

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

GAMING OVERSIGHT COMMITTEE

STATE CAPITOL  
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THURSDAY, MAY 5, 2011  
9:30 A.M.

HEARING ON  
HOUSE BILL 169 (DELOZIER)  
HOUSE BILL 1288 (BENNINGHOFF)  
HOUSE BILL 1323 (GROVE)  
HOUSE BILL 906 (MILLER)

BEFORE:

HONORABLE CURT SCHRODER, MAJORITY CHAIRMAN  
HONORABLE ROSITA YOUNGBLOOD, MINORITY CHAIRMAN  
HONORABLE MICHELE BROOKS  
HONORABLE DOM COSTA  
HONORABLE PAUL COSTA  
HONORABLE TINA DAVIS  
HONORABLE GEORGE DUNBAR  
HONORABLE FLO FABRIZIO  
HONORABLE NEAL GOODMAN  
HONORABLE JERRY KNOWLES  
HONORABLE JOHN LAWRENCE  
HONORABLE DAVID MILLARD  
HONORABLE KEVIN MURPHY  
HONORABLE MICHAEL O'BRIEN  
HONORABLE TODD STEPHENS  
HONORABLE RANDY VULAKOVICH

ALSO PRESENT:

HONORABLE KERRY BENNINGHOFF  
HONORABLE SHERYL DELOZIER  
HONORABLE SETH GROVE

CAROLYN MAY

MAJORITY COMMITTEE ADMINISTRATIVE ASSISTANT

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CHAIRMAN SCHRODER: Good morning, I'd like to call this hearing of the Gaming Oversight Committee to order. I'll ask Carolyn to please take roll.

(Roll call was taken.)

CHAIRMAN SCHRODER: Thank you, before we begin, I've been informed by Representative Brooks that Captain Joshua M. McClimans, member of the US Army Reserve, serving in Afghanistan, recently died April 22, 2011, his funeral service is tomorrow, calling hours are today in Representative Brooks district. I just wanted to ask for a brief moment of silence in memory and in honor of Captain Joshua M. McClimans.

(A moment of silence was taken in honor of Captain Joshua M. McClimans.)

Amen, thank you.

Good morning ladies and gentlemen, it's good to see so many here this morning. The topic of this hearing is on several bills dealing with small games of chance. Small games of chance passed the legislature in 1988. Now as you all know, things were a little less expensive then, including the price of gasoline, certainly. As well as many other things, yet the prize limits for the small games of chance have remained the same as when the law was passed in 1988. That's \$500 for daily prize limits and \$5,000 for weekly prize payouts.

Now, I've heard and been contacted from many members on both sides of the aisle as well as a number of interested organizations and businesses, who would like to see some changes to the small games of chance legislation, particularly dealing with the raising the payout limits to reflect today's realities. I also heard from others who were interested in expanding the small games of chance to bars, taverns, and for-profit organizations.

Now we have several bills before us today, House Bill 169, by Representative Delozier; House Bill 1288, by Representative Benninghoff; House Bill 1323, by Representative Grove;

and House Bill 906 by Representative Ron Miller and Eugene DePasquale. Now I decided to have a hearing combining all of these bills since they are on one way or the other similarly related yet they all have some significant differences as well. I thought it would be best for the member to hear from sort of all the different sides of the issues that will no doubt be brought forth today before we take any action on any piece of legislation.

At this time I'm going to call on the members who are here to talk about their bills, now I just wanted to mention that Representative Ron Miller and Gene DePasquale could not be with us this morning, they had conflicting schedules, so in a moment I'll be asking our counsel Dana Alwine to briefly explain their bill which is HB 906. Before I do, Representative Youngblood, any comments before we proceed? Okay, thank you. Well good morning at this time I'll call on Representative Sheryl Delozier to please just give us a brief overview of your bill.

REPRESENTATIVE DELOZIER: Okay, Thank you very much. I want to thank Chairman Schroder and Chairman Youngblood for hosting this hearing on HB 169 with the hope that we can again move this bill to the floor for a vote. We've been able to move this bill overwhelming voting it out of the House with bipartisan support and we hope to get that accomplished again.

I'm glad to be the prime sponsor of HB169 to update the Local Options Small Games of Chance Act. That has not been updated since first enacted in 1988. This is not the first time this issue has been addressed, many members before me have introduced bills similar to this and I'm glad to take up the mantel at this point. I agree with the organizations that are affected by HB 169s confusion that the legislature has not been able to provide regulatory relief to clubs and organizations that provide our local municipality with fiscal relief when they supply dollars to the community by sponsoring baseball teams, provide scholarships, host special Veteran's

events, parades, upgrades to our local parks, that would not happen without the donations of these organizations. And in these fiscal times we need to be making sure that our communities are receiving the services that they need to function.

The issue that we have in front of us in HB 169 is one that is to help our non-profit organizations that support our communities to be able to fundraise more money and have a new ability to use some of that income for capital expenditures needed to continue in basic operation. The issue of expanding the ability to have small games of chance for not or for non-profit entity is a simple update for the organizations that were originally intended to have this capability. The groups that I have worked with in working with last session, as well this session, are ones that are very familiar to all of us – VFWs, American Legions, Moose and Elk Clubs, fire halls, and in the 88<sup>th</sup> district certainly the Mechanicsburg Club that is very active in the Mechanicsburg Borough area. We need to applaud these organizations for their dedication and commitment and not impede their ability to help others.

This is not a Republican or Democratic issue, it has attracted bipartisan support in the past and now we need to make action take place so we can help our local neighborhoods. I've spoken to the groups involved on both sides of the issue and we had rally days, press conferences in the Capitol to bring attention to this issue, and we need to get this done. We will hear about HB 906 for the ability for profit entities to purchase a license to sell games of chance at a forty-eight percent profit of gross games going to the private owners of the taverns. And this is the bill taverns very much want to see passed.

While as a Representative of the 88<sup>th</sup> district, which is adamantly against any expansion of gaming for profit entities, I am not able to support that bill, but hope it would work its way through the process for a full vetting and vote on the floor. I feel strongly that the two issues of

non-profit versus for-profit are very different issues of apples and oranges and we need to have each of them stand on their own in their own bills to receive an up and down vote in the legislature. I look forward to the testimony today and moving forward HB 169 and moving it ahead to hopefully for a float out of the committee and for a full floor vote. Thank you.

CHAIRMAN SCHRODER: Thank you Representative Delozier, on that recognize Representative Kerry Benninghoff.

REPRESENTATIVE BENNINGHOFF: Thank you Mr. Chairman, I want to thank you and Chairman Youngblood for bringing this issue up. I actually basically have HB 169 light, known as HB 1288. Those of you who know me know I'm generally pretty direct, to the point, well my legislation does nothing less than that. Specifically, I feel representing the many people sitting behind me in all of our non-profit organizations who we are very graciously thankful that they are in our communities doing what they do. My concern is that they are being punitively punished because they are trying to do good work and helping our community out. All the dollars that they raise go back to running these games and to the community individuals; this is not money for themselves, as in individuals or necessarily for their clubs, other than money to run the organization. I think it's very frustrating to see that their own Commonwealth is penalizing volunteers, honest people that are trying to do a good job.

Very specific to the bill and quickly, I address only raising the limits, nothing else that is in with 169 and I want to thank Representative Delozier who was gracious enough to give me the courtesy to say yes, go ahead put your bill in, though it's not exactly what I want to do in my bill. I think it's good to have a discussion for, and very briefly, it increases the allowable prize limits from a daily drawing from \$500 to \$1,000, increases weekly drawing from \$5,000 to \$25,000, status of payouts that are less than \$26.00 that will not be included in the weekly prize limits, and

finally, raises the prize limits from the raffles from \$500 to \$1,000. I think the Chairman very eloquently said, times have changed economy has moved on, cost of living has gone up, mathematically I think it's only fit that we give these people new limits to let them do what they do best, volunteer in their communities and provide for those who cannot. I want to thank all the members of the Committee for taking time to listen and for the Chairman to include my proposal in this dialog. Thank you.

CHAIRMAN SCHRODER: Thank you Representative Benninghoff.

Representative Grove, good morning, you have HB1323 and I'm hoping that you will be able to tell me, and I might be the only one doesn't know, very possible, but explain to me and us what a coin auction game is.

REPRESENTATIVE GROVE: Thank you Chairman Schroder, Chairwoman Youngblood, members of the Gaming Oversight Committee. I appreciate your time and effort into hashing out these issues and fully support all these bills. I'm just not saying that, but because I do. Also, my father-in-law is in the back of the audience who also supports this as well, so I just wanted to make sure I cover that basis.

My bill adds quarter actions, coin auctions, into the small games of chance obviously the small games of chance; if a game is not in there it is deemed illegal. Obviously quarter actions are very popular, gain by non-profits anywhere from the United Way to local fire departments to libraries that can raise anywhere between \$1,000 to \$3,000 for profits.

A quarter action, which I had to go through a couple times to understand exactly what it is also, basically you walk in the door; you purchase a ping pong paddle with a number on it, you can purchase as many as you want, 3, 4, 5, 6, however many you want, and it has a number and that is your number for the entire auction, which is actually a raffle. You'll then, they have

vendors set up and each vendor will be auctioning off different items throughout the day and you'll get basically a packet of each item. Each item has a quarter value associated to it, between 1, 3, 4, 5, 6, 8 quarters. Let's say it's a basket of wine and cheese, something like that, that's up for auction, before the auction they give a brief description of it, they'll take a can around and you put the monetary value of whatever that prize, let's say it's a three quarter, just actually place a bid on it, so you put your three quarters, everybody puts their three quarters in and it's per paddle so if you have three paddles you have put nine quarters in to actually bid on that. They collect the quarters and it's basically by honesty everybody checks each other to make sure they actually put their quarters in. Then the auctioneer will pull out numbers and if your number matches that paddle, you win. Pretty easy. It's a lot of set-up for basically drawing a number, but it is a very popular raffle and unfortunately it's an ongoing issue, if you ever heard of casino nights or nights at the races, these are all deemed illegal because they are not actually provided within law of small games of chance license, so there's actually a couple things. If I'm not mistaken, 50/50 raffles aren't provided in law either and are actually illegal, which are also very popular, I'm sure many people have participated in a 50/50 raffle.

I appreciate the Committees and the Chairman taking this up we'll answer any questions you have on it, thank you.

CHAIRMAN SCHRODER: I only wish I asked you to bring props along to demonstrate the quarter action, Representative Grove. But, thank you very much. As I said, HB 906 is sponsored by Representative Ron Miller and Representative Eugene DePasquale, who could not be with us this morning, so I'll ask Dana Alwine to give a brief overview of that legislation.

MISS ALWINE: Good morning everyone. HB 906 sponsored by Representative Ron Miller does a couple things Representative Delozier's bill does, it also increases daily prize

limits from \$500 to \$1,000, slightly different on the weekly prize limits, and it decreases them from \$5,000 to \$20,000, also slightly different on the share proceeds, which can be used for general operating expenses, it allows fifty-percent to be used for such expenses and it doesn't define them as Representative Delozier's bill does.

The HB 906 also makes insured small games available as Representative Delozier's bill, several points of difference; it confers concurrent jurisdiction on the Attorney General and District Attorneys and independent authority on the PA State Police regarding enforcement, and that is an increase in enforcement which I think we're going to hear a little bit more about today, it also establishes something new, it establishes license revocation penalties and the greatest difference between the bills, it expands the law to permit licensed establishments, which would include taverns, to offer small games of chance with some additional requirements. Twenty-percent of their gross game revenue would have to be contributed monthly to a charitable organization, thirty-percent of gross game revenue would need to be deposited monthly into the General Fund and two-percent gross game revenue would have to be split monthly between the Department of Revenue and the Bureau of Liquor Control Enforcement within the State Police to be used for administrative and enforcement costs.

CHAIRMAN SCHRODER: Thank you Miss Alwine for that description. In the interest of time, I'm going to thank all three of you for taking the time to present your legislation to us this morning, I'm sure as we go through this process we might have additional questions that we come back to you perhaps on an informal basis to discuss and have answered, but we very much appreciate your time and effort and you can be dismissed and we will go on to our next testifier.

EXECUTIVE DIRECTOR MOWATT: Thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you. At this time I'd like to call Mr. Ted Mowatt, Executive Director of the PA Federation of Fraternal and Social Organizations. Mr. Mowatt, welcome and you may begin your testimony when you're ready.

The only thing I would, just remind those who will be testifying this morning, please be mindful of the time frames that we have set out, I believe it's 20 minutes per testifier but that also includes time for questions, so if we could keep our prepared comments to perhaps under 10 minutes to allow time for questions from the members, that would be greatly appreciated, as I know members need to get to other duties today back in the districts and what not.

So, Mr. Mowatt welcome, and you may begin when you're ready.

EXECUTIVE DIRECTOR MOWATT: Thank you, Chairmen Schroder and Youngblood and members of the House Gaming Oversight Committee, I am Ted Mowatt, I am the Executive Director of the PA Federation of Fraternal and Social Organizations. I very much appreciate this opportunity to comment on the Committee's latest consideration of bills to update the Local Options Small Games of Chance Act.

PA Federation of Fraternal and Social Organizations is a Statewide association of nearly 500 social clubs, veterans clubs, fire companies, and other non-profit service organizations. Our clubs provide numerous charitable works in the local communities funded largely by law, by the small games of chance. In these times of budgetary constraints on State and local governments, our organizations are counted on increasingly to help, but the sources of revenue have not kept up with the need, further as our members age, the clubs are constantly struggling to find ways to attract younger members who will take over the essential community activities of the clubs and fire companies. Our members have for years supported the updating the local options small games of chance act as a way of supporting club activities. We will comment on each one of the

bills separately, much of this testimony will be familiar as we previously testified on the two major bills in front of this Committee in previous sessions.

