

1 HOUSE OF REPRESENTATIVES
2 COMMONWEALTH OF PENNSYLVANIA

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4 PENNSYLVANIA GAMING CONTROL BOARD

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6 House Appropriations Committee

7 Main Capitol Building
8 Majority Caucus, Room 140
9 Harrisburg, Pennsylvania

10 Wednesday, March 7, 2018

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12
13 MAJORITY COMMITTEE MEMBERS PRESENT:

14 Honorable Stanley Saylor, Majority Chairman
15 Honorable Sheryl Delozier
16 Honorable George Dunbar
17 Honorable Keith Greiner
18 Honorable Seth Grove
19 Honorable Marcia Hahn
20 Honorable Doyle Heffley
21 Honorable Susan Helm
22 Honorable Lee James
23 Honorable Fred Keller
24 Honorable Jason Ortitay
25 Honorable Marguerite Quinn
Honorable Brad Roae
Honorable Jamie Santora
Honorable Curtis Sonney

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Key Reporters

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1 MINORITY COMMITTEE MEMBERS PRESENT:

2 Honorable Joseph Markosek, Minority Chairman
3 Honorable Kevin Boyle
4 Honorable Maria Donatucci
5 Honorable Patty Kim

6 NON-COMMITTEE MEMBERS:

7 Honorable Adam Harris
8 Honorable Francis Ryan
9 Honorable Tedd Nesbit
10 Honorable Pat Harkins, Minority Chairman
11 Gaming Oversight Committee
12 Honorable Dom Costa
13 Honorable Paul Costa
14 Honorable Ed Neilson

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1 STAFF MEMBERS PRESENT:

2 David Donley
3 Majority Executive Director

4 Ritchie LaFaver
5 Majority Deputy Executive Director

6 Miriam Fox
7 Minority Executive Director

8 Tara Trees, Esquire
9 Minority Chief Counsel

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INDEX OF TESTIFIERS

PENNSYLVANIA GAMING CONTROL BOARD

David M. Barasch
Chairman

Kevin O'Toole
Executive Director

R. Douglas Sherman, Esquire
Chief Counsel

1 MAJORITY CHAIRMAN SAYLOR: Call the
2 hearing back to order.

3 And, Chairman, if you and anybody else
4 that's going to provide testimony would rise and
5 raise your right hand.

6 (All testifiers were sworn en masse by
7 Chairman Saylor.)

8 MAJORITY CHAIRMAN SAYLOR: Very good.
9 We will get started right away into questions. The
10 first questioner is Representative Dunbar.

11 REPRESENTATIVE DUNBAR: Thank you, Mr.
12 Chairman.

13 Right over here. Thank you, gentlemen.
14 I'm just trying to solely focus on Act 42, the
15 changes to Act 42, revenue streams to make sure
16 where we're at this year, '17-18 year, as well as
17 what we're expecting in '18-19. So, as we go
18 through the different areas, anything you can let
19 me know what your thoughts are.

20 To start off, the Cat 4 casinos
21 auctions, we've auctioned off four; is that
22 correct?

23 MR. BARASCH: So far four.

24 REPRESENTATIVE DUNBAR: And we have
25 about 120?

1 MR. BARASCH: Yeah. We're just shy of
2 120 right now. We were supposed to have an auction
3 today, but we had to postpone it because of what we
4 thought the weather was going to be, but we have
5 not canceled it. We're just going to Friday. So,
6 by Friday, we should have another one.

7 REPRESENTATIVE DUNBAR: Okay. Just so I
8 can understand, after Friday, let's say, for
9 instance -- I hope that's not the case. But let's
10 say on Friday there are no bids.

11 MR. BARASCH: Yes.

12 REPRESENTATIVE DUNBAR: Do you then have
13 to continue to have auctions and have zero bids on
14 them several times before you move on to the
15 Cat 3s and those that are already purchased, or can
16 you just move right away?

