be a
14 printout from the Department of Revenue to -- and us that
15 would show exactly how much money is spent, how much
16 wagered, how much was gained in profit, and how much is
17 owed to the state, to the charities, and to the licensee.

18 CHAIRMAN SANTONI: So that the Jar --
19 JarCheck system that you're talking about, the costs
20 would be borne by the money coming out of the amendment
21 that's being proposed?

22 Or who would -- where would we get the
23 money for that? And how much? Do you have any idea how
24 much that would cost?

25 EXEC. DIRECTOR CHRISTIE: Right now whoever

1 opts to purchase the JarCheck system, with this not being
2 a taxed -- a tax revenue source in the small -- in the
3 small private clubs, clubs will opt to buy it or not buy
4 it.

5 Depending on -- on their -- on their
6 proceeds, if they do a whole lot and they don't want to
7 have to keep on, you know, doing all the reporting
8 constantly, then they will purchase this JarCheck
9 system.

10 I believe that the percentage from the
11 Department of Revenue would more than take care of
12 anything that they would need for any licensee who
13 chooses to participate in the program, and it would get
14 rid of any kind of questions that anyone may ask or may
15 need answered regarding accountability.

16 CHAIRMAN SANTONI: Okay. You said -- you
17 said the star test system? That's another system?

18 EXEC. DIRECTOR CHRISTIE: The JarCheck
19 system. It's --

20 CHAIRMAN SANTONI: Or JarCheck.

21 EXEC. DIRECTOR CHRISTIE: It's just a
22 system --

23 CHAIRMAN SANTONI: I thought you said
24 another. Okay.

25 EXEC. DIRECTOR CHRISTIE: It's a system

1 that's out there now.

2 CHAIRMAN SANTONI: I heard you
3 incorrectly. Okay.

4 Representative Vulakovich has a question.

5 REPRESENTATIVE VULAKOVICH: Thank you,
6 Ms. Christie. I have a few questions for you.

7 The 900 taverns that you said have closed?

8 EXEC. DIRECTOR CHRISTIE: Yes, sir.

9 REPRESENTATIVE VULAKOVICH: How back -- how
10 far back are you going with that? How many years?

11 EXEC. DIRECTOR CHRISTIE: Within about the
12 past 18, 19 months.

13 REPRESENTATIVE VULAKOVICH: The last 19 --

14 EXEC. DIRECTOR CHRISTIE: And this -- and
15 this goes in -- the licenses go into safekeeping or the
16 licenses have been sold to other people looking to
17 purchase the license.

18 But we've been watching the PLCB's record
19 of licenses in safekeeping and -- and they have it
20 very -- easily to be accessed. So we can keep a monitor
21 on that just to be able to, you know, watch out better
22 for our taverns.

23 REPRESENTATIVE VULAKOVICH: So in the last
24 18 or 19 months you have had 900 taverns close?

25 EXEC. DIRECTOR CHRISTIE: Yes, sir.

1 system costly?

2 EXEC. DIRECTOR CHRISTIE: It can be costly,
3 yes. The initial cost for the JarCheck system is several
4 thousand dollars.

5 REPRESENTATIVE VULAKOVICH: I do -- I do
6 agree with you though, after hearing State Police
7 testimony, that the -- the bookkeeping is probably going
8 to be a problem. Everybody is going to do it their own
9 way and then, you know, they're going to have to come in
10 and it's going to be labor intensive.

11 EXEC. DIRECTOR CHRISTIE: I agree. We --
12 we were, in the beginning of this conversation, with --
13 with certain individuals, you know, we -- we had pictured
14 this being a -- kind of a one-pager application reporting
15 system that has always been touted as, you know, what the
16 clubs use to report. And I have no -- no lack of
17 confidence in my licensees, that they would be
18 responsible and reporting licensees, because they are the
19 most heavily regulated industry in Pennsylvania
20 currently.

21 So they are constantly reporting and
22 constantly reporting figures. So I don't have any lack
23 of faith in them, but this just might make it easier for
24 them, for the Department of Revenue, and for the General
25 Assembly to be able to pass.

1 REPRESENTATIVE VULAKOVICH: Another
2 question. I -- I come from western Pennsylvania, so we
3 have the video machines out there in all the bars.

4 And has there been any talk from your
5 people that are part of your organization where, if we
6 would pass this law, where they would say, you know what,
7 the video machine is nice but do cause us some problems
8 for various reasons, that they would maybe opt out of the
9 video machines because of this passage of this
10 legislation?

11 EXEC. DIRECTOR CHRISTIE: Respectively,
12 representative, I can't speak to any kind of illegal
13 games being played right now.

14 REPRESENTATIVE VULAKOVICH: Oh, we're not
15 talking about that. We're just talking about the video
16 machines themselves. They're sitting there. Would they
17 get rid of the video machines?

