

Pennsylvania Tavern Association Testimony
Delivered to the House Gaming Oversight Committee by Amy Christie
House Bills 169, 1288, 1323 and 906
May 5th, 2011

Chairman Schroeder, Chairman Youngblood, Members of the Committee:

My name is Amy Christie, and I am the executive director of the Pennsylvania Tavern Association. We are the only organization that represents retail liquor licensees exclusively in Pennsylvania, 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 to 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 our family-owned businesses at an even more significant disadvantage by forcing us to compete with nonprofit 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 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 be entertained by bands and DJ's. 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 Pennsylvania Tavern Association believes that the need non-profits are 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 they have incurred because of them.

House Bills 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 House Bill 169 is the ability to allow multiple small games of chance license holders to operate under one non-profit roof. For example, if an

American Legion was operating their small games of chance license at the bill's 25k 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 25k weekly limit. 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.

The results of this on tax-paying retail licensees would make the competitive disadvantage that we are already trying to survive against to extreme proportions. Our tax-paying small businesses are the only on-premise retail licensee in the Commonwealth that are allowed no gambling activity of any kind and are under the strictest measures of the smoking ban passed in 2008. Our small, family-owned 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-profit businesses in Pennsylvania have to compete in such a way with nonprofit organizations. Taverns and clubs have the same liquor licenses, yet clubs benefit immensely because they play by a significantly different set of rules.

House Bill 169, House Bill 1288 and House Bill 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 to help repair non-profit 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 by this problem. There is also no question that all of our small, tax-paying businesses have struggled through these recent tough times. 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 bills, food bills, payroll, and school and property taxes. Some have had to layoff staff and others have had to simply close their doors.

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. Allowing payouts of under \$26 dollars to not be recorded against the weekly limit 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 House Bill 906 that would give our small-business owners a chance to offer small games of chance to our patrons. House Bill 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. House Bill 906 increases the penalties for small games of chance violations to prevent abuse and keep all retail licensees responsible and honest. The bill provides relief to private clubs and firehouses through the increase from a 5k weekly payout limit to 20k and allows them to retain 50% for operating expenses. House Bill 906 and it's companion bill, Senate Bill 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 nonprofits 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 needed revenue.

Many statements have been made that suggest the Pennsylvania 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 business in Pennsylvania. In the hearing room today is Sgt. Bentivegna. He is not also one of the few surviving combat veterans from the Battle of Iwo Jima; he is also a first generation tavern owner. His daughter and granddaughter have followed in his footsteps and are still employing Pennsylvania citizens today through the tavern industry. Furthermore, taverns are some of the largest and consistent contributors in the state to volunteer fire companies.

Attached to your testimony today are letters of support in regards to House Bill 906 from the Pennsylvania Fire and Emergency Services Institute, the Pennsylvania Restaurant Association, and the Allied Charities of Pennsylvania which consists of Lyons, Kiwanis, and Rotary clubs across the state. We also have available for you to view approximately 1,000 letters in support of small games reform including taverns signed by private clubs of all distinctions 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 the 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.

If the Committee wants to modernize the small games of chance law, they have to allow taverns the opportunity to offer small games of chance, too. To further discriminate against classes of retail licensees will increase the numbers of taverns that are closing their doors and decrease the good jobs that we provide to Commonwealth citizens. We hope our legislators will stand with the small businesses and private clubs in their communities by working together on a compromise that works for everyone.

Thank you for your time and consideration to this very important matter affecting our small businesses.

Amy Christie, Executive Director Pennsylvania Tavern Association

Daughter of Lt. Colonel James M. Johnson of the United States Marine Corps and Carol Johnson, retired from the United States Department of Defense.

Amy is a graduate of Wilson College of Pennsylvania with a degree in Political Science and History. She has three children, Selby, Ella, and Christian.

Before joining as the Executive Director of the Pennsylvania Tavern Association, she worked for Congressman Bill Shuster and previously the PA Farm Bureau.

Her professional experience and education has been consistent in her direct ties to help Pennsylvania small businesses and family-owned operations survive. She believes they are the best of what Pennsylvania has to offer.

MANY HAVE ASKED:

What's the difference between the Small Games of Chance Bills that have been introduced in the House and Senate?

One set of companion bills helps small businesses; local, cash-strapped charities; and the Commonwealth support key priorities...while the other only boosts the bottom lines of tax-exempt private clubs.

Small Games Reform Proposals Included in House and Senate Bills	House Bill 169 & Senate Bill 444	House Bill 906 & Senate Bill 731
Increases weekly prize limits for small games of chance in private clubs	✓	✓
Allows clubs to use 50% of gaming profits for club expenses (HB 169 and SB 444 only allow 40%)		✓
Program costs the state of Pennsylvania and tax-payers zero dollars. It pays for itself!		✓
Keeps more than 200,000 Pennsylvanians employed annually		✓
Provides recurring revenue to the state		✓
Covers all costs for Department of Revenue to oversee small games of chance financial records		✓
Covers all costs for enforcement to protect integrity of small games of chance		✓
"Hold harmless" for lottery		✓
Ensures accountability of legal games		✓
Ensures accountability of accurate bookkeeping of legal games		✓
Ensures that outside charitable organizations are receiving benefits from small games through electronic monitoring		✓

A Majority of Pennsylvanians support allowing small games in taverns. Support small, taxpaying-businesses and Vote HOUSE BILL 906 and SENATE BILL 731.

Help Small Family-Owned Businesses Survive in PA

An Unlevel Playing Field

Allowing small games in taverns will help level the playing field for these family-owned businesses

Source: PA Tavern Association, May 10

State rules and standards that are more favorable to casinos and clubs in Pennsylvania

Rules that favor casinos	Rules that favor clubs	Rules that favor taverns
Slot machines	Non profit organizations	NA
Expansion of table games	Small games allowed with minimal accountability	NA
Rules to limit competition in adjacent communities, statewide	Permitted to serve alcohol after 2 a.m.	NA
Free drinks to patrons	Smoking ban rules do not apply	NA
Smoking ban rules only apply to 50 percent of the floor	Rules banning minors do not apply	NA
"Three Strikes" rule forcing closure for serving minors or VIPs does not apply	Open to the general public for meals, drawings, raffles and entertainment, with fewer restrictions than taverns	NA
	Ability to raise additional revenue by charging membership fee	NA
	No food safety certification required	NA