17 MR. BARASCH: We've already -- We have
18 some various contingency plans. Whenever we get to
19 the point, we will always hold -- we will hold one
20 more bid session. We will wait until we have a
21 zero bid session.

22 REPRESENTATIVE DUNBAR: Okay.

23 MR. BARASCH: Once that happens, we have
24 a schedule to set out every two weeks to do these,
25 and we intend to just -- If that were to happen,

1 we'd just start the round 2, if you would -- I'm
2 trying to remember the exact dates.

3 MR. O'TOOLE: The 21st of March.
4 Because of the inclement weather and changes of the
5 date, if there are no bids on Friday, we're going
6 to do round 1 on the 21st.

7 MR. BARASCH: The technical answer,
8 because of what's happened here, if,
9 hypothetically, we had no bids on Friday, then on
10 the 21st, which is our next scheduled session to
11 take bids, we would start round 2 then.

12 On the other hand, if we have a bid on
13 Friday, we will go for one more scheduled session
14 before we -- we want to have a session with zero
15 bids before we start round 2.

16 REPRESENTATIVE DUNBAR: All right.

17 So then, it's also safe to say that all
18 the licenses, as long as we have purchasers, will
19 all be done in the '17-18 fiscal year?

20 MR. BARASCH: We have set the schedule
21 such that, if we had bids every two weeks, we would
22 dispose of 10 licenses in that time period.
23 However, if we don't end up with 10, whether it be
24 in one round or in two rounds, we then have to
25 decide -- make a judgment call about whether to go

1 to the third aspect of this, which would clearly
2 stretch well into '18-19; and beyond, potentially.

3 REPRESENTATIVE DUNBAR: All right. Very
4 good. IGaming, which is probably the next big
5 number on the list, when do you anticipate that we
6 would start putting the availability to apply for
7 licenses? And I think, what do we have, a 90-day
8 window as --

9 MR. BARASCH: I'll let Kevin handle
10 this.

11 REPRESENTATIVE DUNBAR: Okay.

12 MR. BARASCH: Kevin O'Toole.

13 MR. O'TOOLE: Certainly, iGaming is --
14 is probably the most complex of the -- of the
15 gambling expansions, and we're working diligently
16 on regulations. We -- We have a third set of
17 regulations on Internet gambling that was going to
18 be approved today, but it will probably be deferred
19 for a couple of weeks.

20 But, we are establishing that begin date
21 for land-based casinos to submit their initial
22 applica -- their petition for an Internet gaming
23 authorization, and that will probably be mid-April.
24 So that first 90-day period will commence mid-April
25 and will go through mid-July.

1 REPRESENTATIVE DUNBAR: And then if they
2 don't purchase, then that can also go to an
3 outside; a non -- a present entity that is not
4 presently in Pennsylvania?

5 MR. O'TOOLE: It could. It could
6 eventually.

7 REPRESENTATIVE DUNBAR: That would be
8 next year, '18-19 fiscal year?

9 MR. BARASCH: Yes.

10 MR. O'TOOLE: That would be '18-19, yes.

11 REPRESENTATIVE DUNBAR: So then, your
12 anticipation is, I guess you're not certain, but if
13 you have everything ready by mid-April that we
14 should have a good idea that -- whether we're going
15 to generate what we're talking about, \$110 million,
16 I guess, there.

17 MR. O'TOOLE: We'll have a good idea
18 within that first 90-day period, yes.

19 REPRESENTATIVE DUNBAR: Fantasy sports,
20 I know you told me you thought that you were pretty
21 close on that as well. I know that doesn't
22 generate as much, but you're anticipating that to
23 be done in the '17-18 as far as licensing?

24 MR. O'TOOLE: We're hopeful. We passed
25 a regulation in February; or, actually, that was

1 also on our agenda for -- for the meeting today,
2 but we have that regulation completed. It's in
3 draft form, but we expect it to go before the
4 board. And if they have any last-minute
5 suggestions, we'll certainly incorporate their
6 suggestions on that.