18 EXEC. DIRECTOR CHRISTIE: I don't believe
19 so.

20 REPRESENTATIVE VULAKOVICH: It's that
21 simple.

22 EXEC. DIRECTOR CHRISTIE: Absolutely. I --
23 I do not believe so. The -- the video machines that are
24 legal and do not pay out, I do not feel that they have
25 any kind of threat of being removed once -- once this

1 bill would be passed.

2 REPRESENTATIVE VULAKOVICH: Okay.

3 EXEC. DIRECTOR CHRISTIE: And actually I
4 think the makers and the distributors of those machines
5 are also eligible to be selling these small games of
6 chance to the licensed establishments for a small
7 license, a fee, I think, of \$1,200 to the Commonwealth.
8 So it's actually -- it could be an actual revenue source
9 for machine vendors.

10 REPRESENTATIVE VULAKOVICH: Well, that was
11 my next question. I wanted to know that the small games
12 of chance, you know, the vendors are business people,
13 too.

14 EXEC. DIRECTOR CHRISTIE: Yes, sir.

15 REPRESENTATIVE VULAKOVICH: And I'm
16 wondering --

17 EXEC. DIRECTOR CHRISTIE: We've had several
18 machine vendors approach us and are very monitoring --
19 heavily monitoring what is happening here because they
20 would also like to --

21 REPRESENTATIVE VULAKOVICH: Participate.

22 EXEC. DIRECTOR CHRISTIE: Participate.
23 They already are in our establishments and doing the
24 machines. So why would they not be in our establishments
25 doing the machines and selling the small games of

1 chance?

2 REPRESENTATIVE VULAKOVICH: So you think
3 that the -- the -- the vendor people could come along
4 with support of this bill if they haven't already? Have
5 they?

6 EXEC. DIRECTOR CHRISTIE: I have not spoken
7 directly to the PAMA board, I -- I'm supposing, but I've
8 had several machine vendors contact me in support.

9 REPRESENTATIVE VULAKOVICH: Okay. Well,
10 I've -- I've personally always been real impressed with
11 your testimony.

12 EXEC. DIRECTOR CHRISTIE: Thank you.

13 REPRESENTATIVE VULAKOVICH: You're always
14 very factual. You're passionate for your people. I
15 think you would be a good spokesman maybe to speak with
16 those vendors and see if possibly something could be
17 worked out there.

18 Maybe it doesn't have to be in a form of
19 legislation, but, as we know, especially in Pennsylvania,
20 there's a lot of traditions that exist that's between
21 people who care about each other, just like we see today
22 the coming together of the -- the veterans and the
23 firemen and saying we'd all like to see this work for
24 us.

25 So I thank all of you for your testimony

1 today. And, once again, Ms. Christie, you've -- you've
2 always given excellent testimony.

3 EXEC. DIRECTOR CHRISTIE: Thank you.

4 REPRESENTATIVE VULAKOVICH: And to the
5 point and always been very forward with your -- with your
6 comments and answering questions. So thank you.

7 EXEC. DIRECTOR CHRISTIE: Thank you.

8 CHAIRMAN SANTONI: Thank you all for your
9 testimony. We appreciate your time and we'll certainly
10 incorporate your comments and ideas into our
11 discussions. Thank you so much.

12 EXEC. DIRECTOR CHRISTIE: And, Chairman, I
13 was going to copy all of these and drop these at -- at
14 your office so that you have them.

15 MR. HERSHEY: Is that these?

16 CHAIRMAN SANTONI: Oh, that's fine. Sure.

17 EXEC. DIRECTOR CHRISTIE: Thank you.

18 CHAIRMAN SANTONI: Our final testifier
19 today is Mr. Bill Walker, who is the Harrisburg
20 representative of the Lancaster Bingo Company.

21 Mr. Walker, when you're ready, you may
22 proceed.

23 MR. WALKER: Thank you. Chairman Santoni
24 and Schroder, members of the Gaming Oversight Committee,
25 my name is Bill Walker. I'm the sales manager of Lanco

1 -- Lancaster Bingo Company located in the Pittsburgh area
2 and covering the western area of Pennsylvania.

3 I have been working in Pennsylvania in this
4 industry for just under 21 years. We also have a second
5 region located here in Harrisburg, and our sales manager,
6 Ted Trapuzzano, is also here with me today and Ted has
7 worked in this industry since 1990.

8 We employ 18 individuals who live here in
9 Pennsylvania. We distribute charitable gaming supplies
10 in an additional seven states and have been in business
11 since 1983.

12 And if I can add right now, some of those
13 states require us to do reporting of just what's been
14 talked about here today on the profits and the amount of
15 sales that we make to the charitable games, how much
16 profit they make on those. We generate reports all the
17 time. Either directly to the states or the organizations
18 so they could submit them to the state.

