



**Statement of the Pennsylvania Federation of Fraternal and Social Organizations on
HB 1010 – Video Gaming
Presented to the House Gaming Oversight Committee by Ted Mowatt, CAE
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Good morning. Chairman Petri, Chairman Harkins, distinguished members of the House Gaming Oversight Committee; I would like to thank you for the opportunity to present testimony today on House Bill 1010.

The Pennsylvania Federation of Fraternal and Social Organizations (PFFSO) 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 small games of chance. Particularly 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 of the Local Option Small Games of Chance Act, as a way of supporting club activities, and have worked with this Committee for many years to that end.

PFFSO has worked tirelessly over the past decade or longer, to pass legislation updating the small games of chance and Bingo laws, based on the premise that these bills were not an expansion of gambling, but a mechanism for these non-profit organizations to increase the amount of money they can raise and contribute to other local charities. Even when the original SGOC law passed in 1988 there was resistance, but also a recognition that this should be a non-profit endeavor, and was then, as it is now, supported by a majority in the House and Senate and signed by the Governor.

As we have testified before you before, for many clubs, dues revenues have not been able to keep pace with the structural and other 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, and taverns as well, have gone outside the parameters of the law, as maintenance costs rise, and the popularity of the so-called "skill" games games has far exceeded expectations. Those clubs are now paying a high price as enforcement has stepped up in the wake of the casinos opening. We have done some informal surveys of our member clubs on this issue, and we anticipate some lively discussion on it at our annual convention next month in York. The opinions vary widely on a regional basis, for a number of reasons. There are some areas of the state where clubs compete directly with taverns down the street for business, and even with other neighboring clubs for members, whereas in other areas they live in perfect harmony, catering to separate clientele. In general the populations are separate, as there are "club" people and "bar" people, in many towns in our commonwealth. Similarly, many of our members rarely if ever set foot in a casino, while in other areas they occasionally run bus trips to them. Many of our club members are legitimately concerned that adding these machines at the VFW or Italian Lodge would impact strongly on the ticket sales that lead to their charitable giving, which is a central part of the mission of many clubs.

The financial "split" of proceeds of these games is also a point of contention for our members. Although the club is acting largely as a location for the vendor and the Commonwealth to do

business, the club nets only a small portion of revenues generated, and would be required to donate 60% of that for “public interest purposes,” which may seem to solve the abovementioned concern, but it actually exacerbates the accounting and reporting issues that we already deal with with SGOC. This at the cost of wall space that could be used for SGOC, other revenue-generating non-gaming video machines, cigarette machines, other vending machines, and maybe someday takeout beer and wine refrigerators and shelf space.

Therefore reaching a consensus about club folks in this diverse state on whether to support video gaming has been difficult. Our Board met in March to discuss the issue, though without being able to look at the specific language in HB 1010, or even a draft, they were not able to fully vet it and take an informed vote on the proposal. We are aware that this bill is a “work in progress”, and look forward to participating in future discussions as the bill moves along the process.

We appreciate this opportunity to comment at this early stage, and will certainly be interested in seeing how it plays out.

Thank you again for this opportunity, and I would welcome any questions.