7 But, there is a 180-day implementation
8 -- not implementation, but effective date. So the
9 current operators of daily fantasy sports have to
10 get their applications into us by April 28th, and
11 we're confident that they will do that.

12 REPRESENTATIVE DUNBAR: And real quickly
13 because I'm out of time.

14 You received 50 million from
15 Philadelphia's Cat 2?

16 MR. BARASCH: Stadium casino? Yes.

17 REPRESENTATIVE DUNBAR: And have you
18 received the gaming -- table gaming's fee yet on
19 that?

20 MR. O'TOOLE: Not until the last week in
21 June. We --

22 REPRESENTATIVE DUNBAR: You expect that
23 in this '17-18 year.

24 And lastly, the loan repayments, you've
25 gotten some money in?

1 MR. O'TOOLE: Yes. On the loan
2 repayment, that is part of Act 42, which gives the
3 casinos 18 months to retire the 36.1 million, we
4 have seven dates for repayment of that. And the
5 first two will be in this fiscal year, and that
6 will be 10.3 million in --

7 REPRESENTATIVE DUNBAR: Okay. And then,
8 what was the total? Is that 35, 36?

9 MR. O'TOOLE: 36.1 million.

10 REPRESENTATIVE DUNBAR: So the rest
11 would come in '18-19 then?

12 MR. O'TOOLE: Correct.

13 REPRESENTATIVE DUNBAR: Thank you.

14 MAJORITY CHAIRMAN SAYLOR:
15 Representative Kim.

16 REPRESENTATIVE KIM: Good afternoon.

17 Chairman and Commissioners, nice to see
18 everyone here today. Representative Dunbar asked
19 most of the questions for the Category 4 casinos.
20 So, just in your opinion, are you concerned that
21 there may not be enough bidders? I know this is
22 all new. Is it a concern?

23 MR. BARASCH: We've given up trying to
24 predict what's going to happen. I think -- I think
25 everybody would probably accept the fact the first

1 several bids we had were very robust; probably
2 beyond what most people would have predicted.

3 So, on the one hand, the bids have been
4 relatively robust --

5 REPRESENTATIVE KIM: Right.

6 MR. BARASCH: -- but the number of
7 bidders has been a lot less than the total number
8 of licensed casinos that could have bid. But, that
9 doesn't mean that yet, we have other people who
10 have filed their letters of credit that could come
11 in and bid either this Friday or in the subsequent
12 ones. And if they don't, we will move to round 2,
13 which will then allow the two resort casinos to
14 come in, and everybody else gets to come in a
15 second time.

16 So, it may not be that it will be 10
17 different licensees when we're all done, but
18 doesn't mean there's not going to be 10 casinos, if
19 you are following me.

20 REPRESENTATIVE KIM: Understood. Right.
21 Thank you very much.

22 The board has asked for a slight
23 increase. What is the main reason for that? And
24 then, what is the department doing to keep costs
25 down?

1 MR. BARASCH: Yeah. I'll deal with the
2 generality and I'll let Kevin deal with the
3 specifics.

4 If it were not for what we've had to ask
5 for to get ready for the expanded jurisdiction the
6 General Assembly has given us, the entirety of our
7 increase this year would be \$120,000. So, we'd be
8 basically flat, okay?

9 But there's no way that we can
10 responsibly meet the challenges of opening all
11 these additional casinos and all these different
12 computer-generated casinos without some additional
13 staff and other expenditures. And that's where,
14 virtually, every penny, except for \$120,000, is
15 coming from. I'll let Kevin give you the details
16 on that.

17 MR. O'TOOLE: Thank you, Chairman.

18 Our request for fiscal year '18-19 does
19 increase -- it's a three-segment request. The
20 first one is on our recurring current budget for
21 the land-based casinos and the expanded gambling
22 that is associated with land-based casino. And
23 that's about a 4-million-dollar increase.

24 We're also requesting appropriation of
25 \$2 million for the VGTs at truck stops and \$400,000

1 for fantasy contests.