As the Committee is well aware, there been no substance of changes in this Small Games of Chance Act since 1988, we very much appreciate the fact that this Committee has an in fact a full House as well on several occasions over the past several sessions, reported bills; most recently last sessions House Bill 169, which accomplished the purpose of updating law to impose realistic limits on the amounts clubs can pay out. Unfortunately thus far final action has not been achieved in the Senate, small games of chance legislation remains the primary goal of PFF& SO.

Indeed, a number of bills similar to HB 169 have been introduced in the Senate and await consideration by the Senate Finance Committee. We are hopeful of the Senate action will occur in the near future and we commend Representative Delozier for picking up the cause this year.

PFF& SO had worked tirelessly over the past decade or longer to pass legislation updating the small games of chance law, through out that time we gained a growing number of votes in both the House and the Senate based on the premise these bills were not an expansion of the gambling which many legislators oppose that a mechanism for these non-profit organizations in this legislation does not solely apply to private liquor licenses to increase the amount of money they can raise and contribute to other charities. Even when the law passed in 1988 there was resistance, so an arbitrary limit of \$5,000 on payouts – that's payouts not profits – was imposed. As we have testified before you before, for many clubs dues revenues have not been able to keep pace with the structural and overhead needs of aging facilities and clubs have been forced to find other ways to attract new members and to keep existing members coming into the club. Clearly some clubs have gone outside the parameters of the law as the popularity of the games has far exceeded the current outdated legal arbitrary limits. Those clubs are paying a high

price as enforcement has stepped up in the wake of the casinos opening around the State. This has been the subject of intense discussion among our members at every local unit meeting and our annual conventions.

The out liar clubs, which are in violation of the law repeatedly and egregiously are causing a lot of trouble for those clubs who are struggling to abide by the law while the General Assembly fails to bring the law into the 21<sup>st</sup> century. Many of the violations are technical, either for exceeding the limit or for misapplied use of proceeds, the latter of which often occurs at an unintended law and regulations in place by the volunteers who run the games for the organizations.

It's important to keep in mind that of all the thousands of small games of chance licensees applied for each year across the State, only a relatively small percentage are club licensees. Most are 501C3 organizations doing raffles, silent auctions, Monte Carlo nights, fairs, 50/50s, and so forth to raise money for themselves and other causes. Aside from my duties as the Executive Director of the Federation, I also work for a number of professional and trade associations and other not-for-profit organizations and I've served on a numerous non-profit boards and volunteer capacity. I can tell you there's a great confusion among these groups on what they can and cannot do with regard of their own fundraising, whether they are raising money for their pacts, their educational foundation, or even for other outside entities. The rules are archaic and not well known to the general public and when I tell them what the rules are, they are frustrated and mystified as to why it is that way. I tell them many organizations without liquor licenses are violating the law routinely with these raffles and 50/50s and carnival games and quarter auctions. They never know until someone complains and they get popped. Enforcement on these groups be they church groups, school team boosters, the NRA and many

other groups is scant compared to what happens is going on in the clubs because the local DAs are not really interested in busting the neighborhood groups, and the LCB (Liquor Control Board) has no jurisdiction over the non-liquor licenses.

Secondly, the use of proceeds is also an area that needs to be addressed, HB 169 attempts to clarify what proceeds can be used for, a source of great confusion over the last two decades due to unclear regulatory language and interpreting the statute and uneven enforcement from barracks to barracks or even agent to agent. We appreciate the attempt to delineate what can and cannot be covered by small games proceeds and also recognize some commentators have raised objection to the catch-all language at the end of the list on page 3. We might suggest that rather than creating a static list that the bill contain a shorter list of things that cannot be paid for out of proceeds, like paying staffs salaries, underwriting food cost and what have you. This would give some flexibility to the clubs based on their own situations as some do not have a mortgage for instance or in another cases, have a newer facility with no need of immediate repairs. The 60% "SHALL" provision to go to public interest purposes while 40% "SHALL" go for general operating purposes creates a requirement that exactly those percentages be used. If a club needs less than 40% for general operating expenses, which is probably a rare occurrence or does not receive requests efficient to distribute 60% sets up the club with a legal dilemma. We propose that it read no more than 40% the allowed for operating expenses and the remainder go to general operating public interest purposes.

We have no problems with the other two related bills that we have been asked to comment on, Representative Benninghoff's HB 1288 and Representative Grove's HB 1323. 1288 is a more basic version of 169 as Representative Benninghoff explained, getting to the root of the issue but without some of the transparency provisions that have been negotiated over the

past several years in previous bills designed to enhance compliance with the rules through better understanding of them. The coin auction is a newer phenomenon that has sprung up recently and regionally. We support the addition of this language in the law, however, we continue as we have testified previously to oppose HB 906. Some more legislation on HB 906 was introduced in both the House and Senate last session and was not considered by either chamber. As those of you who have served on the Committee last session will recall, the Committee held a public hearing on this legislation previously which we raised concerns which we will reiterate here.

The premise for this legislation is to allow bars and taverns to compete. There are some areas of the State where clubs do indeed compete directly with taverns down the street, where as in other areas the two live in perfect harmony catering to separate clientele. Proponents of this legislation will make the case they need this legislation to remain competitive, at the same times there are club people and there are tavern people so this would not be an issue. Well, if the latter is true then we wonder with whom they are competing.

There are two issues with regard to making small games of chance available for for-profit entities which give us some serious concern. First, it's important to keep in mind with all the thousands of small games of chance licensees applied for only are relatively smaller club licensees. Most are C3 organizations and these taverns would be competing as well for dollars. To remit only one type of for-profit organization to run the games raises the question of why the taverns and not the local dry cleaner, pizza shop, or gas station. The bill specifically excludes grocery stores, we wonder if this is a door the General Assembly wants to open up.

Secondly, the taxing of proceeds is also problematic. Yes, legislation makes it clear that only licensed establishments would be assessed, you can read that as taxes. And apparently an estimate of many millions in State revenue would be expected as a result in a time of significant

need in the State ---. Once this kind of revenue is tapped as we have surely seen in numerous parts of the budget, such as the now infamous Johnstown Flood Tax, we are very concerned that the taxing the non-profit proceeds will be considered again. As we know, the idea was floated last session during the budget debate and was rejected. The argument against it weakens if some were taxed on revenues and others are not. Clubs and other non-profits currently have the freedom of choices to where they are limited fundraising dollars will end up. Thirty-percent assessment that is committed to the General Fund is a tax. The Corbett Administration and many in the General Assembly have been abundantly clear in their position to opposing new taxes even on those whom have stated a willingness to pay it. The Federation is concerned that the Commonwealth will come to view this tax revenue as an essential part of funding mechanisms even after the economy improves and tax revenues and traditional areas return to previous levels. The State becomes dependant on this revenue then it will be a short trip down the road to having everyone pay it.

HB 906 as introduced also has some specific drafting issues that we would like to point out. First the weekly limit of \$20,000 is less than the \$25,000 approved by this Committee last session. We suggest raising this and keeping it in line with 169 and the other limits as well. Much of the other language in the bill appears to have been drafted pretty much exactly like provisions in 169. Similarly, other provisions in HB 169 to clarify terms like progressive insured games should be included in this bill if the Committee considers it.

Other essential elements of HB 169 there are not specifically addressed in this bill include the use of proceeds language that is essential to the needs of clubs. Additionally, one provision of HB 169 that is in this bill, they may have unintentionally applied in the background, is the background check provision that requires all small games of chance licensees to undergo a

State Police background check. All of this is not a problem for licensed clubs and taverns as they already must have made criminal history records with their liquor license application, this provision should not apply to limited occasion licenses under section 10B3, this should be clarified if this bill is considered.

Other provisions that may be problematic for non-profits who are not liquor licenses are the electronic monitoring requirement and the penalties are fairly stiff for violations. A \$500 fine for a first offense would pretty much wipe out the entire fundraising of a soccer club, for instance.

Finally, the lottery transfer provision is worrisome as well; we realize it's patterned after the parallel language in the gaming law. It seems like a stretch to think the revenue department will be able to draw an accurate conclusion as to the impact of the small games of chance on lottery sales. Monitoring the payouts of a dozen casinos that are wired to the State is far simpler than tracking down the thousands of small games licenses who are licensed by the counties, not the State.

Let me close by reiterating that our primary objective is to remove outdated restrictions on the small games of chance and the bingo laws, which are not being discussed here today. The Pennsylvania Federation of Fraternal and Social Organizations believes this bill is flawed in concept and in drafting and at this time we cannot support it.

Thank you again for this opportunity and I'll be happy to take any questions.

CHAIRMAN SCHRODER: Thank you Mr. Mowatt, for your testimony. I have one question, but one comment first of all, and this would apply to anyone who will be before us this morning. Even though you might have testified previously on this legislation before this Committee, please don't feel that your testimony is necessarily repetitive. I would just point out

that there are many members of the Committee who are new to the Committee during this legislative term, as well as we have a number of first term members on the Committee, excuse me, your testimony will be very helpful and informative even if you have provided the similar testimony before.

The only question I wanted to ask, I was intrigued by something you mentioned in the early part of your testimony. You suggested that perhaps the bill should be worded to delineate only those expenditures that are prohibited as opposed to having a list of permissible expenditures. Do you have any current draft of such language or any anything you could point to that would act as a model or guide for that? In other words do you have any specific draft that you could share with us after this hearing?

EXECUTIVE DIRECTOR MOWATT: Sure, we could put that together, that would be easy to do. One of the problems we've had over the years over this in discussions with revenue for instance, and other people have had a problem with that last section that says, and anything else by regulation, the Revenue Department really isn't an anxious to do regulations on this law, they only have done them a couple of times in the 20 years that this has been in existence and that's one of the issues they have taken in the first place. We should either have a list or not have a list is their position the way I don't necessarily disagree with that. Wanted it to be flexible as we can with what they can use it.

CHAIRMAN SCHRODER: We'll be interested in following up with you to see what language might be suggested.

Representative Mike O'Brien.

REPRESENTATIVE O'BRIEN: Thank you Mr. Chairman, and Ted, thanks for your testimony today. I'll spare the Committee my comments on flaws with roll-out on gaming in PA

issues that I have with gaming over all. But I'd like to go to one part of your testimony if I may. Certainly in my legislative district, I have what the Russian United Beneficial Association now operating as an afterhours hip hop club. I have the --- Literary Association which operated for 100 years helping Polish immigrants learn English and become literate in English. Which just this week Commonwealth Court handed down a ruling allowing it to continue to operate a sex club.

Now, in your testimony, you spoke about an aging membership in these clubs and certainly, I'd like to tip my hat to this membership for all the good work that they done under the years and certainly I will say that both me and my children have been beneficiaries during the cost of our life of these good works. But, I want you to address for a moment if we're going to raise limits on small games of chance if we're going to make gaming more attractive in these clubs if we have seen the history of some of these clubs being taking the aging membership being taken over by younger members who may not have such beneficial a --- once for the community, address regulation for me, address how we deal with this for me. Thanks.

EXECUTIVE DIRECTOR MOWATT: Well I suppose your specific references as much zoning issues as anything else for one thing that wouldn't be subject to the small games of chance a law that's before us or even the liquor code, I don't think. But, clearly no matter what you construct and try to make things better for the vast majority of the people out there discriminate people who take a different view and different direction with what you set up. I think you were going to, if you're talking about situations like those, there that there for small games of chance, there for other activities and I don't think that that type of evolution is de-evolution maybe is the rule for these clubs. Many are, there are some clubs who are gathering up new members and trying to attract new members and this is just one of the areas that they try to

do that. Some of them are putting up more TVs and that type of thing, getting better beer selections and things like that to appeal to a small a younger crowd. The fact is most of our clubs are struggling just to survive with the people that they have now, VFWs and folks like that really need the help. If that answers your question.

REPRESENTATIVE O'BRIEN: No, it doesn't.

EXECUTIVE DIRECTOR MOWATT: Okay.

REPRESENTATIVE O'BRIEN: So in short, what you say is, these clubs they would increase source of revenue now and pardon the --- let's roll the dice and not be concerned about what the future brings. None the less, that's my concern, thank you Mr. Chairman, thank you Ted.

EXECUTIVE DIRECTOR MOWATT: If I could just say, we try not to legislate for the exceptions and we try to do it for the most people who are affected by laws I think and those are unfortunate areas and I wish there was a way to crack down on those.

CHAIRMAN SCHORDER: Thank you.

Representative Stephens.

REPRESENTATIVE STEPHENS: Thank you Mr. Chairman. I'm trying to, I'm relatively naïve on the scope of clubs and small games of chance in PA. I mean, do you have any data to indicate the dollar amount that we're talking about or the number of small games of chance I guess licenses that are or issued or permits that are issued every year across the Commonwealth?

EXECUTIVE DIRECTOR MOWATT: Are you just talking about club licenses or all the small games of chance licenses? There are thousands and thousands of groups all over the place,

as you're well aware, that don't have liquor licenses but do run games for various things like Representative Grove was talking about earlier.

REPRESENTATIVE STEPHENS: I'm just trying to get my, what I'm trying to get my hand around is how much revenue are we talking about Statewide and how prevalent are these small games of chance Statewide, is there any data to indicate that?

EXECUTIVE DIRECTOR MOWATT: We haven't done any formal surveys, and again, our membership is just a portion of all the club licenses in PA. And maybe Tom Helsel will have some other information that he can share with the Committee on that regard for the larger organizations. I couldn't even ballpark what all is raised by the games, but I know it's in regionally in some parts of the State is more prevalent than others, people use it, go to clubs more in some places and they go to taverns more in other places and things like that.

REPRESENTATIVE STEPHENS: Alright, thank you.

CHAIRMAN SCHRODER: Representative Paul Costa.