19 As a distributor of small games of chance
20 in Pennsylvania, I'm here today to provide an overview of
21 exactly what is considered a small game of chance, and to
22 provide additional information related to our line of
23 business in Pennsylvania.

24 Many people in Pennsylvania are familiar
25 with small games of chance. These games are used by

1 organizations of all kinds to raise money for a variety
2 of purposes. I suspect that many members of the
3 committee at one time or another tried their luck on a
4 small game of chance during a fundraising in their
5 communities.

6 State law specifically defines small games
7 of chance.

8 Pennsylvania Local Options Small Games of
9 Chance Act was passed in 1988. The Act allows eligible
10 nonprofit organizations to conduct small games of chance
11 for the purpose of raising funds for the promotion of the
12 public interest purpose. The law is quite specific
13 regarding the games of chance that are allowed and the
14 manner in which they may be conducted.

15 A licensed eligible -- eligible
16 organization may conduct five types of games under the
17 Act, including punchboards, pull tabs, raffles, daily
18 drawings, weekly drawings.

19 The basic definitions for these games --
20 and much more -- are available on the Pennsylvania
21 Department of Revenue web site. And I will show you a
22 couple of these games at the end of my testimony.

23 Our business is heavily regulated by the
24 state. Both manufacturers and distributors of small
25 games have to be approved by the Department of Revenue,

1 and I have included a copy of the required application
2 with my testimony and it is identified as Exhibit A.

3 In Pennsylvania there are more than 100
4 distributors licensed or certified to sell small games of
5 chance to licensed, eligible organizations within
6 Pennsylvania.

7 Currently there are also 34 manufacturers
8 licensed to manufacture and sell small games of chance to
9 licensed distributors within Pennsylvania. In
10 Pennsylvania, it is only legal to purchase small games of
11 chance from licensed manufacturers.

12 Those who make and distribute small games
13 not only are regulated but the list is publicly and
14 easily accessible on the Department of Revenue's web
15 site.

16 In addition, charitable organizations that
17 wish to sell small games of chance for public interest
18 purposes have to seek approval from the county where they
19 are located in order to sell these games. A copy of this
20 application is included and is Exhibit B.

21 House Bill 2379, by allowing taverns to
22 offer small games of chance and by boosting the prize
23 limits on the games, will be immensely helpful to
24 businesses like mine and the other over 100 distributors
25 and manufacturers licensed to conduct business here in

1 Pennsylvania.

2 House Bill 2379 will also have a positive
3 impact on the charitable organizations, taverns, the
4 communities they service, and, most importantly, the
5 state of Pennsylvania.

6 We urge you to support House Bill 2379. I
7 thank you.

8 Just to show you a little bit of what we're
9 talking about, I mean this is a -- this is the third most
10 popular game we sell as a company, and there's only 150
11 tickets in there. When it's sold on the floor at a bingo
12 game or sometimes it's done at a club also, but mostly at
13 bingo games, there's a \$100 prize awarded and the charity
14 pay -- makes \$50, less the cost of the bag of tickets.

15 Most of you are familiar with tickets like
16 this. You've seen them at your organizations that you
17 belong to and churches and fire departments.

18 Most of the games we sell are like that.
19 They're small bags of tickets with limited income, but
20 help to generate funds for the charities that we do
21 business with across the state of Pennsylvania.

22 Anybody have any questions?

23 CHAIRMAN SANTONI: Sure. Representative
24 Pashinski will start.

25 REPRESENTATIVE PASHINSKI: Thank you,

1 Mr. Chairman.

2 Thank you for your testimony. Sir, you
3 said that there are 34 manufacturers of these -- of these
4 small games of chance in Pennsylvania?

5 MR. WALKER: (Nods head up and down.)

6 REPRESENTATIVE PASHINSKI: Do you have any
7 idea what they generate relative to taxes?

8 MR. WALKER: Taxes within Pennsylvania?

9 REPRESENTATIVE PASHINSKI: Uh-huh.

10 MR. WALKER: That's -- as far as
11 manufacturers, it's probably not a big number. Most of
12 those are outside the state of Pennsylvania.

13 The bulk of that money would be -- come
14 from a \$2,000 fee that's paid per license so 68 -- 6,800
15 bucks. Would that be what it is?

16 REPRESENTATIVE PASHINSKI: 68,000.

17 MR. WALKER: \$68,000 I mean. I'm sorry.

18 REPRESENTATIVE PASHINSKI: Okay. Let's --
19 let's come back to the idea of controlling and regulating
20 and monitoring.

21 MR. WALKER: Okay.

22 REPRESENTATIVE PASHINSKI: So if I'm going
23 to buy the punch boards from you -- by the way, what
24 does -- what does a bag of punchboards cost and what --

25 MR. WALKER: It could be from \$5 to, let's

1 say, a hundred dollars, depending on what the eligibility
2 is.

