

***Pennsylvania Association
Of
Nationally Chartered
Organizations
PANCO***

**Testimony provided to the
PA House Gaming Oversight Committee
Small Games of Chance Reform**

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Pennsylvania Association of Nationally Chartered Organizations

Good morning Chairman Schroder and 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 the Pennsylvania Association of Nationally Chartered Organizations. Additionally I serve as the Government Relations Chairman for the Pennsylvania Elks State Association.

The Pennsylvania Association of Nationally Chartered Organizations (PANCO) is a statewide association of nationally chartered fraternal and veteran groups. We count amongst our membership fraternal organizations such as the Eagles, Elks and Moose as well as veteran posts of the American Legion and Veterans of Foreign Wars. 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 largess 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, funding local charities, supporting veteran programs 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 Pennsylvania Elks State Association I can point to our state major project, The Elks Home Service Nurses Project as a prime example of what our fraternal groups do. The Home Service Project began 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 charge. The annual budget for this is around \$1.6 million. The Eagles major project is Alzheimer's while the Moose focus their energies on Mooseheart and Moose Charities.

I mention these programs as they are funded primarily by our local lodges across Pennsylvania 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 Rep. Sheryl DeLozier. PANCO and our members strongly support the passage of HB169.

I have 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 2 bills were overwhelmingly passed by this chamber (173-27 in June of 2007 and 166-24 in May of 2010) and I thank those members for that.

Over the past three sessions the issues within small games have been discussed and many of the needs and concerns are addressed 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. 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 be 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 the 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 in 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 taxes to our municipalities and school districts. I would wager to say that 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 Pennsylvania, 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 a 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 committee.

With respect to HB1288, we support Rep. Kerry Benninghoff's bill and are grateful for his support and intentions to our issue. Likewise we support Rep. Seth Grove's bill HB1323. Rep. 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 Rep. Ron Miller. With all due respect to Rep. 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 Pennsylvania. 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 the 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 the Pennsylvania Lottery. There is a finite amount of entertainment and/or charitable dollars available. By expanding to such a large venue, programs funded by current small games licensees would be negatively impacted as well as 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 responsibilities 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 oppose it.

I thank you Chairman Schroder and Chairman Youngblood for the opportunity to present my testimony.

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Mr. Helsel is the Government Relations Chairman for the Pennsylvania Elks State Association, a position he has held five years. He served as the Vice-Chairman of the Committee for a period of four years. He has held the position of Government Relations Chairman for his local Elks Lodge for the past 15 years.

Mr. Helsel serves as secretary for the Pennsylvania Association of Nationally Chartered Organizations. As secretary he has been an advocate for the nationally chartered fraternal organizations on issues surrounding liquor licenses and its impact on clubs, small games of chance and other issues surrounding fraternal and social club organizations. Mr. Helsel has testified before committees of both the PA Senate and the PA House of Representatives on these issues.