REPRESENTATIVE COSTA: Thank you Mr. Chairman, Ted thank you for appearing before us this morning, I am one of those new members on this Committee so I appreciate you giving us some information. Couple questions I have though, as of today, who monitors these clubs on how much money they take in and give out, I mean, we have limits is anyone, is it LCE is it Department of Revenue?

EXECUTIVE DIRECTOR MOWATT: Generally LCE and DA's have authority to—

REPRESENTATIVE COSTA: And then my second question is—

EXECUTIVE DIRECTOR MOWATT: That's for the liquor licenses for all the other agencies and organizations that are using them, the enforcement is pretty light.

REPRESENTATIVE COSTA: The part that you opposed, the electronic monitoring requirement, can you explain to me what that is?

EXECUTIVE DIRECTOR MOWATT: I'm not sure how that works.

REPRESENTATIVE COSTA: What's the intent, I guess I should ask Sheryl, Representative Delozier, what's the intent, I don't understand because you're not allowed to have, if I read the legislation right, no game shall be played by or with an assistance of any mechanical or electric devices. What is this electronic monitoring requirement?

EXECUTIVE DIRECTOR MOWATT: The electronic monitoring I think is in 906.

REPRESENTATIVE COSTA: But you oppose it. So what is it? I'm looking to find out what this is?

EXECUTIVE DIRECTOR MOWATT: I'm not really clear on exactly what it is and maybe the later speakers can explain what that is but it seems like that's something with their monitoring, it's patterned after I would assume the gaming law and the way the casinos are monitored. I don't know, these other games when you're selling raffle tickets out in the street, I'm not sure how that can be monitored.

REPRESENTATIVE COSTA: Alright, thank you, Ted.

EXECUTIVE DIRECTOR MOWATT: Yep.

REPRESENTATIVE COSTA: Thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you and perhaps we can get a clarification from the prime sponsors of 906 and provide to the committee, on that question.

Representative Vulakovich.

REPRESENTATIVE VULAKOVICH: Thank you Mr. Chairman. You may not have these numbers before you but I think that they are important in the scheme of everything. On

average, do you know how much is contributed to communities by the organization as a whole, broken down individually but as a whole, is there an average percentage of the dollars that they take in is contributed to the community?

EXECUTIVE DIRECTOR MOWATT: Well yeah, their required just about all of it. Everything above their cost is required to be donated.

REPRESENTATIVE VULAKOVICH: And do you know if all the clubs do that?

EXECUTIVE DIRECTOR MOWATT: No, I know that all the clubs don't do that, but I don't know what percentage, I couldn't tell you what percentages actually donated, some are clearly and we are finding out particularly in certain areas that some are going way over the limits and I think that's the bigger violation right now than most of them are getting popped for is how much their raising and I think that—

REPRESENTATIVE VULAKOVICH: And you are in agreement that we should have some way of saying enforcing the part where there is a percentage that you would have to get?

EXECUTIVE DIRECTOR MOWATT: Absolutely.

REPRESENTATIVE VULAKOVICH: Ok, now on average, what would you think is a fair number to say this should go towards operating costs?

EXECUTIVE DIRECTOR MOWATT: Well we said we think that 40% is probably a reasonable cap, like I said; some clubs need more help than others in that regard.

REPRESENTATIVE VULAKOVICH: Ok. Now what I'm thinking about is we want to be fair about this for a lot of reasons, but the percentage you are going to contribute, like you picked 40%, if it would seem to me that, if you have 40%, you know what it costs to run these clubs, by coming up with that number, I mean apparently you've had discussions with all your members.

EXECUTIVE DIRECTOR MOWATT: Sure.

REPERSENTATIVE VULAKOVICH: And that's why you come up with that number, but I think, back to the, I guess the law, was it 1988, which established some of the, what you have to do here. I guess the reason why I'm sounding a little confused is because you know there, you support all the other bills except the one for the taverns and with regards to the taverns and I'm not on that bill, but we've done so many things with the smoking and everything else, most of your clubs permit smoking?

EXECUTIVE DIRECTOR MOWATT: Well they as you know, they are allowed to vote to include it, frankly a growing number have, even the ones who jumped at that opportunity when it first came out have reversed that, again in attempt to attract the younger folks and families and things like that.

REPRESENTATIVE VULAKOVICH: And do most your clubs have social members?

EXECUTIVE DIRECTOR MOWATT: Well it depends on the nature of the clubs, some are social clubs, so there all social members—

REPRESENTATIVE VULAKOVICH: I mean you have the regular members like the VFW and then they have social members where maybe they weren't in the military but they're allowed to join.

EXECUTIVE DIRECTOR MOWATT: And fire companies have those situations as well, but the other clubs that are all social members.

REPRESENTATIVE VULAKOVICH: I think the point we want to try to make all through the hearing is that we truly want to be fair, because there's down the street from each one of your clubs is someone who probably lives in your community probably owns that local tavern or bar and it's a small business and because of the different things that are coming out

with the liquor laws and different things like that, we want us all be fair to them too. So, what we're really looking for in my case, I'm not going to speak for the other members, is some type of compromise between all groups because the social organizations that were talking about the VFW's, the American Legions, and the Moose, and the Elks club, they're great organizations. We want to see it continue, I think we do need to raise these limits on one vote for those bills, but you know we also have to think of the big picture. In a community there's a lot of different businesses and organizations and somehow we have to come to some type of compromise, because that's why we're all in the messes were in now because we never come together and say look, how can we all live with this. So, I just wanted to keep that in mind.

EXECUTIVE DIRECTOR MOWATT: Sure, and it's been our position that this was designed to be a non-profit fundraising operation and it raises some questions when you start to open the door to for profit companies to do it. We support, we understand that the struggles that some taverns have gone through and over the years different parts of the liquor code had been adjusted to design competition in certain ways, the taverns have, and they can let anybody in who's over 21 obviously and clubs that you have to be a member to purchase liquor and that type of thing. The rules are all different, they are given Sunday sales, things like that, and we were given small games of chance and that's the way it was set up.

REPRESENTATIVE VULAKOVICH: Okay, thank you, thank you Mr. Chairman.

CHAIRMAN SCHRODER: Chairman Youngblood

CHAIRMAN YOUNGBLOOD: Sorry. Thank you for coming before us and testifying today, Ted. I have a question, how do you estimate the cost of operation? Do you take the previous year's budget, do you allow for inflation, do you increase it by 10%, do you also project possible extra revenue stream coming in? I'm just curious, I mean, usually in most corporations

and in any type of club would be operated as a corporation, you would have projections on how much you think is revenue and operating expense, how do you project that?

EXECUTIVE DIRECTOR MOWATT: Well, I mean they do have books that the clubs keep that has all the operating expenses accounted for in there. Whatever their overhead costs are and paying of salaries and that type of thing, and the food cost, and those type of things. So, I mean, the small games of chance is a sort of a separate side operation that they do aside from the books, so this would provide them an opportunity to use some of that money for their base expenses.

So, it's not a matter of projection so much, it's accounting.

CHAIRMAN YOUNGBLOOD: Okay, thank you.

CHAIRMAN SCHRODER: Thank you Chairman Youngblood. And because we are running up against time, I'm going to call for the last questions from Representative Davis.

REPRESENTATIVE DAVIS: Good morning and I thank you for being here, sorry I have no voice. The only question I have, you said there's Ted, you mentioned, there's no monitoring for non-profits that don't sell liquor, so what keeps a non-profit from, you're raising the limits and using that money for personal gain, if there's no, and I've seen it, I've seen a lot of people establish non-profits and they're paying themselves, like salaries?

EXECUTIVE DIRECTOR MOWATT: Well theoretically, the non-profits are supposed to be paying submitting IRS forms and things like that, so it should come up like that, if they're going to be setting up situations like that, probably, in an audit, they may be found, or they may not, it takes a while but a lot of times we do see smaller groups where there treasurer leaves with all the money and things like that, and that's a problem.

REPRESENTATIVE DAVIS: I don't mean theft, in that direction, it there's no, there's nothing in this bill to just monitor that portion. I've seen people set up 501 to use for that. That's all.

EXECUTIVE DIRECTOR MOWATT: I don't really have a good answer, I wish there was an answer to address that as well, the criminal mind that some of these groups that set up for perhaps benefiting themselves, that's clearly wrong, especially when they're doing things like supposedly raising money for children with problems and things like that it's heinous, abuse, no doubt about it. My point was, that the LCE is the primary enforcer of small games of chance in the State and they don't have jurisdiction over probably 4/5 of the people who apply for licenses.

REPRESENTATIVE DAVIS: Thank you and do you know how many non-profits without liquor license who are in our state?

EXECUTIVE DIRECTOR MOWATT: I don't know the number exactly; you probably could get that from the charitable board but its several thousands.

CHAIRMAN SCHRODER: Thank you Representative Davis. Mr. Mowatt, thank you for your testimony, we'll look forward to discussing these issues further.

Alright at this time, I'd like to call upon and recognize, Thomas Helsel who is the Secretary of the PA Association of Nationally Chartered Organizations also known as PANCO. Mr. Helsel, you may begin when you're ready.

SECRETARY HELSEL: Thank you Mr. Chairman. Good Morning Chairman Schroder, Chairman Youngblood, distinguished members of the House Gaming Oversight Committee. I would like to thank you for the opportunity to present testimony on legislation concerning Act 156, the local option for small games of chance. My name is Tom Helsel and I am the Secretary

of PANCO. Additionally I serve as the Government Relations Chairman for the PA Elks State Association.

PANCO is a Statewide association of nationally chartered fraternal and veteran groups. We count amongst our membership fraternal organizations such as the Eagle, the Elks and the Moose as well as veteran posts from the American Legion and VFW. As nationally chartered organizations we are tasked by our respective constitution and statutes to provide charitable works for our local communities. Our programs are funded by the largeness of our membership and more importantly, through the ability to conduct small games of chance.

Our fraternal and veteran members take on varying projects within their communities ranging from supporting local youth sports activities, providing scholarships and grants, supporting veteran programs, funding local charities, and funding and supporting State association major projects. The legislature is well aware of the veteran programs funded and supported by the American Legion and VFW. They are less aware of the programs operated by our fraternal members.

As Government Relations Chairman for the PA Elks State Association I can point to our State major project, The Elks Home Service Nurses Project. This project was started in 1963 funding nurses to deal with children afflicted with cerebral palsy. The project has since grown to incorporate all developmental disabilities which are diagnosed by age 22. The Elks employ 25 nurses Statewide who provide services to these individuals at no cost. The annual budget for this year, I believe is \$1.6 million. The Eagles major project in PA is Alzheimer's, while the Moose focus their energies on Mooseheart, which is a home for children in Illinois and their Moose Charities.

I mention these programs as they are funded primarily by our local lodges throughout the Commonwealth, which in turn receives a great deal of their funding from small games. Small games is the life blood of charity within our organizations.

We are being asked to comment on four pieces of legislation being proposed for small games of chance; HB169, HB906, HB1288 and HB1323. The most far reaching and significant bill of these four is HB169 sponsored by Representative Delozier. PANCO and our members strongly support the passage of HB169.

I've personally been involved in the reform of small games of chance since 2005 when then HB11 was introduced before the General Assembly. Since that time we have worked hard to get this issue passed into law. This will make the third session that HB169 has been proposed and brought before this body. I will remark that the previous two bills were overwhelmingly passed by this chamber and I thank those member for that.

Over the past three sessions the issues within small games have been discussed and many of the needs and concerns are addresses in this latest version. We have asked the legislature to address the inadequate weekly prize limit and single prize limit as set forth in Act 156 and you have responded by raising the limits to \$25,000 per week and \$1000 per single prize respectively. Last session we discussed the necessity of dealing with use of proceeds and again you responded favorably.

The weekly limit of \$5000 is an arbitrary number reached by the legislature in 1988. In essence, by placing this nominal limit on organizations, it impacts our ability to raise money by capping the potential profits. While we understand the reason behind not allowing an unlimited weekly prize limit, we question the logic of placing the limits at a seemingly nominal amount of

\$5000. You have seen wisely to increase this limit to \$25,000, one that is more in keeping with today's economic levels.

Of growing concern is the issue of use of proceeds. Our members are being asked to bear a greater financial responsibility in their communities due to budgetary constraints by government, an increase in charitable requests and by our own obligations to our projects and programs. Our lodge and post buildings are places of gathering by community groups and in many instances by the community itself. We are asking that we are able to use a portion of the money raised by small games for general operating expenses. We are asking to use these monies to offset our utilities, our real estate taxes, our insurance and other general operating costs. HB169 will allow us to do so.

I contend that allowing our organizations to do this is within the original intent of Act 156. Without our core organization and facilities; the lodge, the aerie, the post or the club, we would not be able to provide the funding and services to our communities that we do. It withstands that by allowing us to use these funds in such a manner it is consistent to purpose and original intent of the act.

Our many detractors have alleged that we do not pay taxes and therefore have an advantage. I strongly disagree and would like to point out that we are only tax exempt on the realm of paying net income tax and even that is conditional. Our members, with the exception of those veteran groups constitutionally exempted, pay real estate tax to our municipalities and school districts. I would wager to say our real estate tax burdens are greater than most of our detractors. We pay the same employer and employment taxes as all businesses. We pay the same fees associated with business that all others do. And we are liable for income tax on Unrelated Business Income, that income that is not ordinary to our primary business.

Additionally, our economic power within our communities has been downplayed by our detractors. In many parts of PA, our organizations are major employers. We provide for our communities. The loss of any one of our organizations within a locality can have a negative impact. The loss of jobs, the loss of charitable funding, the loss of funding for youth activities, the loss of scholarships provided, and the loss of taxes are just a few items not to mention the social impact of the loss of fraternal or veteran organization.