2 And as the Chairman indicated, it's
3 largely the time and the effort that's going to be
4 expanded by our current staff and some new staff to
5 get all six or seven types of new gambling up and
6 running as quickly as possible.

7 REPRESENTATIVE KIM: About how many jobs
8 are you adding to your department because of the
9 expansions?

10 MR. O'TOOLE: Well, the biggest
11 component is our casino compliance representatives
12 who are stationed at casinos.

13 So, for the Category 4 casinos, even
14 though they're considered smaller than the
15 Category 1 or a Category 2 is still a substantial
16 amount of gambling; 300 to 750 slot machines, 30
17 table games. So we're going to have an onsite
18 staff of compliance representatives, six per
19 property.

20 So, we anticipate the possibility of
21 four or five of those properties opening up in
22 fiscal year '18-19. So that would be the largest
23 component of the new hires.

24 REPRESENTATIVE KIM: Okay. I still have
25 a little bit of time left. Ways that you're

1 reducing costs or trying to keep costs down. Can
2 you give me an example, please?

3 MR. O'TOOLE: Certainly. We've done
4 that for a number of years now, and we're
5 continuing to do that; primarily in reducing our
6 vehicle fleet, which has been an active program by
7 the Administration. We're reducing mobile phones
8 and cell phones because we've -- we've brought in
9 -- we were at the point where we needed to get new
10 laptops, and that kind of makes the mobile devices
11 a little bit less significant.

12 So, those are the two primary
13 initiatives to keep our cost down, as well as
14 keeping our personnel count as low as possible.
15 We've been doing that for the last five or
16 six years. And until this gambling expansion --
17 that's the first initiative that will necessitate a
18 few more employees.

19 REPRESENTATIVE KIM: Thank you for your
20 answers.

21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN SAYLOR: We'll move to
23 Representative Jamie Santora.

24 REPRESENTATIVE SANTORA: Thank you,
25 Mr. Chairman, for being here today.

1 And going back to the Category 4s, I
2 believe after these bids go through, we talked
3 about other entity -- other gaming entities can
4 come in if they're not all sold.

5 Would those other gaming entities
6 include a truck stop that has VGTs; being the owner
7 of?

8 MR. BARASCH: The reason why I'm
9 hesitating is, you used a term of art that's kind
10 of specific in the statute.

11 REPRESENTATIVE SANTORA: Can you pull
12 the microphone closer?

13 MR. BARASCH: I believe what you're
14 talking, in the Category 4 process, we have three
15 rounds, if you will. The first round is only open
16 to Category 1 and 2. The second round is open not
17 just to 3s, but 1, 2s and 3s.

18 If we get past that and there's still
19 licenses, and the judgment of -- We haven't made
20 this judgment. I'm not going to guess what we'll
21 decide a year from now. If we get to the point
22 where we still have potential licenses out there,
23 the board will have to decide -- we'll have to
24 measure somehow, how saturated we are at that
25 point; whether it makes sense to go even further.

1 And, at that time, anyone who wants to
2 go through the vetting process can come in as we
3 did eight, nine years ago, and --

4 REPRESENTATIVE SANTORA: So it could be
5 a whole new group? It doesn't have to be anybody
6 that currently owns a casino or in the gaming
7 industry?

8 MR. BARASCH: Once you get past round 1
9 and round 2, you know, it's wide open for anybody
10 who can show the financing, the record, and the
11 background --

12 REPRESENTATIVE SANTORA: Okay.

13 MR. BARASCH: -- and pass all the --

14 REPRESENTATIVE SANTORA: It's a whole
15 new fresh start.

16 MR. BARASCH: Exactly. That's why I
17 mentioned to the previous question. If you ever
18 get to round 3, that's going to be a very
19 attenuated process, because it's not going to be
20 just the high bidder.