3 REPRESENTATIVE PASHINSKI: Depending on
4 what the prize is and how many?

5 MR. WALKER: Well, how many tickets are in
6 the bag normally.

7 REPRESENTATIVE PASHINSKI: Okay.

8 MR. WALKER: So -- and the maximum we're
9 allowed in Pennsylvania is 4,000 tickets in a game.

10 REPRESENTATIVE PASHINSKI: So you heard one
11 of our testifiers earlier say about the Jar tab system?

12 MR. WALKER: Yes.

13 REPRESENTATIVE PASHINSKI: So if -- if I'm
14 going to purchase several bags of the various games that
15 you have, how is that processed? Do you code it, bar
16 code it, and is -- does that automatically go into your
17 system?

18 MR. WALKER: Well, there's -- there's two
19 ways that it could be done, sir. One is when I in --
20 invoice a bag of tickets or a jar -- a bag of Jar
21 tickets to a distributor -- a charity, it generates an
22 invoice and it shows right on the invoice how many
23 tickets are in there, what the total gross take of it is,
24 depending whether it's a dollar ticket, a 50 cent ticket
25 and a 25 cent ticket and what the profit is on that

1 game.

2 I also have the ability to create a report
3 that I can supply to the charity that says exactly how
4 much I sold to them over any given period of time. It
5 could be for one week. It could be for one month. It
6 could be for one year.

7 And in some states it's -- they demand that
8 information. I supply it to the charity, and the charity
9 has to apply it -- supply it to the state so they know
10 how much profit they made on these games. And that's a
11 gross profit.

12 REPRESENTATIVE PASHINSKI: Okay now. And
13 that's through the Department of Revenue?

14 MR. WALKER: In different states. Not in
15 the state of Pennsylvania. In other states.

16 REPRESENTATIVE PASHINSKI: What is it in
17 Pennsylvania?

18 MR. WALKER: Nobody requests that
19 information that I know of unless the State Police are
20 asking for it because they have a charitable organization
21 that's under investigation.

22 REPRESENTATIVE PASHINSKI: So right now in
23 Pennsylvania you're selling X amount of product and no
24 one is tracking that?

25 MR. WALKER: I would say you're probably

1 right.

2 REPRESENTATIVE PASHINSKI: And I'm asking
3 these questions because the regulatory commission, the
4 gaming board spends incredible amounts of time developing
5 the system so that when the people of Pennsylvania went
6 into a casino and they invested their dollars in their
7 games that those dollars would actually be tracked and it
8 was done electronically to make sure that the payouts
9 were correct for the people who were paying as well as
10 the taxes that came back to the people of Pennsylvania.

11 It seems to me that what's lacking in this
12 whole process is that check and balance system, you know,
13 in this process of -- of selling these games and
14 monitoring them and making sure that the people get a
15 fair shot for what they're buying as well as the people
16 in Pennsylvania in -- in the return of taxes.

17 Could you give me an estimate of -- now,
18 you're all doing everything above board here. That
19 doesn't mean that some of these folks are getting games
20 from out-of-state vendors with -- with no regulation on
21 that. Is there a -- an abuse of that part of it as
22 well?

23 MR. WALKER: There's risks involved there
24 because the State Police are out checking things. I
25 don't see it in -- in my business.

1 Most of the -- all the people that I do
2 business with, I make sure that they have a license. I
3 keep a copy of their license. They request a copy of my
4 license because they're legitimate and on the up and up.

5 REPRESENTATIVE PASHINSKI: And you want to
6 protect your business first?

7 MR. WALKER: That's a hundred percent. We
8 got -- we're not a small business. We're a fairly good
9 size business and we want to make sure that we stay in
10 business.

11 REPRESENTATIVE PASHINSKI: And I was
12 wondering if you could, in a general term, give us an
13 idea of how much money is generated, how much purchase of
14 these games goes through your company or those 23
15 companies?

16 I don't want to put you on the spot.
17 There's no IRS people here.

18 MR. WALKER: Well, the 34 manufacturers I
19 would have no idea. At one time I used to work for one
20 of those manufacturers, and they do a lot of business but
21 it's spread over most states in the United States.

22 As far as how much is done in Pennsylvania,
23 I couldn't even venture a guess what the -- what the
24 number is. I mean just to tell you what we do in
25 Pennsylvania, it's multiple millions of dollars of sales.