Given what I have just outlined, PANCO and our members strongly support HB169 and ask that you report it favorably from your committee.

With respect to HB1288, we support Representative Kerry Benninghoff's bill and are grateful for his support and intentions to our issue. Likewise, we support Representative Seth Grove's bill HB1323. Representative Grove has simply asked to add a specific type of game to the list of approved small games of chance. Adding coin auctions would give our organizations and other non-profits an added tool to their limited chest.

Lastly, we look at HB906, introduced by Representative Ron Miller. With all due respect to Representative Miller and the bill's cosponsors we oppose HB906. The primary intent of the bill is to add for profit businesses to the list of eligible entities by basing eligibility on the possession of a liquor license. In essence it would allow taverns to participate and profit from small games of chance. We believe this is in direct conflict and in opposition to the intent of Act 156.

Opening the eligibility of small games of chance to for-profit businesses is a significant expansion of gambling. Under HB906, it would open small games gambling to another 10,000 plus locations throughout PA. I would surmise that the Lottery Bureau of the Department of

Revenue would question what impact expanding to these types of businesses would have on our Lottery.

I would argue that in today's economic climate, the potential addition of over 10,000 venues would have a negative impact on the original intent of small games as well as on our State Lottery. There is a finite amount of entertainment and/or charitable dollars that are available. By expanding to a large venue, programs funded by current small games licensees would be negatively impacted and I believe, so would the State Lottery.

Those businesses claiming the need to expand small games to them based on the premise of "tax me" are doing so to increase their personal wealth by offering up to the State a nominal tribute which in the long run diminishes the good work that small games does. Our organizations accept our responsibility to our communities. In addition to paying the taxes and fees imposed upon us, we give of ourselves willingly to our communities. We believe that expanding small games as proposed by HB906 is not in the best interest of the Commonwealth and we oppose it.

I thank you Chairman Schroder, Chairman Youngblood for the opportunity to present this testimony and look forward to any questions.

CHAIRMAN SCHRODER: Thank you Mr. Helsel. At this time I will recognize Chairman Youngblood for questions.

CHAIRMAN YOUNGBLOOD: Good morning, thank you for coming before us and testifying. I have a question, this is the second time I have heard about the Revenue Department in the lottery fund, have you or anyone else contacted the Department of Revenue to get an estimate of how this would affect the lottery fund? And a projection maybe, even for this year, next year, and proceeding years that would be coming up because if we're going to talk about the

lottery fund or the Revenue Department, I'd like to see some projection on how it's going to affect the PA Lottery.

SECRETARY HELSEL: I've had some discussions, very limited with representatives from the Department of Revenue, particularly with the past administration. As it stands with small games now, the lottery has not had or seen an impact based on where we are today. Quite honestly, I believe that several years ago when things were running pretty much like the Wild West, a lot of clubs were operating at higher limits and the impact was not felt at the lottery at that point in time. But by adding an additional upwards of 10,000 they can see an impact for example a lot of these new for-profit places now have the ability to have lottery terminals within their establishments. The lottery seems to be concerned it would have an impact on that, but as for actual projections that's really a case that I've not seen and answered to yet.

CHAIRMAN YOUNGBLOOD: I'd like to see it in writing from the Department of Revenue about the projections on what would happen to the PA Lottery fund, then something hypothetical, because to me I always I look at things that are in black and white. Thank you.

Representative Knowles.

REPRESENTATIVE KNOWLES: Thank you madam chair. And thank you sir for taking time out of your busy schedule to submit your testimony and answer questions. As a young man, I was very involved with the local fire company I would spend a lot of time in the fire company, in the fire house as we referred to it. Also from time to time I would stop at a local tavern and have a Yuengling Lager. I don't ever remember seeing anybody who was into that fire hall or went into that Elks club or went into that tavern specifically because of games of chance. I'm understanding here that there is an objection and I share Representative Vulakovich's concern because many of the small taverns in our communities are struggling and they're doing many

things to try to keep their heads above water and I guess am I understanding that you folks are believing that people will go into a tavern because of the small games of chance as opposed to going into an Elks club or into a Moose or I'm just not quite getting that could you please just elaborate on that somewhat?

SECRETARY HELSEL: Some of that is testimony that Ted alluded to very briefly in his testimony where we have heard that there are club people, there are tavern people. I believe in some areas the Commonwealth that is true, I think for the most part is we don't really see that competition that we've been told that's out there when it comes to clubs trying to compete against taverns or taverns trying to compete against clubs. One of the things I continue to hear is that clubs are not business's, when in fact, we are. There are few clubs out there that have nothing but volunteers that are un-paid, but for the most part is we are paying bartenders, we are paying managers, we are paying wait staff and so forth and we provide the same economic stability in a community as a tavern does. The one major difference between our two types of organizations is we are a non-profit at the end of the year what we would earn as a profit is something we are looking to give back to our community. Whether we do it through the State project that I mentioned here that are fraternal groups do or whether were giving it as sponsorships to youth activities and so forth I think that's where some of the difference lies that a tavern is a for-profit and your looking to put something into your pocket at the end of the day. Small games was developed with the intent to help us raise those monies to provide for the charitable work that we do. The taverns and the for-profit businesses are saying, we want to put that in our pockets and then we'll give you something back for it. I think it corrupts the intent of what we're doing here. For-profit like liquor licensees have advantages that we do not have. We've pointed out that smoking happens to be an advantage that we have that they do not have

and going over that issue several years ago one of the biggest things I saw about that was the city ordinance that occurred in Philadelphia put a 20% food requirement on smoking in Philadelphia and the legislature took that up and used that statewide. Unfortunately is that's what happened to the taverns. I don't see the competition in fighting amongst each other to get a customer to come in to play small games in my location or at a tavern. What I do see though is, the intent of small games is there to provide for the charities that we support.

The organizations that are part of PANCO all have a stated purpose of what they do, whether it's a veteran's group or whether it's a fraternal group. That is what were out there to do, with the Elks which I'm most familiar with it's to provide for our home service project, it is to provide for our national foundation to which we provide scholarships throughout the country. Those are the things we need to be able to raise money, it's very difficult to get your membership to come in, to pay the dues, and to just willing to donate \$20 every time they walk through the door. Small games gives them that opportunity.

REPRESENTATIVE KNOWLES: I am an Elk, I belong to the Elks and I, anyone around here is always very reluctant to commit on any legislation until they see it in its final form, but I am certainly leaning towards 169, 1288, and 1323. The one that I'm struggling with is 906, Okay, and I'm struggling with it because I don't want to do anything to hurt any of the organizations that are represented here or that you mentioned but I share the concern of Representative Vulakovich.

I have friends that have taverns who are telling me that this would be helpful to them somewhat, it would be a draw. I just struggle in my mind as to whether or not they are competing with you. Should we be, and I do appreciate your testimony, all of your testimony because it will

be very helpful to me in making my final decisions. Thank you very much. Thanks you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you. Representative O'Brien

REPRESENTATIVE O'BRIEN: Thank you Mr. Chairman. I continue to be concerned about the continuation of a purpose, of an organization. So, does PANCO offer policy guidelines dealing with associate members?

SECRETARY HELSEL: When you mean associate members, I'm not sure what you—

REPRESENTATIVE O'BRIEN: So you have some clubs, some fire houses, some fraternal organizations—

SECRETARY HELSEL: Actually we are limited to just those organizations that are charted on a national basis.

REPRESENTATIVE O'BRIEN: Chartered on a national basis?

SECRETARY HELSEL: Correct.

REPRESENTATIVE O'BRIEN: I see. Do these organizations that are chartered on a national basis, are there guidelines dealing with the continuation of their charters as generational changes take over the purpose of them? If they don't continue with the express purpose of the charter are they ex-communicated from the organization?

SECRETARY HELSEL: Yes they are.

REPRESENTATIVE O'BRIEN: And what is the process by which that happens?

SECRETARY HELSEL: Again, I hate to go back to the Elks but that happens to be the organization I am most familiar with is we are a very well structured organization dealing with the Elks is like dealing with the legislature. We have a committee for just about everything, we also have a set of auditing standards that every lodge throughout the country must have done. In

fact, right now were in the process of doing it as our year just ended on March 31. When the Grand Lodge reviews each of our audit statements they will come back and give us a critique, let us know whether or not we are meeting certain guidelines in terms of profitability, but when a lodge tends to stop ignoring what is the purposes set forth by the Grand Lodge and we stop ignoring what they require us to do they will come in and they will revoke the charter. At that point you will no longer have a liquor license. The buildings, particularly with the Elks, are owned by the Grand Lodge so that is then distributed back through the organization. A specific individual would not profit from any of that.

REPRESENTATIVE O'BRIEN: Would you say that that is unique to the Elks or is it organizationally a standard practice?

SECRETARY HELSEL: I think within a fraternal organizations that are part of PANCO, that is how the others also operate. They may not be quite as rigid as the Elks are, but I do believe that is the case with all of them.

REPRESENTATIVE O'BRIEN: Thank you sir, thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you. Representative Goodman.

REPRESENTATIVE GOODMAN: Yes, thank you Mr. Chairman. Just a point maybe for clarity, I maybe should have asked Ted Mowatt this but, how many small games of chance licenses are issued throughout the Commonwealth? Do we have a number; do we have a ball park number?

SECRETARY HELSEL: That's an excellent question and I'm not sure how easily that answer is obtained. The counties are the ones that issue the licenses.

REPRESENTATIVE GOODMAN: But don't they then have to, I mean there are 67 counties and they issued small games of chances, who has oversight over that at the State level?

SECRETARY HELSEL: At the State level it would be the Department of Revenue.

REPRESENTATIVE GOODMAN: Ok.

SECRETARY HELSEL: I'm not sure what the reporting requirements are from the county to the department.

REPRESENTATIVE GOODMAN: I'm just very curious, you say you were, I was around for HB 11 I remember when we first started this, I remember why we set the limits so low at \$5,000 because that was the only way the bill was going to get through. It had to be--- we do things like that in the General Assembly. Bring in a \$5,000 see how that works. I would be very interested in following up on the chairwoman's question to see when we first initiated these licenses since 2005 to now, how the lottery had been affected the current licenses that are out there now, I don't think there has been any affect.

SECRETARY HELSEL: No, and the reason that I believe that there's really been no affect to the lottery is that when small games was made legal, most of these places were doing it beforehand. Let's admit it occurred. So that one, we legitimized small games, those people were already playing, if they were going to put there extra dollars in the lottery, or put it in small games they did so. Increasing the number of licenses to the extent of 906 possibly could do there have been concerns that it could have an affect though nobody at this point has been able to put a dollar figure out there.

REPRESENTATIVE GOODMAN: So your testimony is that in 2005 when we added all the small games of chances that we added which could mean as many as 10,000, there was no affect on the lottery. But now if we add them to taverns and add in additional there will suddenly be an effect to the lottery. That's your testimony as I read it.

SECRETARY HELSEL: That is correct, that is what I've in discussions with individuals from the prior administration and in the Department of Revenue that was a concern that they had.

REPRESENTATIVE GOODMAN: I don't know, I don't necessarily know if I can share that concern, I mean, because I do agree there is a large part of our community that is already participating in I remember when Governor Rendell was talking about 1600 illegal gaming devices in the Commonwealth, I thought he was just talking about Schuylkill County.

CHAIRMAN SCHRODER: Representative Goodman we will endeavor to get that information on the number of licenses and share it with the entire Committee. If we don't have it to you in a few days you just remind me, ok? Representative Brooks.

REPRESENTATIVE BROOKS: Thank you Mr. Chairman, there have been a number of questions regarding concern, if we would expand this as far as how the money would be monitored and would the clubs follow the regulations or the guidelines and where that money goes. I know that in my district, these clubs are a tremendous asset; they donate considerably to the local charities, the little leagues, or the bands, or the libraries or the individual scholarships.

I don't really have a problem in my district with the clubs, they operate wonderfully, they do what they are supposed to do, they donate money and so my question would be, do you have any statistics to perhaps address the concerns as some of the other members as far as how many clubs you've had to revoke their licenses from or their memberships from? Is there really a widespread problem with that?

SECRETARY HELSEL: Within the organizations that I'm familiar with that are part of PANCO, I think the revocation of licenses is very slim to the point of almost being non-existent. I will tell you that when I began my stint with the Elks as the Government Relations Chairman, several years ago, we had 114 lodges, were down to 100 and maybe doing 99 to 98 at the end of

this year. A lot of that is the economy. There have been one or two instances where it has been plain mismanagement that have gone on and that those particular lodges but when your question started out with what appears to be reporting requirements is to how much money we are bringing in and how much money were putting out.

One of the suggestions that we have brought up which is not in Representative Delozier's bill, but has been suggested in the Senate bills, is a reporting requirement that at the end of every year of our licensing year for small games that we report to the county, how much money we've brought in, how much money we have paid out as prizes, and obviously we should have a dollar limit leftover how much of that has been paid out, where it's been paid. That would give the District Attorney the opportunity to come over and review any licensee he would like to, any discrepancy that he would see, things that should not occur, he would be able to launch an investigation and do what is required under the law at that point in terms of enforcement. We have made that suggestion that has been something that has been in the Senate bills rather than here in the house.

REPRESENTATIVE BROOKS: And, I know today in some of the testimony we're really seeming to focus on the clubs, but this bill would also help our fire departments as well, which are struggling to buy the equipment and so forth that they need to help protect our communities. Thank you very much.

SECRETARY HELSEL: Thank you.

CHARIMAN SCHRODER: Thank you Representative Brooks, I just want to recognize Counsel Dana Alwine for brief comment.

DANA ALWINE: Actually in response to Representative Youngblood and for the benefit of all the members that a couple of questions about the Department of Revenue and the effect on

lottery, we did invite Department of Revenue here, they were not able to attend, however they're going to provide us with a letter with comments on the bills and that will be distributed at that time.

