



PENNSYLVANIA LICENSED BEVERAGE & TAVERN ASSOCIATION

House Gaming Oversight Committee re: Video Gaming Terminals, HB 1010 Delivered by Mr. Jerry McArdle May 1st, 2017

Thank you Chairman Petri, Chairman Harkins, and members of the House Gaming Oversight Committee for taking the time to hear our testimony on behalf of the retail licensees of Pennsylvania. My name is Jerry McArdle and I am the State Gaming Committee Chairman of the PA Licensed Beverage & Tavern Association. Video Gaming has been a priority of our association for many years and we are happy to present you our opinion and support for regulating video gaming in the Commonwealth and allowing the state's taxpayers to benefit by including VGT revenue into a state budget instead of increased taxes or further loss of state funded services and/or programs.

As a 33-year veteran retail licensee in Pennsylvania, employer, and owner of three small businesses, I'm pleased to see HB 1010 and SB 628 introduced and supported in a bi-partisan manner in both chambers. Several years ago at a Senate hearing, casinos testified that there are approximately 40,000 illegal video-poker machines operating in the state. I can confidently say the number of machines paying winners without regulation has increased even more so in recent years. Passing this legislation, according to the numbers and sponsor explanations, the number of video gaming machines in the state would actually decrease across the state. It is such a common practice that in some places in PA, townships and counties collect permit fees from businesses for

placement of these video-poker machines each year. The legislation has built in protections for local governments to still receive revenue each year and adds regulation to an industry facet that has been happening for decades without any oversight.

I mentioned before that I own 3 licensed establishments in Pennsylvania. One is in Lancaster County and two are in Delaware County. I try to utilize every tool the state allows to add to my businesses. I chose to become a Tavern Games permit holder after the state passed the law in 2013. Due to the high cost to get the permit, the up-front costs of pull-tabs, taxes, ticket dispenser, the 2 pounds of application paperwork, and the risk of losing my liquor license due to reporting errors; I chose to only secure the permit for one location. While Governor Corbett expected to see

\$100 million of revenue from Tavern Games, the fees/liabilities/and risks on the tavern owner were too much for many of us to pursue the permit. That said, with about 50 tavern owners participating in Tavern Games, the state collects over \$400k a year. That could have easily correlated to well over \$100 million for the state with more participants but the average tavern owner has little time or extra money to spend to acquire the right to commit to 8 hours of paperwork a week for reporting, paying a 65% tax rate up front, labor to run the games and risk having our livelihoods stripped away in hopes to sell the whole box of pull-tabs to collect a dozen or so dollars for the business. However, this video gaming terminal legislation is written in a to work in a realistic small business situation and is attractive to tavern owners because it requires smaller fees, easier tracking, no cash handling, less labor, an easier process to get the permit and because of the structure, no chance of losing your liquor license/livelihood for a reporting error. The states that have done the same in their licensed establishments have seen great participation levels and hundreds of millions of dollars to their state and local coffers.

As previously stated, our individual businesses and association as a whole have worked tirelessly for decades to finally have the Legislature regulate an on-going activity that has no signs of slowing down. After studying other states' video gaming legislation, we applaud our own Legislature, Representative Mustio and Representative Sturla for bringing this issue to the forefront. We are continuing to work with everyone involved to duplicate other state's efforts in addressing VGT percentages and shares to between taverns and state approved operators while keeping the state percentage whole.

Our small businesses, operating responsibly with a state granted license to sell alcohol to the general public, can and should be utilized to produce much needed revenue for the state. This will help our mom-and-pops to remain a viable employer of over 100,000 Pennsylvania citizens annually during this period of modernization/privatization of the state alcohol system. This will shield taxpayers from fee increases and loss of programs, bring in hundreds of millions of dollars a year to the state, decrease the amount of gaming machines in the Commonwealth, and add much needed oversight.

Thanks for your time and attention to this testimony. I will be happy to answer any questions at this time.