21 REPRESENTATIVE SANTORA: And I know
22 you're not guessing. But, are you getting a lot of
23 inquiries?

24 MR. BARASCH: No.

25 REPRESENTATIVE SANTORA: You're not?

1 MR. BARASCH: Not from people who are
2 not already --

3 REPRESENTATIVE SANTORA: No, no, no. I
4 meant from people that already -- Are you getting a
5 comfort level that they're going to go is my
6 question?

7 MR. BARASCH: As I said to the previous
8 question, I would have not predicted that the bids
9 were as robust as they were in round 1.

10 REPRESENTATIVE SANTORA: Yeah, that's --

11 MR. BARASCH: And on the flip side, I
12 would not have predicted that we would only have
13 five or six total who have bid so far when there
14 were 10 that could have bid. So, at this point, I
15 wouldn't want to guess.

16 REPRESENTATIVE SANTORA: Got it.

17 On the iGaming, I'm going to ask the
18 same question about the inquiries. Are you getting
19 a lot of inquiries from our existing casinos?

20 MR. O'TOOLE: Yes, Representative, we --
21 we are, so we expect there to be good interest.
22 There's 39 certificates available; three -- three
23 per property, per land-based property. One would
24 cover poker games. Another one would cover slot
25 light games, and the third would cover table games.

1 So --

2 REPRESENTATIVE SANTORA: So some are
3 interested in the poker; some are interested in
4 all; some are interested in just one?

5 MR. O'TOOLE: Well, that's yet to be
6 seen.

7 REPRESENTATIVE SANTORA: Okay.

8 MR. O'TOOLE: I mean, the petition
9 process will begin in about a month, and we'll --
10 part of that petition will be identifying the types
11 of certificates. At least in that first 90-day
12 period, it will only be applicants who want all
13 three of the certificates.

14 REPRESENTATIVE SANTORA: Okay. And it's
15 only Pennsylvania-based casinos for the first?

16 MR. O'TOOLE: Yes, correct.

17 REPRESENTATIVE SANTORA: And then, going
18 to fantasy, same question: Are you getting a lot
19 of interest? And you may have already answered
20 this. I just missed it.

21 MR. O'TOOLE: Well, I mean, there are
22 two facets to daily fantasy sports. There's the
23 companies that we know about from just -- just
24 being knowledgeable, FanDuels and Draftkings. Then
25 there's a number of smaller companies.

1 But we believe that there are interest
2 because they're running their games in Pennsylvania
3 currently. But in the tail end of April, they'll
4 be running them under our regulatory --

5 REPRESENTATIVE SANTORA: Legally.

6 MR. O'TOOLE: Okay.

7 REPRESENTATIVE SANTORA: I just ask
8 because Representative Dunbar and I have gone
9 through many iterations over the last couple of
10 years on the gaming committee. And we just --
11 There was a lot of steps put into place, and I just
12 wanted --

13 I know there was a lot of interest then.
14 I just hope that it's -- now that it's actually
15 coming forth, that we're going to continue that and
16 bring the revenue through and do it in a
17 responsible manner which -- That's why I know with
18 you folks in charge, the responsible side will be
19 taken care of.

20 MR. O'TOOLE: That's correct.

21 REPRESENTATIVE SANTORA: Thank you.

22 MAJORITY CHAIRMAN SAYLOR:

23 Representative Donatucci.

24 REPRESENTATIVE DONATUCCI: Thank you,

25 Mr. Chairman.

1 Thank you, gentlemen, for being here
2 today. I come from South Philadelphia. I want to
3 know what the status of the stadium casino license
4 is. And do you have a general timeline of how soon
5 we could possibly see construction start and
6 revenue generated?

7 MR. BARASCH: I'll have Doug Sherman,
8 our Chief Counsel, handle that one for you.

9 MR. SHERMAN: Representative--I think
10 I'm on here--stadium has applied for a demolition
11 permit from the City of Philadelphia for the
12 existing structure. They also have provided all of
13 the plans, to our understanding, to the city.