CHARIMAN SCHRODER: Thank you Miss Alwine.

Mr. Helsel we thank you for your testimony, it's very helpful and informative and we appreciate you being here today thank you.

At this time, I'd like to recognize John Brenner, Chairman of the PA State Veterans Commission. Mr. Brenner, welcome. We thank you for being here today and you may begin your testimony when you're ready. A lot of reading material for us.

CHAIRMAN BRENNER: That's my testimony sir—

CHAIRMAN SCHRODER: ok.

CHAIRMAN BRENNER: I couldn't get it all in one folder.

CHAIRMAN SCHRODER: You can do all that in 10 minutes now?

CHAIRMAN BRENNER: Good morning everybody, Mr. Chairman Schroder, Madam Chairman Youngblood, it's nice to be here.

My name is John Brenner, I'm the State Adjutant of the Pennsylvania Veterans of Foreign Wars. I'm also the Chairman of the State Veterans Commission, just recently elected to that and in those roles I'm here today to testify.

The State Veterans Commission consists of representatives of all major veterans' organizations throughout our Commonwealth. The Commission meets regularly to consider, among other things, pending legislation that is of interest to veterans.

The veterans organizations represented on the State Veterans Commission have non-profit missions focusing on serving their communities. Service at service is the focal point of

why veterans service organizations were created and why they still exist today. Veterans service organizations are not just bars and their goal is not to make a profit. We believe that our collective mission is truly honorable and one that the State of Pennsylvania should support.

Here today, with us, are local post representatives from the VFW, American Legion, AMVET's, Disabled American Veterans, and other veterans groups. These veterans represent non-profits, non-profit volunteers-based organizations that use small games of chance to support their community programs. Their track record of improving lives through community donations and volunteerism are truly success stories, wish we had the time to give them all to you.

Our groups, which represent most of the State's nearly 1 million veterans, unanimously support passing HB 169. We have worked for at least 7 years to modernize small games of chance. At the invitation of our legislators, we participated in the creation process of legislation to accomplish this mission, including HB 169. We're not fixated in a bill number; we don't have to stay on 169. But, it is the content of 169 that we do strongly support.

We believe that this bill best captures the improvements most needed to modernize small games regulations into our 21<sup>st</sup> century. HB 169 keeps original intent of small games of chance in place and that is to help non-profits to raise money of community service.

The small games issue is important to veterans service organizations and the communities that they serve. Veterans who lead these non-profit organizations do so to continue serving their nation and they do so as volunteers. We are brothers and sisters who share a common experience, in some cases combat on the front line.

Many of us live today with the physical and emotional scars of war time service. We've seen some of the worst that this world can bring upon itself. This experience drives us to better our communities, to better our State and to better our nation. In our non-profit structure requires

us to vote on how small games earning are given out and that's an important issue, we vote on how the small games earning are given out and we do not take this privilege lightly.

The missions and operating structures of veterans organizations should not be compared to commercial enterprises that exist to make a profit. We urge you to not allow bars and taverns into small games of chance. Personally, I believe that is it shameful that for-profits are trying to piggyback on the attempts of veterans and volunteer driven non-profits to get into small games of chance. You know, it is hard enough to find volunteers; I don't have to tell you folks that, it's hard enough to find volunteers to perform community service. Our veterans groups do a fine job of organizing volunteers and raising the recourse needed to be active in the communities. I believe we deserve to be treated differently.

The State recognized that difference between non-profit service organizations and businesses when it created small games to assist non-profits in fundraising. Please keep it that way. At the very least, please keep our efforts to modernize small games of chance regulations separate from any bill that would allow bars and taverns into small games. This would allow the legislators who do not support small games of chance for profit establishments to vote no, without impacting the non-profits who exist to serve their communities.

There are many for-profit places in our State to go and gamble already. Non-profit service organizations are seeing our small games earnings fall considerably in some areas due to the rapid growth of for profit gaming in PA. That impact affects us, it affects how many donations we can make to our community.

I will make one more comment about for-profits trying to get into small games. Banks often complain that credit unions play by different rules in offering financial services. And yes, they do. Credit unions are member driven financial cooperatives that use earnings to strengthen

their operations and activities as non-profit organizations. Banks are for-profit enterprises and their earnings go only to the people who own their stock.

Banks and credit unions operate using different rules because they are chartered to run with different structures and with different organizational skills or goals, I'm sorry, that same philosophy should apply with the small games issue. Small games of chance were created for use by non-profits. Veterans service organizations are chartered by Congress to serve their communities. Bars and taverns are licensed for-profit commercial entities. They should be allowed to offer small games of chance, period.

As you know by this testimony, we are not in favor of HB 906 in large part because it expands who qualifies as an eligible organization.

And moving back to HB 169, the action items included in this bill are badly needed. Veterans service organizations support higher payout limits of \$25,000. We support taking it from \$5,000 to \$25,000.

We also support more well-defined rules for accountability, because we know there is a concern that raising limits could lead to more monies not being accounted for on the books. Like in politics, like in business, like in sports, there are some people in the small games community who do break rules. We want this to stop and we support whatever we can do to help make that happen. We like the fact that HB 169 clearly lays down some rules.

We also know that there is confusion now about how small games regulations are enforced and what role local and county officials play. We believe HB 169 will lead to some consistency in how the rules are interpreted and enforced across the State.

Veterans organizations in Pennsylvania have a very strong reputation of community service in part by donating funds to many many worthy causes. The VFW, for example, along with others takes great pride in donating funds to better the lives of their communities. Since July 1, 2008 through the end of 2010 year, PA VFW posts and their ladies auxiliaries donated more than \$6 million for community service. During this time the VFW volunteers performed more than 650,000 hours of volunteer service.

This community activity driven largely by volunteers happens because the VFW post and other posts like them exist as operational bases for running programs that improve PA. Many posts cannot respond to the growing number of donation requests because the need is getting higher. This is in part due to the slow economy and the fact that State sources of funding are drying up.

We also like the fact that HB 169 allows for using some of the earnings to help the non-profits to help them cover some of the cost of functioning as service organizations. Some lawmakers may not understand the need for non-profits to use some of the earnings to stay financially viable.

Consider this fact, many local veterans posts face combined monthly electricity and gas bills of several thousand dollars. These veterans groups are just trying to make ends meet in order to stay open as service organizations. I don't think anyone in this room wants to see our non-profit service groups close, certainly not the groups who rely on us.

Membership dues, small fundraisers and even food and beverage sales are not enough to cover expenses to keep many non-profit service organizations running. Being able to use 40% of small games of chance earning to help meet our expenses, as HB 169 calls for, will be critical to keeping veterans service organizations around to assist those who need a helping hand.

If local non-profit service organizations cannot survive, the result will be more than the loss of a few jobs. Our donations to fire companies, ambulance service providers, police departments, to food pantries, to soup kitchens, to emergency response charities, youth programs, health education charities, military troops and many other essential services will fall or disappear completely.

Our community service also develops patriotism among people of all ages; we need our places to promote that patriotism, including youth, who are the future leaders. We reach into the community through public events, patriotic holiday programs, classroom presentations and many more. You can see that keeping non-profits viable as service organizations is an investment that benefits everyone.

There is one very important misconception among sometimes about the laws of small games. Some think that when a non-profit organization runs a small game limit with a \$5,000 payout, that the non-profit takes in \$5,000 or a lot of earnings. That is incorrect and far from reality. That \$5,000 is a \$5,000 payout. That's what that is. We don't make any money on that \$5,000, that's paid out. What we make a percentage on is what's brought in.

Expenses to run the game include the payout amount and the cost to purchase the games. On average, game sponsors yield earnings of only 15%, give or take a couple percent, that's what we'll make.

We are asking for the weekly payout limit to increase to \$25,000 as called for in HB 169, so we have more finds to donate and to help keep non-profits open to fill a much needed role in society. We are also asking that payouts of less than \$26 are not included in the weekly payout limit.

To show the impact of small games of chance earning at the local level, I'm proud to introduce to you Joel Ellis of Lititz. He is the Commander of VFW Post 1463 in Lititz and they do an outstanding job in community service. His post has an impressive history of community service that has a substantial and life changing impact on their community. Joel.

COMMANDER ELLIS: Good morning ladies and gentlemen, I'm proud to represent the VFW at the post level, we are deeply involved in the community and we work with many organizations. These three books represent the donations and volunteer hours of post member and the ladies auxiliary for just 1 year; April, 1 2010 to March 31, 2011.

Post 1463 provides a surround community with much needed assistance, to libraries, to Lititz rec centers, schools, churches, boy scouts and girl scouts, fire and police departments, and ambulance companies.

We support veterans in various local, State, and national programs. We donate to recreation, a group of young performers who take one year out of their lives to entertain patients in the VA hospitals throughout the USA.

Post members participate in all the patriotic events in our area; parades, loyalty day, Memorial Day, July the 4, and Veterans Day programs.

Twice a year the post organizes a community effort that supports our military serving overseas. We purchase needed items for personal use, accept donations of food, clothing, and recreational items. We then pack and pay the postage needed to ship these boxes to our warriors serving in Iraq, Afghanistan, and the Horn of Africa.

Southeastern Veterans Hospital and Coatesville VA Medical Center count on us for donations to provide the little extras for our veterans such as; canteen books, parties, personal items, we sponsor a very active program that distributes clothing and suit cases to discharge

veterans from the Coatesville VA Medical Center. The VFW pays tribute at the loss of a comrade by furnishing the family members with memorial bible or a contribution to a charity of their choice.

We continue to keep our commitment to veterans and community programs however; due to the lack of funds we have reduced or denied many donation requests. The passage of HB 169 would allow us to contribute more generously to the communities and our VFWs. Thank you.

CHAIRMAN BRENNER: Thank you Joel. Many service organizations perform this type of community support. Often small games earning are given to students to further their education. Just recently we have VFW Post 7530 in Mechanicsburg recently handed out more than \$5,300 in scholarships. This is a blessing when the future of financial aid for education certainly is in question.

The Committee Chairman asked that we address two other bills today. To date, our Veterans Commission and our Legislative Committee from our work counsel has not reviewed or voted on bills 1323 and 1288 and we also had a problem understanding the coin auction, so we have no official position on those two. Only, personally, I see no reason why they couldn't be incorporated into a bill with 169 and they could ride along with that as amendments. That's my personal opinion. 906, we're definite on 906, we don't support that on account of we don't think a tavern owner should be involved in that.

Once again though, we see HB 169 as the best bill to meet the urgent need to modernize small games of chance. And Veterans service organizations improve the lives of Pennsylvanians from all regions of the State, your constituents, from all walks of life. The level at which we can continue this is due largely to the fundraising that we do through small games. HB 169 will generate the funds and support we need; the funds that we need to continue this successful

community service, without placing further demand in the State budget. Help us to move into the 21<sup>st</sup> century.

Thank you for allowing us to be a part of this hearing today. We also thank you, we thank you for standing up and we thank you for your service to the great State of PA and its people. Thank you very much.

CHAIRMAN SCHRODER: Mr. Brenner and Mr. Ellis, thank you very much for your testimony and to both of you and to all the veterans in attendance today or perhaps watching PCN (Pennsylvania Cable Network) we thank you for your service for our country and we thank you for your continued service to your fellow veterans and to all of our communizes across the Commonwealth. Thank you very much. At this time, I'll call on Chairman Youngblood.

CHAIRMAN YOUNGBLOOD: Thank you very much for coming for us today and I support the efforts of the veterans also.

But, I have a question that I'm kind of curious about. Do you have any idea of what percentage of VFWs or the ELKs or any of the organizations that are tavern or bar owners in PA? And the reason why I ask that, my ex-husband was a Veteran of the Vietnam War where they mixed the chemicals and all that other stuff. He recently died from some diseases associated with that. He was a bar owner, and I know quite a few of his friends that were members of either the ELKs or VFWs were also bar or tavern owners, so that's why I'm kind of curious of what percentage of Veterans actually own bars or taverns in PA that have served our country and served our country well?

CHAIRMAN BRENNER: To be honest with you, I have no idea. It's a great question, we have no idea, I know that we have people from all walks of life that belong to our organizations and we do welcome them in. We would welcome a bar owner that served and is

eligible to join our organization, we'd welcome them with open arms. I have no idea on how many.

CHAIRMAN SCHRODER: Thank you Representative Youngblood. Representative Millard.

REPRESENTATIVE MILLARD: Thank you Mr. Chairman. Thank you Mr. Brenner for being here today and I just want to mention to you IBEW 1600, I'm a retiree of PPL as well. I wasn't retired when I left to do this but I'm sure I'll be retired when I'm done with this. But I wanted to try and sum up some of the conversations and the testimony that was given today and I think that the best way to do it is to use the phrase, tear down that wall. Because, what were asking you to do, and Representative Brooks touched on this briefly, you do community service projects, your organizations do community service projects probably a lot better than we in government and we count on you to do those things in our communities. And really what were operating with now, were in the 21<sup>st</sup> century with 20<sup>th</sup> century laws and we need to revise those laws and we need to do it with a cautionary eye that the more money that is going to be allowed for payouts, the more money that will be generated obviously has to equate to more oversight. So, I would say that we're looking at these bills, at least I'm looking at them with not only the good that you do in a community but also with the intent that we have to make sure as we increase those amounts that those dollars continue to go proportionally in our community and not towards salaries. And we understand that volunteers need to be compensated some for their time, but not to draw an absorbent salary under the guys doing something in a community.