1 REPRESENTATIVE PASHINSKI: How much is it?

2 MR. WALKER: Multiple millions of dollars.

3 REPRESENTATIVE PASHINSKI: Multiple
4 millions?

5 MR. WALKER: It's less -- it's probably
6 about \$6 million, say maybe \$7 million.

7 REPRESENTATIVE PASHINSKI: Do you offer any
8 charitable contribution?

9 MR. WALKER: Oh, yes. We are definitely
10 charitable. I'm telling you, we are a legitimate,
11 honest, upstanding corporation. We had a huge food
12 fundraising drive last year which we -- we grew -- a
13 hundred thousand dollars in food we got donated from the
14 employees of our company, from the charitable
15 organizations we do business with, from people that come
16 to bingo games, and from our manufacturers. We went to
17 them and said, hey, we're doing this and we want you to
18 participate, too. And we had great cooperation and we
19 raised a hundred thousand dollars for food for the needy,
20 and that's just one -- one of the things that we do.

21 REPRESENTATIVE PASHINSKI: I know. And
22 it's very commendable. And, again, for the tavern owners
23 I know that they do the same thing and certainly the
24 service clubs, they all, you know, pitch in.

25 Can you give us an idea of what you pay in

1 taxes?

2 MR. WALKER: I have no idea.

3 REPRESENTATIVE PASHINSKI: Okay.

4 MR. WALKER: I am -- I'm the sales
5 manager. I'm not a principal of the organization.
6 That -- that kept -- information is kept secret.

7 But I do want to stress, we do have reports
8 that are available to the state of Pennsylvania.

9 REPRESENTATIVE PASHINSKI: Right. That
10 will be online.

11 MR. WALKER: It's just -- I mean it's
12 there. Even the -- the -- we've supplied that
13 information the few times we've been asked by the State
14 Police. They asked us for the information. We have to
15 give it to them and we voluntarily give it to them.
16 Because we think this is a legitimate, positive industry
17 with good people who volunteer their time to make money
18 for whatever their charitable happens to be -- charitable
19 organization happens to be raising money for and that's
20 who we work with. And it's a great industry.

21 REPRESENTATIVE PASHINSKI: I thank you very
22 much for your testimony.

23 CHAIRMAN SANTONI: Chairman Staback has a
24 question.

25 REPRESENTATIVE STABACK: One quick

1 question. Can a manufacturer also be a distributor in
2 Pennsylvania?

3 MR. WALKER: Yes, they can. As a matter of
4 fact, we are a manufacturer and we purchased a
5 manufacturer's license and we are a distributor.

6 Now, as far as these tickets are concerned,
7 we don't manufacture those. We only purchase those from
8 other licensed manufacturers.

9 What we manufacture is game boards that
10 might have a prize of a piece of merchandise as opposed
11 to a cash prize, and those we all have to submit to the
12 state of Pennsylvania for approval to make sure that
13 they're legal.

14 Actually even these games have to be
15 submitted to the state of Pennsylvania to make sure that
16 they're legal and fall within the rules. And we do that
17 a hundred percent. We make sure that we only sell games
18 that have been produce -- approved by the state and we
19 make sure that every merchandise game that we manufacture
20 is approved by the state before we put it out on our
21 trucks and sell those products.

22 REPRESENTATIVE STABACK: Now, the people
23 that manufacture those tickets that you just alluded to,
24 could they serve as a distributor for those tickets?

25 MR. WALKER: I don't know any that do. I

1 don't know of any that do. Ted?

2 MR. TRAPUZZANO: No.

3 MR. WALKER: I don't think at this time any
4 of them have a distributor's license and a manufacturer's
5 license. There are some distributors that man --
6 manufacture merchandise games that have a manufacturer's
7 license but none of the manufacturers -- and really in
8 this industry there's only a few manufacturers left. I
9 don't think there's more than eight, seven maybe. You
10 know, there used to be a lot more but not anymore.

11 REPRESENTATIVE STABACK: Okay. Thank you.

12 CHAIRMAN SANTONI: Representative
13 Vulakovich.

14 REPRESENTATIVE VULAKOVICH: How many states
15 do you do business in?

16 MR. WALKER: We do business in seven
17 states. Mostly around here, Maryland, Virginia,
18 Pennsylvania, Ohio, West Virginia, Indiana, Kentucky, and
19 Illinois.

20 REPRESENTATIVE VULAKOVICH: Now, in any of
21 those states is there any type of paperwork that you have
22 to send in to any of those states where it basically
23 says -- it informs them as to how many of these games of
24 chance you sold to any particular organization?

25 Or is it just -- or could it be a general

1 that we've just sold this much in your state? Or does it
2 have to be more specific with every organization?

3 MR. WALKER: Every state is different.
4 Some states I have to give the information that you're
5 talking about to -- for each account that we do business
6 with. Some of them I just have to supply the information
7 to the account and they have to make sure that it's
8 available if somebody comes to audit them.

9 And there's some sections of Maryland where
10 I actually have to collect the tax and you fill out a
11 report and send a copy of the report with a copy of the
12 invoice and a copy of the tax based on what type of
13 charitable organization it is or a tavern, and they have
14 different tax levels, and I have to go through all that
15 paperwork and do that and supply them with information on
16 everything that we sell.