14 There were some other site preparation
15 issues that are being -- in the process of being
16 taken, such as moving some antennas and satellite
17 dishes to temporary locations.

18 But the hope is that, come June, they'll
19 be in the demolition stage and will be starting
20 construction shortly thereafter.

21 REPRESENTATIVE DONATUCCI: Okay. So I'm
22 excited about it being there in South Philadelphia.
23 It's near the stadiums. But some people are
24 worried that it's going to erode the earnings at
25 other casinos.

1 Do you have a sense of whether this
2 casino will be able to thrive in an already
3 competitive environment?

4 MR. SHERMAN: Given the management of
5 the casino and presentations that they've made
6 before the board, we're very confident that they
7 will maximize the earning potential. They clearly
8 have identified the site which attracts hundreds of
9 thousands of fans on a weekly basis for concerts,
10 basketball; obviously, football and baseball games,
11 and I think are looking for that market that
12 otherwise is coming into the site and leaving right
13 after the game. They'll get some overflow and some
14 cross-play there.

15 Certainly, I think we've heard in the
16 past that there is concern by other properties.
17 But given that transient population coming in for
18 other purposes, we think that there is gonna be a
19 market there that they can tap.

20 REPRESENTATIVE DONATUCCI: I look
21 forward to 3,000 construction jobs and 2,000
22 permanent jobs. I think that's really saying
23 something.

24 So now we're expanding gaming. We're
25 trying to keep Pennsylvania current and

1 competitive. Can you explain whether iGaming, VGTs
2 at truck stops, fantasy sports, airport gaming,
3 will that be enticing current gamblers, or do you
4 think a new platform will be reaching a new
5 audience?

6 MR. BARASCH: I think the answer is, in
7 some instances yes, and in some instances we don't
8 know, okay?

9 REPRESENTATIVE DONATUCCI: Yeah.

10 MR. BARASCH: Clearly, on the Internet
11 gaming, that's probably an untapped market
12 completely.

13 My 10,000-foot comment--I'm going to let
14 Kevin handle this--is, I think the value -- the
15 marketplace puts upon these licenses is a pretty
16 good indication of whether or not the investment
17 community and casino operators think the market is
18 saturated. So, some of these bids have been very
19 substantial which, obviously, suggests that some
20 people think they can make a bunch of money at it.
21 But I'm going to let Kevin work on that on a more
22 grandular basis.

23 MR. O'TOOLE: I'm not sure I can -- I
24 know that I cannot improve on that answer. But I
25 could -- I could articulate that we have the entire

1 casino industry watching Pennsylvania right now and
2 they're gonna continue to watch Pennsylvania for
3 the next year, year and a half to see how this does
4 work out. We're confident that it will be a
5 success story.

6 REPRESENTATIVE DONATUCCI: Thank you.

7 And lastly, how is the board addressing
8 compulsive and problem gambling? What can
9 individuals do to get help for themselves or loved
10 ones who might have a problem with gambling. We
11 are really expanding.

12 MR. O'TOOLE: All the new gambling
13 activities include provisions to continue to allow
14 gamblers to take responsible steps to exclude
15 themselves from that activity, and they can do it
16 for as short a period of time as one year or they
17 can do it for a much longer period of time. We've
18 had a very successful self-exclusion program on the
19 land-based casinos, and that will continue.

20 The second important aspect of Act 42
21 from a compulsive and problem gambling standpoint
22 is that, the legislature is continuing to recognize
23 the need to fund treatment in counseling and
24 education programs in that area. So, all of these
25 new activities come with an assessment to help

1 defray those costs.

2 REPRESENTATIVE DONATUCCI: Thank you,
3 gentlemen. Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN SAYLOR:
5 Representative Roae.

6 REPRESENTATIVE ROAE: Thank you,
7 Mr. Chairman. And thank you, gentlemen.

8 In Pennsylvania, I never realized we had
9 this many until I was talking to another member.
10 We have over 700 different boards and commissions
11 in Pennsylvania. And of all the boards and
12 commissions, there are about 12 where the board
13 members or commissioners are paid.