Mr. Chairman, I have one comment and I know that Amy Christie will be testifying on behalf of the tavern association and I have to believe she'll touch on HB 906, but I draw this to your attention, I think that there may be, unless I stand corrected, a drafting error in that bill, with

the math formula. When we're looking at 50% of the proceeds possibly to be used for general operating expenses, and we look further where 20% gets contributed monthly to a charitable organization, 30% to the General Fund and 2% split monthly between Department of Revenue and Bureau of Liquor Control Enforcement. That adds up to 52% so I don't see how it's possible for 50% of the proceeds for general operating, unless that 2% comes out of the 30% that would be going to the General Fund. So I just point that out that there may be a drafting error and I know the makers of those bills are not here and that concludes my comments.

Thank you again, thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you Representative Millard. Representative Stephens.

REPRESENTATIVE STEPHENS: I think you mean me. Thank you so much, and I don't think there is any quarreling with the great work that VFWs do across the State. But, I just had a question for you regarding your analogy to credit unions and banks. Are you aware of any government restrictions on the services that banks can provide versus credit unions? In other words, is there anything the government says a credit union can do because it's not for profit but they prevent a bank from doing because it is for-profit?

CHAIRMAN BRENNER: No, I'm not.

REPRESENTATIVE STEPHENS: Ok. I'm not either, it wasn't a loaded question, I just didn't know if you were aware, thank you.

CHAIRMAN SCHRODER: Thank you Representative Stephens.

Representative O'Brien

REPRESENTATIVE O'BRIEN: Thank you Mr. Chairman. Gentlemen, just two quick questions if I can.

What is the criteria for a membership in a Veterans organization?

CHAIRMAN BRENNER: Depends which on you wish to join sir. In the VFW you have to have a combat ribbon, you have to serve overseas, Veterans of Foreign Wars is what it stands for and it has to be proven on your DD214 that you've earned some sort of medal or ribbon or have been in some sort of hostile action or eminent danger or you received eminent danger pay. That's the VFW.

REPRESENTATIVE O'BRIEN: The Veteran's organizations do not allow for associate membership or those members who have never served in the armed forces, is that correct?

CHAIRMAN BRENNER: We do allow for what we call social members, but they don't belong to the Veterans of Foreign Wars as such, they belong to the home association. In the State of PA the only way you can serve social members in canteens and have them in social members is a form of what we call "home associations" and that was introduced by Governor Ridge. That's how we maintain social members, those social members are only allowed to come in and use your canteen facilities, they can have a drink, they can get something to eat, and they get good prices on that but they do not vote and they do not hold any offices in the organization.

REPRESENTATIVE O'BRIEN: They have no voting privileges?

CHAIRMAN BRENNER: That's correct.

REPRESENTATIVE O'BRIEN: Thank you sir, thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you Representative O'Brien. Gentlemen thank you very much for your testimony and for your time here today.

At this time I will recognize Amy Christie, the Executive Director of the Pennsylvania Tavern Association. Miss Christie welcome and you may begin when you're ready. Sure, take your time.

EXECUTIVE DIRECTOR CHRISTIE: Sorry. Chairman Schroder, Chairman Youngblood, and members of the committee. My name is Amy Christie and I am the Executive Director of the PA Tavern Association. We are the only organization that represents retail liquor licensees exclusively in the Commonwealth, including some of the branches of the fraternal and social clubs here today. We also have many volunteer firehouses that are faithful members of the Association. Thank you for the opportunity to speak before you today.

I want to take a few minutes to share some concerns about some of the bills before you today that we believe will put out family owned businesses at an even more significant disadvantage by forcing us to compete with non-profit entities. I will spend some time talking about how this Committee and the legislature can move ahead with a policy that is fair and beneficial to all involved.

The Local Option Small Games of Chance Act was passed decades ago to allow charitable organizations to raise funds for their programs. Over the years, because of the loose interpretations and lack of sufficient enforcement, the way the law is applied today is a sharp departure from the original intent. The result has been such that non-profit establishments originally intended to serve the needs of a distinct group of people, have grown to be magnificent operations in a large portion of the State directly competing with small, family owned taverns that employ over 200,000 Pennsylvanians annually.

Many private clubs and firehouses have incorporated what is referred to as social members. These social members have no affiliation in regards to religious beliefs, ethnicity, public service or military background. These are customers that are looking for a place to eat and drink cheaply, gamble, smoke, and enjoy bands and DJ's and entertainment. For a minimal fee

every year, they have all of those items when they join a retail licensed establishment that is a private club or firehouse.

The PA Tavern Association believes that the need non-profits may be feeling to grow their gaming capabilities in the bills before you today is indeed in direct correlation to their expanding social memberships and the higher overhead expenses that have repeatedly been claimed. I just want to take a second to refer to Mr. Mowatt's previous testimony and several things that we've heard today about if they're not really competing entities, if we're competing entities, I just want to point out a couple things. Mr. Mowatt wasn't accurate. Private clubs and private firehouses have never had to have a Sunday sales permit, we purchase one every year with our establishments and for 30 years we had to prove a certain percentage of food to be able to even acquire that.

I also want to point out that they're so much similar to our operations today that the House of Representatives passed out a bill this week, HB 148, that the private club organizations that testify before you today lobbied successfully to be included in as to they now can offer happy hour. This is direct competition.

HBs 169 and 1288, two comparable pieces of legislation that would let social and fraternal clubs dramatically expand the availability and increase the prize limits on small games of chance. Not only would the bills allow clubs to substantially increase the prizes they offer and the availability of the games, the legislation offers no new enforcement tools for State officials, which is problematic even under the existing law. The bills also further allow small games of chance licenses to be expanded across county lines with no new oversight.

A problem, as we view it, in HB 169 is the ability to allow multiple small games of chance license holders to operate under one non-profit roof and I do not believe that has been

mentioned at all today. For example, if an American Legion was operating their small games of chance licensed at the bill's 25,000 weekly limit, the Sons of the Legion, the Auxiliary, the Legionnaires, etc. can also acquire a small games of chance license and operate those individual licenses all at their 25,000 weekly limit, under the same roof. The bill also does not prohibit any other non-profit from using their small games of chance license in any private club they desire regardless of charitable similarities.

Effectively, this legislation would create many non-profits that are paying out potentially hundreds of thousands of dollars a week in gambling prizes. I think this is extremely important, and this I have exhibit one and I have enough for everybody for the committee if they so desire to view. But, this is just to show that right now of the \$5,000 limit there are many clubs in the area of the state that are doing close to and well over \$100,000 a week limit already in payouts.

The results of this on taxpaying retail licensees would make the competitive disadvantage that we are already trying to survive against too extreme proportions. Our taxpaying small businesses are the only on premise retail licensee left in the Commonwealth that are allowed no gambling activity of any kind and are under strictest measures of the smoking ban passes in 2008. Our family-owned small businesses are struggling. These bills would make things worse by significantly expanding small games of chance in clubs only, further putting our private owned businesses at a competitive disadvantage. No other for for-profit businesses in PA have to compete in such a way with non-profit organizations. Taverns and clubs have the same liquor licenses, yet clubs benefit immensely because they play by a significantly different set of rules. I do have a second exhibit for the committee which I have plenty of copies for, but this is a testimony presented by Major John Lutz, who is the Director of the Bureau of Liquor Control Enforcement, that testified on these very similar bills last spring, June 2 as a matter of fact. In

this testimony he is quoted as saying, "Unfortunately what the Bureau has observed that the vast majority of clubs are not compiling with the current statute. More often than not, the proceeds derived from small games of chance are being retained by the clubs in order to support operating expenses such as the purchase of food, alcohol, large screen TV's, pool tables, or to pay utilities or even salaries of bartenders or club officers."

I would also like to point back to exhibit one. And I'm not going to talk about all of these clubs on exhibit one, but I would like to point out, an American Legion cited closed case through administrative lodges, these are all public information and there are thousands of them out there, I encourage you to look. Gross income from small games of chance was \$520,000. Expense for the games was \$37,000. The net income was \$483,000, the only donations made by the licensee amounted to \$1,563 a balance of \$464,000 is left that was used for club operating expenses. To these kind of clear examples I'd like to stress again, this is what we are competing against as small business, taxpaying, family run operations.

HB 169, HB 1288 and HB 1323 also add little to the problem of accountability that many non-profits are being cited for today. The language in the current law provides that all proceeds from small games of chance would be used for charitable purposes. While the proceeds may be used now to help repair non-profits buildings, funds that should be given to charitable purposes are used to pay bills, employees, and offset the cost of alcohol and food. Many firehouses have been affected negatively just by this.

And then I'd like to refer to exhibit three that I also have for you. This is the testimony last spring offered by—

Yes?

CHAIRMAN SCHRODER: Ms. Christie, could I just ask, are the exhibits that you are referring to, are they attached to the testimony?

EXECUTIVE DIRECTOR CHRISTIE: I have them all here for you to supply with all of your members.

CHAIRMAN SCHRODER: Okay, so you will give them to us after.

EXECUTIVE DIRECTOR CHRISTIE: You can have them right now.

CHAIRMAN SCHRODER: Alright, no, just go ahead and continue, but I just wanted to check that we either have them or we will get them.

EXECUTIVE DIRECTOR CHRISTIE: Of course sir, thank you.

This exhibit three was by Ed Mann who is the State Fire Commissioner, who testified on these similar bills last spring on June 2 as well. In the case of a volunteer fire company, one would think the profits would be used to benefit fire fighters and to purchase equipment or pay bills related to fire fighting. However, in far too many cases the firefighters see very little if any of the profits, especially when a bar or social club that sells alcohol also exists when in the fire department. He lists a few examples of what has happened to fire fighters and fire clubs in the state.

A fire department in Lebanon County was actually paying monthly rent to the bar to keep their fire truck in the fire station. A fire department in Columbia County had water coolers in the apparatus space; the trustees determined that \$10 a month was too much money to spend so they had them removed. The following week the trustees of this fire department purchased two big screen TVs for the bar. A fire company in central PA spent over \$300,000 to remodel their bar while the firefighters saw a \$300 donation from the bar for the entire year.

This is also no question that all of our small, taxpaying businesses have struggled through these recent tough times as well as every private club, volunteer fire company, and organization in the commonwealth. They, however, do not have the benefit to offset their bills with gaming dollars. They are forced to get loans and second mortgages to pay ever-growing electric and food bills, payroll, school and property taxes. Some have had to lay-off staff and others have had to simply close their doors. The same bills that private clubs have to pay, we pay as well. We are small business owners.

The lack of accountability is a problem now with the current law. Increasing limits for weekly prizes in HB 169 and HB 1288 makes a current problem worse. Allowing multiple small games of chance licenses to operate under one roof makes accounting nearly impossible for proper recording of funds altogether. In fact, I do want to mention, Major Lutz, the head of liquor enforcement, I think that he is someone everybody in the Committee should speak to, because he can speak directly as to what is happening, Ed Mann, the State Fire Commissioner, he's a great person to talk to. Major Lutz, he doesn't have any way to review reporting requirements or reporting of any clubs what so ever. The only time that he is able to review any measures of private clubs is if there is a complaint directly against that club that he is then obligated to go investigate.

Allowing payouts of under \$26 dollars to not be recorded against the weekly limits leaves hundreds of thousands of dollars or more to never be tracked. The basic annual report that HB 169 outlines would not be sufficient to successfully monitor the amounts of dollars that will be gambled each week across the State.

We're not against modernizing the small games of chance law. In fact, we support HB 906 that would give our small business owners a chance to offer small games of chance to our

patrons. HB 906 requires electronic monitoring of the small games that other States utilize today in the accounting of small games of chance played in private clubs and taverns, in 14 other States. HB 906 increases the penalties for small games of chance violations to prevent the abuses and keep all retail licensees responsible and honest. The bill provides relief to private clubs and firehouses through the increase from a 5,000 weekly payout limit to 20,000 and allows them to retain 50% for operating expenses. HB 906 and its companion bill, SB 731 not only would help clubs and taverns, the bill also would earmark some of what taverns raise for enforcement, which is a significant challenge for the LCE today. And, the bills would require taverns to set aside a portion of what they raise to support Department of Revenue approved non-profits in their communities, organizations that are still struggling because of the lingering effects of the economic downturn. The bill also requires taverns to remit a contribution to the state that would generate much needed revenue.

Many statements have been made that I feel like really needs to be cleared up here. Many statements have been made that suggest the PA Tavern Association trying to acquire small games of chance for their members is somehow a slight to veterans and volunteer fire companies. That is simply not true. In fact, many of our members are veterans who after serving their country in times of war, came home to create jobs by opening a small businesses in PA. In the hearing room today there are many of those. I also have Sgt. Bentivegna. Sgt. Bentivegna is a hero to us all. He is here and one of the last surviving 7,000 combats that were killed in Iwo Jima; he is also a tavern owner. When he returned from the battle of Iwo Jima he opened his own small business. His granddaughter and daughter are still now running businesses in that tavern industry. This is a common story among our members. PA citizens would benefit from these bills. It would benefit from taverns and would benefit from clubs, being included into small

games of chance. Furthermore, taverns are some of the largest and most consistent contributors in the state to volunteer fire companies.

Attached to your testimony today are letters of support in regards to HB 906 from the PA Fire and Emergency Services Institute, the Ambulance and Volunteer Fire Companies Association, The PA Restaurant Association and the Allied Charities of PA which consists of Lions, Rotary clubs, Kiwanis. We also have available for you to view approximately 1,000 letters in support of small games of chance reform including taverns signed by private clubs of all distinctions and many that were here today and fire companies across the State. We are anticipating several other organizations to follow suit shortly.

The committee surely heard about the worthy projects that clubs support today. We applaud their contributions they have made from their gambling activity but also would like to stress the important charitable works that taverns consistently make to their communities on very meager bottom lines through hard working effort by our family owned and operated establishments.

