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TESTIMONY OF JOHN A. PAPPAS

on behalf of

THE POKER PLAYERS ALLIANCE

Pennsylvania House of Representatives

Committee on Gaming Oversight

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Chairman Payne and distinguished members of the committee, thank you for holding this hearing and inviting me to testify. I have the great honor of serving as Executive Director of the Poker Players Alliance, an organization of 1.2 million American poker players and enthusiasts. In Pennsylvania, we boast nearly 25,000 PPA activists. These individuals, along with countless others in the state, enjoy this great game of skill in state-licensed casinos, in their homes, in bars, in charitable games, and we hope that very soon Pennsylvanians will be able to play poker and other casino games on the Internet in a safe and regulated environment.

On behalf of thousands of your constituents I want to thank this Committee and the state Assembly for passing AB 2150, a comprehensive iGaming bill, earlier this summer. We are hopeful that in the coming days the Senate will follow suit and an Internet gaming regulation bill will be signed into law this year.

There is no policy or political justification for delaying regulation of Internet gaming in Pennsylvania. Each and every day that the Commonwealth goes without regulation is another day that consumers are left unprotected and revenue is left on the table. Doing nothing is simply not an option; Pennsylvania consumers and taxpayers have waited long enough.

I have previously testified and explained why regulation should first and foremost be considered a consumer protection issue. I have even cited the example of Lock Poker, a rouge online betting web site that abruptly shut down last year and took millions in player deposits. Unfortunately for consumers it is déjà vu all over again. Just last week another off-shore and unregulated web site, this one called Full Flush Poker, shut down. And once again the players are left holding an empty bag. Sadly, because of the lack of regulatory oversight, there is nothing the affected customers in Pennsylvania can do to get their money back or hold any of these websites accountable.

That is why AB 2150 is good public policy. It allows the Commonwealth to corral the current unregulated marketplace and turn it into a system that is safe for consumers and accountable to regulators. iGaming regulation means that known, trusted and already regulated gaming companies will be providing this entertainment. This is exactly what your constituents want and deserve.

Regulation works. It is not a theoretical. Today three states – Nevada, Delaware and New Jersey -- have authorized and are regulating Internet poker. Regulated operators are accountable to the players, regulators, and law enforcement and they are continually reviewed to ensure they are meeting, and exceeding, the prescribed technical safeguards. This can and should be happening today in Pennsylvania.

New Jersey has been a fine example of how regulation works for both the consumer and the state. Despite what opponents might say, iGaming regulation in New Jersey has been a huge success. From a regulatory perspective it has been nearly flawless. Breaches in geolocation are non-existent. Underage access is not an issue and those with excessive gambling habits have been excluded or controlled. Regulators have also been vigilant and successful in rooting out fraud or collusion.

Financially, New Jersey online gaming has truly found its groove. It has been a successful outlet to reach new customers and to keep existing customers engaged with the brick and mortar properties long after they have checked out.

Since launching in 2013, New Jersey's monthly online revenue figures have consistently grown. New Jersey's September revenue numbers were just released and the growth has been incredible. Going into the final few months of the year and revenue is up roughly 35 percent from 2015. There is every reason to believe that Pennsylvania will do even better and that annual tax revenue from iGaming will be significant. A sorely needed infusion of money for a state mired in significant budget issues.

But you already know this. Protecting consumers and raising revenue, without raising taxes, are the reasons this Committee and the Assembly passed a bill. While we are encouraged that the Assembly, Senate and Governor all agreed on a budget that relies on \$100 million new revenue from regulated iGaming, we are puzzled as to why it has never been authorized. Given the severe budget issues currently facing the Commonwealth and the complete lack of appetite from the public for more tax increases, iGaming and its already approved \$100 million revenue stream seem like a no-brainer.

That aside, recent events appear to have once again opened the door to getting iGaming done this year. As you know, the Supreme Court of Pennsylvania ruled that the “local share” tax, or “slot tax” that casinos pay is unconstitutional, thereby nullifying over \$140 million in annual revenue that local communities receive from gaming. It has been reported that these funds are used to repair roads, upgrade water and sewer infrastructure, and pay the salaries of local police officers – to name a few uses. Just yesterday, you all heard testimony about why this happened and why it needs to be addressed immediately. I humbly suggest that while the legislature addresses the “local share” tax it should also consider iGaming. Combining these two issues is the quickest path towards enacting meaningful reforms and helping local communities, protecting consumers and securing a new and consistent stream of revenue for the Commonwealth.

On behalf of your constituents I urge you to act very soon to regulate iGaming. There is nothing to be gained by kicking the can down the road. There is no reason to wait till tomorrow to enact good policy today. Thank you for the opportunity to testify and I welcome the opportunity to answer any questions you may have.