14 The Pennsylvania Turnpike Commissioners
15 get 26,000 a year. The Pennsylvania Liquor Control
16 Board members get 76,000 a year, but the
17 Pennsylvania Gaming Control Board they get -- they
18 get \$145,000 a year each. I was just wondering,
19 was that determined by a state law, or was that
20 determined by the board? How did that come to be?

21 MR. BARASCH: That was in the original
22 legislation long before any of us were here. That
23 goes back to 2004. That was a statutorily-set
24 number. It's not adjusted. It's just a flat
25 number.

1 REPRESENTATIVE ROAE: So it's not
2 adjusted for inflation or anything? That was --

3 MR. BARASCH: No.

4 REPRESENTATIVE ROAE: Okay. So that's
5 something we have to change from a legislative
6 level; not something you guys could change, if we
7 wanted to change that.

8 And then, my question is, a lot of
9 boards are smaller. The paid boards are smaller.
10 Like, the Pennsylvania Liquor Control Board only
11 has three people on it. The Pennsylvania Turnpike
12 board have five people on it.

13 We recently passed legislation in the
14 House the first time, anyway, to reduce the size of
15 the state House from 203 to 151. If we reduce the
16 size of Pennsylvania Gaming Control Board from
17 seven people to five people, do you think you'd be
18 able to adjust to doing that and get everything
19 done that needs to be done?

20 MR. BARASCH: Yes.

21 REPRESENTATIVE ROAE: Okay.

22 Then my next question is: How often are
23 the board members in Harrisburg at the Pennsylvania
24 Gaming Control Board headquarters? I mean, is that
25 a full-time, 40-hour-a-week job year-round or is it

1 just for meetings, or how does that work?

2 MR. BARASCH: It runs the gamut, and it
3 varies widely from month to month and from
4 commissioner to commissioner. I think it's fair to
5 say that, generally speaking, the Chairman is much
6 more present in Harrisburg and is probably
7 physically in the office a lot more often.

8 But, we have binders that are three and
9 four inches thick that the board members have to be
10 totally up to speed on between board meetings. So,
11 most people work from home. Even people who live
12 in Harrisburg chose to work from home. So I can't
13 really tell you how many hours every commissioner
14 is spending on the work. But --

15 REPRESENTATIVE ROAE: I mean, are they
16 -- Like, a lot of full-time jobs, people are
17 typically at their office 200 or 250 days a year.
18 Is it something like that, or is it more like a
19 dozen days a year? Or what do you see, usually?

20 MR. BARASCH: Somewhere between those
21 two numbers for sure. It's a lot more than 12
22 times a year, I can assure you of that.

23 REPRESENTATIVE ROAE: How many voting
24 meetings are there a year?

25 MR. BARASCH: About 12 or 13; the actual

1 voting meetings. We have other things that we're
2 doing between meetings.

3 REPRESENTATIVE ROAE: Okay. Now, does
4 each board member have their own office space at
5 headquarters?

6 MR. BARASCH: They do.

7 REPRESENTATIVE ROAE: All right.

8 Well, I'm not singling out your board,
9 but -- I'm singling out the legislature, too. I
10 voted to reduce the size of the legislature. I'm
11 always looking at expenses from the legislature,
12 from the state colleges; from different boards and
13 commissions. I just wanted to make sure it wasn't
14 anything personal. But I'm always looking for ways
15 to cut back on basically everything that government
16 does.

17 Thank you.

18 MAJORITY CHAIRMAN SAYLOR: Next is
19 Chairman Harkins.

20 CHAIRMAN HARKINS: Thank you, Chairman
21 Saylor.

22 Thank you for being with us today,
23 gentlemen. I appreciate all your help.

24 Can you just give us a general overview
25 of your budget and your funding. And I just want

1 to add a plug for Presque Isle Downs. We're
2 looking forward to meeting with the new owners from
3 Churchill Downs. Flo Fabrizio suggested that they
4 might wanna consider bringing the Kentucky Derby up
5 to Erie; not this year, but next year.