Where did it go? I have about papers this thick and I have copies that I can provide to everybody but these are taken form 100 random samplings of taverns in every pocket of this State of every charity that has been documented by their records that they are forced to keep on premise for 2 years, hard copy and reviewed by LCE and LCB, documenting where their money is going and it ranges everywhere from veterans associations, Elks lodges and Vets lodges, churches, libraries, schools, parks, breast cancer, humane society, AIDS society, you name it, we're there. The reason why we are able to exist when we are up against being the only retail licensee in the Commonwealth with no gambling activity to speak of is because we endear ourselves to our communities, we are there still because people know we are there to help them,

if you need a friend, if you need someone to talk to, if you need a family that's been burned out of their home or a family member that is sick, you know where to go to your tavern.

I'd like to point to an article that is in a monthly publication that is actually out this week and it talks about a tavern in Upper Darby Township that is 75 years running with the same family. They are now on their third generation of family members running the exact same establishment that has not left this current location. He had one of the first licenses in the state of Commonwealth. The second generation owner of Busty's, and it's Busty's Tavern it's pronounced Boosties because his father was an Italian immigrant. He was a veteran, he passed away, but now his son is now running it. They have been honored by their local fire companies, Highland Park Fire Company, by their Youth Athletic Kirkland Association. They have formed an outside of the establishment golf memorial tournament to make sure they can keep on producing monies going to charities. And I would like to produce, in 5 years, they have documented \$138,000 raised by golf tournaments that is split between children's activities, fire companies and police service. During Mr. Busty's funeral, the Highland Park Fire Company entered the funeral home in full dress in full guard. They honored him by inducting him as posthumously as a fire fighter into their fire club. Their fire trucks lined the streets and took his body to his final resting place. Because of the contributions that he had given of himself of his business to the fire company, I just think we need to recognize here that we got a lot of good things going on in taverns in PA. We have a lot of good things going on in private clubs in PA. There's no reason not to bring it together and move PA forward for everybody.

I just want to follow up with Sgt. Benivenga, I just want to thank him very much for being here and I would hope that all of you are very grateful to see him as well. Thank you very much; the capitol building was able to provide the wheelchair that you see him in today which

was necessary for him to be here. I have a little conundrum and I was contacted, you know these 1,000 clubs of letters these are VFWs, American Legions, and Vets, Elks clubs, Moose's, you know I don't think I was contacted by a private club last night that really wanted me to talk to you today. He was asked by his local State Representative that is not on this Committee to be here today to talk in favor of HB 169. He chose not to do so, and this is his quote to me. There should be piece of legislation formed from all of these bills that help the people in taverns and clubs as we are neighbors supporting the same communities. Allowing a tavern to have a fish bowl is not going to hurt anybody. And the fact that the State and charities would benefit while allowing both of our businesses survive only makes sense. He also asked me to produce his name and telephone number privately to any Committee member that would like to speak further with him about the issue. He's very fearful of his name being released publicly for fear of retribution from any organizations representing non-profits that have threatened his club with trusteeship if they spoke in favor if taverns also acquiring small games of chance. So I have that information chairman for you whenever you want it.

And I just want to thank you for your time today and Sgt. Benivenga, I didn't know, can he say a word, he really would like to express to express his gratitude to you.

CHAIRMAN SCHRODER: The committee would welcome Sgt. Benivenga giving some brief comments, yes, thank you.

EXECUTIVE DIRECTOR CHRISTIE: Thank you chairman.

SGT. BENIVENGA: Thank you for letting me talk a little bit. I don't know what to say because such a big thing for a family to take and have a bar and give great neighbors around them bar room profit should help them out a little bit because they need it and that is what the idea here is. They did and they got it. That's all I've got to say.

CHAIRMAN SCHRODER: Sgt. Benivenga, thank you for your comments, thank you for taking the time and going through the difficulty for being here with us today, we do appreciate that. Does that conclude the testimony?

EXECUTIVE DIRECTOR CHRISTIE: It does thank you so much.

CHAIRMAN SCHRODER: Miss Christie and Sgt. Benivenga, thank you so much for your testimony, I just would point out Major Lutz was invited to attend and be here today to speak of various issues, but for whatever reason he was either unable to or not permitted to attend, so all I can say if you have any more luck with getting him we would be happy to talk to him further, perhaps an information session or something before any votes are taken on any of these bills.

EXECUTIVE DIRECTOR CHRISTIE: Thank you.

CHAIRMAN SCHRODER: The question, two areas I want to ask about. You spoke about the issue of accountability and also enforcement mechanisms. Can you explain, what are some of the enforcement mechanisms and that you are advocating or that might be in HB 906?

EXECUTIVE DIRECTOR CHRISTIE: We are advocating for electronic monitoring and this electronic—

CHAIRMAN SCHRODER: And can you explain what that is?

EXECUTIVE DIRECTOR CHRISTIE: Absolutely, Electronic monitoring is actually used in many States that already have small games of chance in bars and clubs in the country. A lot of clubs in PA already use electronic monitoring and what it does, every small game whether it be a raffle ticket, a pull tab or what have you, a punch board has a serial number located on the device. What you do is you swipe it under just like you did when you go to Wal-Mart and you hear that buzzer over the scanner, it does the same thing, but what it does, it records the serial

number of the game and matches it up directly with the games that these license small games distributors have reported to have sold to a license establishment, it also reports down to the second it was sold, how much it was sold for, what the game would project to pay out and be percentages of whatever they may end up being would be required. Now, the beauty of this, the beauty of electronic monitoring and the systems that we have viewed and are available we can make available for you all the Committee to see. The beauty of this is it breaks it all down into percentages, gets rid of all the accounting hassle that Major Lutz is having to deal with now when he has to go in for audits that the clubs are claiming that they're having a very hard time in keeping up with their records and also limits the ability, it limits the tavern with every record that they have to keep on premise it's already done right there. It goes into an electronic form in electronic files, one push of that button and it is sent to the Department of Revenue, the Attorney General's Office as they do in other States that already allow this to happen.

CHAIRMAN SCHRODER: And what if you know is the cost of the average cost for a facility to bring in and set up this electronic monitoring?

EXECUTIVE DIRECTOR CHRISTIE: The average cost of one of these machines can be anywhere from \$1500 to \$3000.

CHAIRMAN SCHRODER: So that's for the machine, does that include installation?

EXECUTIVE DIRECTOR CHRISTIE: It includes installation, they will come back and maintain, do maintenance for you, if you so desire.

CHAIRMAN SCHRODER: Are there ongoing fees and costs in addition to the installation?

EXECUTIVE DIRECTOR CHRISTIE: No, because a lot of these individuals that are selling these electronic monitoring systems are the people that are already licensed here to sell small games of chance.

CHAIRMAN SCHRODER: Just one final question before I turn it over to other members, you know when small games of chance passed in 1988 – I think that's well before any of us on this panel were in the legislature if I'm not mistaken – it was done so and put out to referendum by I believe, by the individual municipality. I guess my question to you, what would the Tavern Associations' position be to changing the bill that would put it out to a referendum requirement just as the original small games were brought into the Commonwealth?

EXECUTIVE DIRECTOR CHRISTIE: Well sir, we don't have a problem with that we think the peoples voices need to be heard. Susquehanna Polling in research just completed an extensive poll regarding small games of chance in bars and taverns, they, it was well over 60% of conservative voters polled that have no problem what so ever with taverns doing small games of chance. We would welcome the opportunity.

CHAIRMAN SCHRODER: Okay, thank you.

EXECUTIVE DIRECTOR CHRISTIE: Thank you.

CHAIRMAN SCHRODER: Chairman Youngblood any questions from you?

CHAIRMAN YOUNGBLOOD: First of all, I think it would be appropriate if we would all stand and give a round a real roaring of applause to Sgt. Benivenga. I am very pleased to meet someone that is one of the last surviving members of Iwo Jima I think we're all very fortunate to have him in our presence.

Thank you ever so much.

Would Taverns be opposed HB 906 moved for to provide a toll free 800 number and advertise other gaming problems.

EXECUTIVE DIRECTOR CHRISTIE: Absolutely not.

CHAIRMAN YOUNGLOOD: Thank you.

EXECUTIVE DIRECTOR CHRISTIE: You're welcome.

CHAIRMAN SCHRODER: Representative Knowles.

REPRESENTATIVE KNOWLES: Thank you so much and Representative Goodman is a Marine and I was asking him if he could still fit in his uniform. Sgt, thank you for all that you do and that you've done for our country, you're an American hero.

It's kind of interesting because the testifiers today have done such a great job that they, my head is spinning because I listened attentively to the previous testifiers and now I listened to you and you almost feel like you feel very strongly about both sides of the issue, but the fact of the matter is at some point in time I'm going to have to make a decision.

I guess along the lines of how necessary this would be to taverns in terms of the number of taverns that you may have represented a few years ago in comparison to the number that are existing today. Have there been a lot over the course of the years that are closed down and no longer members of your Association?

EXECUTIVE DIRECTOR CHIRSTIE: Yes sir, as an Association, I'm very proud of our retention rate for members and the reason being is because we're very informative and we stay with constant weekly communication with all of our members of what is happening anywhere that affects their industry. So that detriment last year during this last renewal time, I had noticed that we were 47 down, 47 down members and that was this year. Last year we were down a couple hundred and I knew what happened. I knew what happened, I called because they are

great members and I'm in touch with my members and they went out of business, they sold they closed, they can't compete.

You have to understand if you are a block down from a private club that is a major offender of small games of chance. Many are not, many are. Now, imagine being not able to smoke, not being able to offer any kind of gambling, you have to sell your beers and your mixed drinks and your food for more than what you are able to buy them for because you are trying to make a profit to pay your employees and pay your bills and still keep your doors open. If you have a private club that is able to smoke, they freely allow social memberships; they all set their cost of liquor and food with their gaming dollars and pay their bills with gaming dollars, how can you compete? You don't have a selection, you don't have the extra \$1,000 that may cost for you that weekend to hire the best band in your neighborhood. You don't have the well worth.

And for that matter, imagine being a private bar a private business within 10 miles of a casino. Casinos are able to smoke over 50% of their smoking floor; they're also legislated to be able to give away free drinks all night long to anyone that is in their establishment.

It is extremely hard for us small businesses to be able to keep on keeping on. However, the people that are in this industry have pretty much been born into it. You know they come from other generations their previous generations that have started these small businesses in PA and I just want to point out, PA taverns, Philadelphia Tun Tavern, that's where the US Marine Corps was born. Philadelphia Tavern, it's where the first US Continental Congress met while the Capitol Building was being built. We were where you went to vote; we were where you went for meeting places. We have a rich culture in this history, and I think that it would benefit all of PA if we attempted to help both of our problems. Thanks you.

REPRESENTATIVE KNOWLES: Thank you Ms. Christie, thank you Mr. Chairman.

CHAIRMAN SCHRODER: Thank you. Representative Stephens.

REPRESENTATIVE STEPHENS: Thank you Mr. Chairman.

Do you have any, any revenue projections or is there any comparison you can make from other States that have done this, in terms in what we might be able to expect from the Commonwealth's perspective?

EXECUTIVE DIRECTOR CHRISTIE: Okay, yes, I do, I have some numbers, Department of Revenue, when Governor Rendell was still here and he had the legislator offered up, and I know most of you will remember this, the legislator offered up an ability to increase the small games of chance profits or increases, weekly payouts to private clubs and have a 20% tax onto those small games. Well, the clubs and fire houses absolutely opposed that what so ever and that's when we said, you know what, we'll pay the taxes, let them have it, let them keep going what they're doing and let that happen, but let us pay the taxes.

We went to Department of Revenue, they ran some numbers, and I think everyone understands the Department of Revenue is extremely very conservative, so they generated, they ran out some numbers that if 6,000 taverns participated in small games of chance because you have to remember, not everybody will. If 6,000 taverns participated in small games of chance and they paid 20% to the State, then that would generate over \$85 million dollars a year to the General Fund. Well we wanted to increase that number, so we took it from 20% to 30% gross and well that would be well over \$100 million, and that is extremely very conservative when you look at other States and what they have in collecting in taxes and what they have been doing in gross. Just gross revenue and small games of chance, like Minnesota, 2009, 3,000 establishments operating small games of chance was their lowest recording number, and they recorded \$1.2

billion gross. One point two billion. We have 3,500 liquor license, private clubs, and fire clubs operating in PA right now. Thank you.

REPRESENTATIVE STEPHENS: Can I ask one quick follow up, Mr. Chairman? How many taverns are there in PA?

EXECUTIVE DIRECTOR CHRISTIE: There are about 8,000 mom and pop taverns left in PA.

REPRESENTATIVE STEPHENS: Thank you.

EXECUTIVE DIRECTOR CHIRSTIE: Thank you.

CHAIRMAN SCHRODER: Representative Murphy.

REPRESENTATIVE MURPHY: Thank you Mr. Chairman. Just as a follow-up to Chairwoman Youngblood's question with regards to whether or not taverns would be opposed to providing 1-800 numbers and other advertising for problem gambling, would the taverns also, if HB 906 were to be voted out of Committee and brought to the House Floor, would they be opposed to an amendment that would mandate they contribute to the compulsive and problem gambling fund?

EXECUTIVE DIRECTOR CHIRISTIE: No problem.

REPRESENTATIVE MURPHY: And also, ask that as far as the non-profits would be concerned and I don't know if anybody would be willing to dance with that question, but I would think that if these four bills were to be voted out of Committee and to be passed by the House and eventually over to the Senate for the Governor's consideration that would be one of the components and be part of the formula and that would all contribute to the problem gambling fund.

EXECUTIVE DIRECTOR CHIRISTIE: Yes sir, no problem.

REPRESENTATIVE MURPHY: Thank you very much, that's all I have Mr. Chairman.

CHAIRMAN SCHRODER: Thank you Representative Murphy. At this point I'll recognize for question, Representative Delozier.