17 REPRESENTATIVE VULAKOVICH: Where's your
18 company located?

19 MR. WALKER: Our headquarters are
20 Lancaster, Ohio. My office is in Pittsburgh, outside of
21 Monroeville, and Ted's office is over by the airport.

22 MR. TRAPUZZANO: Harrisburg.

23 MR. WALKER: Not -- ten minutes from here,
24 in Harrisburg.

25 REPRESENTATIVE VULAKOVICH: So your company

1 is a manufacturer and a supplier?

2 MR. WALKER: Yes, sir.

3 REPRESENTATIVE VULAKOVICH: At local
4 levels?

5 MR. WALKER: Yes, sir.

6 REPRESENTATIVE VULAKOVICH: Okay. So if a
7 small business wanted to come to your business and say we
8 would like to also be a supplier, would that be a
9 conflict of interest for you guys or do you see it as
10 just volume sales?

11 MR. WALKER: You mean if somebody came to
12 me and said they would like to buy product from me? We
13 don't normally do that. But -- at least we've never done
14 it to this point, and really most of them don't want to
15 do that because they're our competition or they look at
16 us as our competition. And we might be considered one of
17 the big guys on the block. So...

18 REPRESENTATIVE VULAKOVICH: Are there --
19 you said there's six or seven companies like yours now
20 that exist?

21 MR. WALKER: No. There's six or seven
22 manufacturers.

23 REPRESENTATIVE VULAKOVICH: Manufacturers.

24 MR. WALKER: That make these tickets.

25 REPRESENTATIVE VULAKOVICH: Yes.

1 MR. WALKER: And so that -- the other 30 --
2 let's say 27 companies are like mine that buy tickets
3 like this from those seven manufacturers --

4 REPRESENTATIVE VULAKOVICH: Right.

5 MR. WALKER: -- but they also make their
6 own merchandise tickets.

7 REPRESENTATIVE VULAKOVICH: Okay. But your
8 company make those because you also make the bag.

9 MR. WALKER: No. No. There's --
10 there's -- there's 34 manufacturing licenses in the state
11 of Pennsylvania.

12 REPRESENTATIVE VULAKOVICH: Okay.

13 MR. WALKER: Seven of them are the
14 manufacturers of these tickets. And I'm guessing that
15 number is seven. It might be eight.

16 REPRESENTATIVE VULAKOVICH: Oh, okay.

17 MR. WALKER: The other 27 that have a
18 manufacturer's license most likely have also a
19 distributor's license and they only manufacture
20 merchandise bags like I do.

21 So I think right now there's a total of 130
22 distributors in Pennsylvania. 27 of those 130 probably
23 have a manufacturer's license also.

24 REPRESENTATIVE VULAKOVICH: Okay. Thank
25 you.

1 CHAIRMAN SANTONI: I want to thank you
2 gentlemen -- turn the microphone. I want to thank you
3 gentlemen for your testimony. We appreciate it.

4 MR. WALKER: Thank you.

5 CHAIRMAN SANTONI: I want to thank all the
6 testifiers that testified today at today's hearing. As I
7 said earlier, we will incorporate all of your statements
8 and your questions and comments into our deliberations as
9 we move forward.

10 One final comment. I do have some testimony
11 that I would like to add to the official record from
12 CasinoFree Pennsylvania.

13 This hearing of the House Gaming Oversight
14 Committee is now adjourned. Thank you.

15 (The following are written remarks submitted
16 for the record. The content was not altered to correct
17 any errors in spelling, grammar or punctuation.))

18 (The following is the written remarks submitted
19 by Thomas Helsel, Jr., on behalf of the Pennsylvania
20 Association of Nationally Chartered Organizations:)

21 My name is Thomas Helsel, Jr. and I am the
22 secretary of the Pennsylvania Association of Nationally
23 Chartered Organizations. PANCO is comprised of veteran
24 and fraternal aeries, lodges and posts that are chartered
25 by national organizations. Our membership includes those

1 from the American Legion, the VFW, the Elks, the Moose,
2 the Eagles and several smaller organizations.

3 The bill in question, HB 2379, seeks to
4 substantially change and expand on Act 156 of 1988, the
5 Local Option for Small Games of Chance Act.

6 While significant portions of HB 2379 are
7 addressed in HB 169, which this chamber passed
8 overwhelmingly a month ago, it further expands small
9 games of chance to other entities, imposes what can be
10 perceived as a tax and ignores the legislative intent of
11 the original Act. We believe that these changes
12 drastically alter the purpose and mission of Act 156. On
13 these issues, we oppose HB 2379.