REPRESENTATIVE DELOZIER: Thank you very much Mr. Chairman, I appreciate testimony and sharing the information that you have, and I understand the differences between the two bills and I guess my real question— Is that me? Okay, oh my gosh, what did I do.

Let's see if I can answer if this without it going— Okay.

My question is between the two bills and of the differences and I do see and I said that in my opening remarks in the sense of the difference of apples and oranges with a for-profit and not-for-profit and that's where it causes an issue as to the Representative the area in which I represent. So, actually I'm very interested in the point that the Chairman brought up with the referendum and the capability of seeing where the voters are because that is obviously the biggest concern as to representing the districts that we do represent. So that would be certainly something that would be of interest certainly all of HB 906.

Do we, as it at my preference and this is more of a statement than a question to you per say is to allow for both bills to move forward and have as I mentioned fully vetted on the floor, have the questions asked and I've taken notes on a couple of the comments even on 169 of the more transparency or the capability of maybe making things more in line with how other states have possibly done it and the suggestions have been good ones.

My preference would be with both bills is to allow them both to go, and allow both to have the opportunity to have that as I said vetted because I think there's no reason to not allow for small businesses if other areas in the State isn't in agreement to that. I just know that here in

central PA that causes an issue for me as the prime sponsor of 169, so I hope that we can have that discussion and we can move forward with both of these bills separately, thank you.

EXECUTIVE DIRECTOR CHRISTIE: And just as a comment that I would just like to point out that even Tom Helsel, he was here from PANCO today testifying was emphatic that there are in fact running businesses as well. You know so, I believe that any bill that is put together by the legislator I think it is up to the good people that have been voted in office to put together a piece of legislation that answers both of the issues and both of the problems collectively because we are both, we both have the same customers now, social membership is a problem.

REPRESENTATIVE DELOZIER: And I can understand what your point is, but I would also add to the fact that the difference is just for the fact that there is as the bill stands in 906 a 48% going back into the community or the ownership of the business where as in 169 all of is or 60% of it is going back into the community and the other 40%, or up to 40% will be used within the facilities to run them. So in of themselves that is community dollars and in many cases they don't even need the 40% it would be less than that. So I think there is a difference between the two and we can you know we will probably end up disagreeing on that deposition, but the end result will still be a matter of keeping the organizations covered under 169 and the organizations covered under 906 to both have their time.

EXECUTIVE DIRECTOR CHRISTIE: Absolutely, respectfully Representative I appreciate your comments, I just think that further keeping similar businesses, whether they be non profit or for profit, on opposite sides of the fence doesn't move this issue forward. Thank you.

CHAIRMAN SCHRODER: Thank you, we thank you very much for your testimony today this afternoon.

EXECUTIVE DIRECTOR CHRISTIE: Leave the exhibits?

CHAIRMAN SCHRODER: If you could get the exhibits to our Executive Director Dana Alwine for—

EXECUTIVE DIRECTOR CHRISTIE: No problem.

CHAIRMAN SCHRODER: —distribution to the Committee. I appreciate that.

EXECUTIVE DIRECTOR CHRISTIE: Thank you so much for your opportunity we really appreciated it as small business owners.

CHAIRMAN SCHRODER: Our last testifier of the hearing will be Mr. Jim Laufenberg, Legislative Committee Chairman of the PA American Legion. So we welcome Mr. Laufenberg. Gentlemen welcome and you may begin when you're ready.

CHAIRMAN LAUFENBERG: Thank you Representative Schroder and Representative Youngblood and members of this Committee on Gaming Oversight all others who are present.

I'd like to introduce you to my colleague Mr. Joe Cocco over to my left here; he will give some insight and information as to where the money goes and our 60% back to the communities.

My name is Jim Laufenberg, I'm the Legislative Chairman of the American Legion Department of PA. I'd like to speak to you regarding this HB 169, small games of chance. We have been here before, and if it were as easy as saying please pass this House bill, I would do so. However, it is not that easy.

Going last is going to be pretty easy today, because I would say 99% of these issues have already been covered, but, I'd like to make reference to several points. One is the current law, enforcement of the law, Legions in local communities and impact of the casinos.

As you know, the current law has not been changed or altered in more than 23 years and although acceptable 23 year ago, limits on winnings are no longer workable to our American Legion Posts and our kin folks if you will, the VFWs, and most of the other non-profits as well. As we all know in the past and last 23 years most goods and services have gone up in cost and that's one of the reasons were here. Now more than ever with the cost of gasoline and utilities at an all time high, all who live in this city, State, and nation are directly impacted. These rising costs also directly and indirectly impact all facets of business and home life. The cost to operate and maintain Legions and or non-profits, as I said, in concert with our charters and to support our local communities and our veterans has become in large instances almost impossible. There's always acceptances to the rule in any business.

HB 169 reintroduced by Representative Sheryl Delozier in the 2011 session is the bill the American Legion supports in its entirety. That's what we're going with. This bill, which made it through the House twice and unfortunately failed in the Senate, if passed will enable American Legion posts and their members to support their local communities and our veterans. And that's what we should be about today. These members are the lifeblood of the American Legion as well as all non-profits. The language in HB 169 allows for general operating expenses to be paid in part by small games of chance. Forty-percent would be available to be used for general operating expenses and would enable us to keep our doors open to veterans in support of our communities. The additional 60% would be given back to the communities by support through donations/sponsorship of local fire and police departments, schools, youth sports teams, scouting programs and others, as well as various charities such as the Wounded Warriors, Heroes to Hometowns, Operation Comfort Warriors, and Veterans of Valor, and that's just to name a few. Without HB 169 many Legions and non-profits will be in jeopardy. Some will close and others

will eventually disappear and we're hopefully going to stop that. We need this bill to enable us to support our veterans and our communities.

Let's talk a little bit about law enforcements. Many clubs have had the LCE come in to inspect and enforce the laws as directed. This is the normal course of events for most clubs and all are willing to listen and comply with recommendations. However, there seems to be a lack of continuity between inspecting offices and the laws as they are written. Are the written rules or guidelines not clear? Rules apparently are open to individual interpretation of the written law. What one inspecting officer interprets as a violation another inspecting officer may interpret as compliance. I might add, PA is on a Department of Public Welfare developed and LMI, License Measurement Instrument, which I sure you're all aware of and it helped to eliminate this very type of a problem. The LCE should be able to develop a similar program.

Local communities, the clubs members are comprised of local veterans and their family members who choose to become part of the American Legion family, I think most of you know that it's not just Legionnaires; it's sons of Legionnaires, its auxiliary members, and now its Legion riders, they're a different ballgame, but they all contribute. Most of these people are pillars of the community, they have been for years. In my particular post in Lawnton, PA, we just had one of our elders die and he was basically the founder of Legion baseball in our Legion in our area. To these people I owe a great deal of gratitude support, they supported me, I support them, they brought our youth today up. They are the pillars. These clubs are not part of a conglomerate or corporation, but instead are owned by us members and are run and managed by those members and the neighborhood communities and those are the people I just spoke about. The operation of the Legion is solely supported by its members and their own monies.

That would be advised, these club members are solely that, as my comrade Mr. Brenner said earlier about membership and to something military organizations will call them, the Legions, the AM Vets, the VFW's and so on and so forth. There's a requirement to belong there, as a bona fide member, there are social members, granted in all clubs, but to be a voting member it takes membership as a veteran. The operation of a Legion is solely supported by its members, excuse me. Any profit earned by the Legion's local membership is for the benefit of that membership and the local communities where they reside. What we earn, we try to keep, what we earn, we give back to the community. We try to run and do the things we need to do within the frames we have set forth for ourselves and basically that's by our charter.

One other question/comment are casinos. Casinos have had an adverse impact on all Legion posts as well as all posts for that matter. The monies being spent outside our local casinos and not at our local American Legion and or VFWs and our AMVETS and all, have affected a number of community programs and unfortunately these monies do not get back to the local communities. I don't know what the casinos are doing to local communities but I haven't heard anything reference that. Those suffering from a decrease in funding are the state homes and veterans hospitals, fire and police departments and youth sports. We need those monies to support those people. Those people are our community, without them we wouldn't exist either. Like I said this was short today.

In closing, let me say that these Legion members, veterans, their families and community first responders are your voting constituents; they are in your communities and need your support.

Ladies and gentlemen, I thank you for your time.

I would like to introduce Joe Cocco for his comments, if I could.

VICE COMMANDER COCCO: Chairman Schroder, Chairman Youngblood, members of the Committee, good afternoon. I'd like the chair to check the time. I'm Joe Cocco, I'm Vice Commander in the American Legion. American Legion is the largest military or veterans organization in the world, 2.7 million strong in the great Commonwealth of PA. We have over 200,000 members, 60,000 auxiliary and 50,000 son, that's 3000 tax paying voters.

I'm here today to represent the American Legion and to back HB 169. There's a lot of testimony today regarding the other bills but we want to go on record that we are supporting 169 and 169 only. There was some questions from some people on the panel about what we do with the money, well the American Legion has over 800 posts throughout the Commonwealth, and has given hundreds of thousands of dollars to the small games of chance monies back to their local communities. In central PA alone, two local posts have given over \$100,000 sponsoring local youth themes every year, scouting programs, they support local organizations that assist needy families during the holidays, they give money to assist with Memorial Day parades, purchased and erected a gazebo for the local park, and the Post donates yearly to such causes as Toys for Tots, Meals on Wheels, and local police and fire departments.

I can go on and on just like my comrade John Brenner from the VFW. A Veterans organization is a non-profit organization and were basically there for the community but mostly for the veterans. American Legion was established in 1919 and it hasn't changed our goals today. We are here for our veterans, our veterans who have served and our veterans who are currently serving. That is our main goal for the American Legion, we do numerous projects just like the VFW, and that is where our money goes, we need the money from 169 to increase it.

Now I'd like to comment in some rising, I heard a lot of testimony today how these other bills won't affect the Veterans Organization, I beg to differ. One thing about getting old and gray

and bald, you have a good memory, you learn a lot in life. I happen to come from Representative Goodman's district, I'm from Schuylkill County and when I grew up as a young man the American Legion that I happened to be a Past Commander of and still a member of, they raise money by having a pool every Saturday night, and back in those days, the towns were bustling on a Saturday night, just like NY and everybody came up to the American Legion and they played a pool. You went in there, you wrote your name on a slip, and they gave you a pilly you put in a drum and at 10:00 at night and they roll the drum and the winner won \$1,000. Well that was a lot of money back in the 50s and 60s, \$1,000, the only other big jackpot then I think was the Irish sweepstakes where you could will \$100,000. Today everywhere you turn we have a casino, every store we go we have a lottery ticket, all that money is taken away from what the people used to spend at the Legion. Now if you go ahead and you sponsor a bill to give local tavern owner and I might be a dumb Pollock from the coal region, but if I only have \$10 to spend when I go out on a Saturday night and I stop in the first bar and I buy 2 beers and a couple lottery tickets and I want to go visit my Legion because I'm a veteran, you can only spend \$10 because it only spreads so far. And we have the groundhog on TV every day telling me a new lottery ticket came out for the State. We have a new casino going up every day, alright. Where are we going to spend all this money? The American Legion needs it for our veterans, alright? And when we have a small game of chance it's 100% nonprofit it goes back to the veterans. When it's the VFW or the Catholic War Vets or the American Legion, we need bill 169 to pass and we need your support and we really appreciate it, thank you.

CHAIRMAN SCHRODER: Thank you gentlemen for your testimony. Just a question, I don't know if you thought about, or even have an answer now, you could certainly get back to us, but, the issue of electronic monitoring was discussed by the previous testifier. I guess I'm

wondering what's your thoughts are in return for the limits being raised, you know as proposed in the bills, you know and the estimated cost we just heard of the electronic monitoring, would you be open to that, willing to embrace that, or reject that, how do you feel about it, if you have a—

CHAIRMAN LAUFENBERG: Representative Schroder, I think we'd be willing to embrace it, and we would certainly listen to it, we'd like to know what it's about and a little bit more in detail than what we heard today.

CHAIRMAN SCHRODER: I would agree, we all need more detail.

CHAIRMAN LAUFENBERG: We spend \$30,000 almost just doing a push system in the restaurant and club we own; most of you are familiar with that, touch screen is what they call it today. And that happens to aid us and monitoring our ticket sales, and the and along with a lot of the other sales for food and liquor as well.

CHAIRMAN SCHRODER: Okay, well thank you. Representative Millard, recognized for question.

REPRESENTATIVE MILLARD: Thank you Mr. Chairman. Mr. Chairman, we talked about electronic monitoring and the price was given on installing that and I would like to make a request that members of this committee be provided you know the manufacturer and all that is and what the actual cost of that would be. I'm thinking that the price that was given was a little low and I'm also thinking that the continued use and monitoring with regards to that has a cost to it. My wife has a retail store and she has one of those credit card machines and they're not cheap, they come with a monthly charge on them and that's not cheap either, so I don't see how this electronic monitoring would be any cheaper than those credit card machines but, hey, I'm open minded.

CHAIRMAN LAUFENBERG: And that would be a cost towards our facilities and some are hurting right now, so—

REPRESENTATIVE MILLARD: Thank you.

CHAIRMAN LAUFENBERG: —you're asking us to spend money.

CHAIRMAN SCHRODER: Representative Millard, I think you bring up a good point, the electronic monitoring, you know is something the committee has enough information on yet, the problem with debate to make any decisions or reach any conclusions, but I do think it's something that we owe it to ourselves to investigate a little bit and see what the benefits, drawbacks, expenses you know, might be to such a system.

With that if there are no other questions from the Committee, I would like to thank you gentlemen.

I'd like to thank all the testifiers today and all who were in the audience, concerned and interested in this issue, thank you very much.

This will conclude the hearing, thank you for your attendance.

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