14 The legislative intent of Act 156 of 1988
15 states that "the playing of small games of chance for the
16 purpose of raising funds, by certain nonprofit
17 associations (emphasis mine), for the promotion of
18 charitable or civic purposes, is in the public interest."
19 It further states that the "General Assembly recognizes
20 the possibility of association between commercial
21 gambling and organized crime, and wishes to discourage
22 commercialization of small games of chance..."

23 The first obstacle that comes is the expansion
24 of small games to "licensed establishments." These
25 establishments are defined as a restaurant, eating place

1 or hotel as defined under Section 2 of the Act of April
2 12, 1951 (P.L. 90, No. 21), that operates under a valid
3 liquor, malt or brewed beverage license under Article VI
4 of the Liquor Code. This clearly commercializes the use
5 of small games of chance contra to the legislative intent
6 of Act 156.

7 The members of PANCO and those of other
8 associations such as the PA Federation of Fraternal and
9 Social Organizations rely on small games of chance to
10 fund the various charitable programs with which they are
11 involved with. Our organizations contribute heavily to
12 civic programs, veteran programs, youth sporting
13 programs, college scholarship programs, and health and
14 welfare programs.

15 Many of our rural organizations contribute
16 significantly to municipalities by providing equipment
17 for police, ambulance and fire companies that would not
18 be otherwise afforded. Expanding small games of chance
19 to commercial ventures would seriously impact an already
20 dwindling source of charitable resources.

21 Our organizations are expected to do more with
22 less. Using the Pennsylvania Elks State Association as
23 an example, in 2009 Pennsylvania Elks donated \$2.1
24 million in cash to various charitable programs including
25 \$590,000 to its PA Home Nursing Program.

1 In 2010 PESA members contributed in excess of
2 \$2.1 million with more than 2,000 less members. A large
3 portion of this money was raised through small games of
4 chance. These figures are compiled annually by the Grand
5 Lodge of the Benevolent and Protective Order of Elks.

6 The annually compiled charitable report also
7 shows in 2009 an additional contribution of over \$2.768
8 million in services and goods. This represents only one
9 of the many nationally and state chartered organizations
10 and what they do for our Commonwealth.

11 Those who fall into "licensed establishments"
12 attempt to make the case that non-profit organizations
13 unfairly compete in the market place with them. We would
14 like to point out that most of our organizations were
15 chartered and existed well before the repeal of
16 Prohibition and the advent of the PA Liquor Control
17 Board.

18 The Elks was founded in 1868, the American
19 Legion in 1919, and many of our social and ethnic
20 organizations came into existence before the turn of the
21 20th Century.

22 Our liquor licenses prohibit us from selling to
23 the public and from selling malt and brewed beverages for
24 off premises consumption. In the years that followed
25 Prohibition and the Act of April 12, 1951 (P.L. 90, No.

1 21), we have seen privileges afforded to us given to
2 these commercial establishments such as Sunday sales. We
3 believe that small games of chance is exclusive to our
4 non-profit status and should remain so. In that vein,
5 "licensed establishments" are unfairly competing with
6 non-profits.

7 To a much lesser extent, a second obstacle is
8 the intent to earmark funds derived from small games
9 revenue for specific purposes defined by the
10 Commonwealth. The proposed legislation imposes a 30
11 percent assessment of which is to be used for a specific
12 purpose outlined by the legislation. It can be called an
13 assessment, but nonetheless it is simply a tax.

14 We will acknowledge that this assessment/tax is
15 specific to those defined under "licensed
16 establishments".

17 What concerns us is the idea of imposing the
18 assessment/tax in the first place, even if it does not
19 affect non-profits on the onset. Once an assessment/tax
20 is levied on any class of establishment, what prevents
21 that assessment/tax from being levied on all classes in
22 the future.

23 Non-profits by their nature are already funding
24 public interest purposes that take the burden from
25 government. By possibly assessing/taxing revenue being

1 generated for those purposes would weaken and diminish
2 the ability on non-profits to fulfill their charge.
3 Rather than allowing the natural progression of charity
4 done outside of government influence, that government
5 influence would be forced to increase in its own cost and
6 scope beyond its means.

7 Finally, we believe that these changes and
8 expansions corrupt the intent of the original Act. While
9 we acknowledge the makers' intent, the bill with these
10 significant changes ignores why Act 156 was passed in the
11 first place, to raise funds for charitable and civic
12 purposes.

13 We do not believe that commercial enterprises
14 have a place in small games of chance. Nor do we believe
15 that assessing/taxing small games revenue, whether to one
16 class or all classes of establishments, is good for the
17 public interest.

18 We believe that the remedies passed with HB 169
19 are a major step in helping non-profits. HB 2379
20 incorporates many of these remedies, but unfortunately
21 with the significant differences between the two bills we
22 can not support it. With that in mind, we thank this
23 Committee and the House of Representatives in passing HB
24 169 but we must remain opposed to HB 2379.

25 I appreciate the opportunity you have given me

1 today and I will gladly answer any questions that you may
2 have.

3 Thomas W. Helsel, Jr., Secretary
4 Pennsylvania Association of Nationally
5 Chartered Organizations.

6 (This concludes the remarks submitted by Thomas
7 W. Helsel, Jr., on behalf of the Pennsylvania Association
8 of Nationally Chartered Organizations.)

9 (The following is the written remarks by Dianne
10 Berlin, Coordinator, on behalf of CasinoFreePA. The
11 content was not altered to correct any errors in
12 spelling, grammar or punctuation.)

13 Chairman Santoni and Members of the House
14 Gaming Oversight Committee:

15 Thank you for allowing this testimony to be
16 read into the record. This testimony is submitted on
17 behalf of CasinoFreePA by Dianne Berlin, coordinator.

18 CasinoFreePa's position continues to be that of
19 opposition to casino towns out of any wet community in
20 the Commonwealth. So, we stand opposed to HB 2379.

21 Gambling is a very inefficient way to get tax
22 revenues or donations for charities. In addition, it
23 drains money from the part of our economy which fosters
24 sound economic growth.

25 We can sympathize with the needs of true

1 charities to find funds but their reliance on gambling
2 will result in an ever escalating demand for more and
3 more gambling. People will depend on a "chance" to get
4 something for themselves rather than just donating to a
5 worthy cause.

6 PA Lottery is an example of how the original
7 one drawing a week is now kudzu-like. Tracks had to have
8 slots. The slots are not enough to satisfy the
9 insatiable greed of the casinos. They had to have table
10 games. Soon they will be back at the trough again. If
11 HB 2379 would be passed, charities, bars and taverns will
12 be very similar.

13 Many of the negative fallout costs of gambling
14 will descend on many of the same charities who naively
15 believe that this gambling legislation will help them.
16 Charities, not revenue poor government, will be expected
17 to help clean up more and more of the mess gambling
18 leaves in its wake as recent legislation has given a free
19 or almost free pass on liability for gambling's costs to
20 society to the providers of gambling.

21 A number of years ago, Richard McMillan who was
22 the former head of the Rescue Missions said that their
23 organization did not ask the government for money but
24 they did not want government to add to the already
25 monumental task they had. This is wise advice today as

1 well.

2 True charitable giving is done because one
3 believes in the cause or purpose not because there MIGHT
4 be something in it for him or her.

5 Charities might be better served to ask to have
6 the playing field leveled by banning all gambling.

7 Gambling does not create new wealth and there
8 is no product or service. Most who gamble will pay
9 something for nothing. When that happens in most
10 business transactions, it is called consumer fraud. This
11 needs to be taken under serious consideration by this
12 Committee and other elected officials when asked to dump
13 more and more gambling on Pennsylvanians.

14 Gambling comes with a myriad of related harmful
15 impacts and costs from bankruptcies, crimes, divorce,
16 domestic violence, suicides, etc. Even if one believes
17 the gambling interests' figure of one percent of the
18 population becoming problem or pathological gamblers,
19 that alone should give elected officials a warning signal
20 to send this kind of legislation to the shredder. One
21 percent of the population would not be dismissed as
22 irrelevant by responsible elected officials.

23 Before allowing gambling at alcoholic beverage
24 establishments, it would be wise to consider the figures
25 given in a recent article by Dr. Robert DuPont, former

1 director of the National Institute on Drug Abuse which is
2 attached to the testimony.

3 His article points out that alcohol use costs
4 our nation \$185 BILLION annually while the federal and
5 state taxes are a mere \$14.5 billion. As you can see,
6 society is already picking up the hefty pricetage for
7 costs caused by the use of alcohol.

8 In Philadelphia County, there are 2,797
9 alcoholic beverage licenses. In Allegheny County there
10 are 2,939, Adams County has 160, Dauphin County 542,
11 Bucks County 710, and I could continue county by county.
12 How many mini-casinos are enough? A dramatic and
13 negative change would be made in every one of the
14 counties in the Commonwealth and in each wet community.

15 Legalizing a harmful activity or substance
16 never removes the harm. It just changes the legal
17 consequences. We have many real life stories of real
18 life people to prove this very point.

19 We are asking a "NO" vote on HB 2379 and any
20 similar legislation as proof that the citizens' health,
21 safety and well-being are of prime consideration in this
22 Committee.

23 Again, thank you for allowing this testimony to
24 be read into the record.

25 Dianne M. Berlin.

1 (This concludes the written remarks by Dianne
2 M. Berlin on behalf of CasinoFreePA. The content was not
3 altered to correct any errors in spelling, grammar or
4 punctuation.)

5 (This concludes the written remarks submitted
6 for the record.)

7 (The proceedings were concluded at 11:47 a.m.)

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

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8 Brenda S. Hamilton, RPR
9 Reporter - Notary Public
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