6 Thank you.

7 MR. O'TOOLE: We'll call it the Presque
8 Isle Derby and it will be just as successful.

9 REPRESENTATIVE HARKINS: As long as they
10 have the mint juleps and the hats.

11 MR. BARASCH: I'll have Kevin go into
12 that detail for you.

13 MR. O'TOOLE: Certainly. It's very
14 important at the outset to recognize that the
15 Pennsylvania Gaming Control budget is not taxpayer-
16 money funded, okay. It's funded by the entities
17 that operate the gaming and the benefit from having
18 that privilege of operating legalized gambling in
19 the Commonwealth of Pennsylvania.

20 So, for the last 10-plus years, the
21 land-based casinos have funded our budget entirely
22 through assessments that are directed in the act
23 under Section 1401. Every casino pays a certain
24 amount, which is a percentage that is determined by
25 the Department of Revenue and it goes into that

1 account, and it's based upon gross total revenue.
2 So, the more successful casinos have to put a
3 little bit more money into that account. And that
4 account is then distributed according to the
5 legislatively authorized budgets to the four
6 agencies that have some role in overseeing the
7 land-based casinos.

8 So, with the gambling expansion, we now
9 have two additional accounts; one account for VGT
10 gambling, which is Section 4101, and for daily
11 fantasy sports, we have Section 332. They
12 establish legislatively accounts that the entities
13 that are going to be operating fantasy contests or
14 VGT gambling, they will be assessed a certain
15 amount of money, based upon their revenue, that
16 will go into those accounts, and that will be money
17 that the Department of Revenue will disburse to us
18 for our expenses in those areas or to themselves,
19 or to any of the other agencies that would have a
20 need to spend money in those areas.

21 MAJORITY CHAIRMAN SAYLOR: Mr. Chairman,
22 you could always ask Representative Harkins if the
23 mint juleps will be frozen or what they are. We
24 were kidding about --

25 CHAIRMAN HARKINS: We'd be willing to do

1 dog races or sled races. We just got another foot
2 of snow last Thursday.

3 A VOICE: Sled races; no sign of spring.

4 (Several speakers talking).

5 MAJORITY CHAIRMAN SAYLOR: Alaskan dog
6 race. (Laughter). God bless you.

7 Representative Quinn.

8 REPRESENTATIVE QUINN: Thank you.

9 Thanks, gentlemen, for being here today.
10 It's always nice to see our former colleague over
11 there, Kathy.

12 We heard earlier from the Pennsylvania
13 State Police, and there was conversation about the
14 money that they have in terms of staffing the
15 casinos. Yet, from what I understand, casinos also
16 have their own in-house security. Is that --

17 MR. BARASCH: Yes.

18 REPRESENTATIVE QUINN: Is that something
19 that they opt to do, or does the law spell it out
20 that they need that additionally?

21 MR. BARASCH: We require internal
22 security by the casinos.

23 A VOICE: Correct.

24 REPRESENTATIVE QUINN: What
25 differentiates what happens with the Pennsylvania

1 State Police versus their in-house security?

2 MR. BARASCH: Well, the simple answer --

3 REPRESENTATIVE QUINN: Simple?

4 MR. BARASCH: -- and I'll let Kevin take
5 it from there, is that, obviously, internal
6 security doesn't have any law enforcement function,
7 okay.

8 REPRESENTATIVE QUINN: It's very
9 (inaudible word) as well.

10 MR. BARASCH: The state police is
11 located on site at our larger casinos because of
12 the wisdom of the General Assembly, the thought was
13 that we should have a state police presence for the
14 potential of crime, theft, cheating, all the rest
15 of that stuff. That was a judgment the General
16 Assembly --

17 REPRESENTATIVE QUINN: Okay.

18 MR. BARASCH: -- made eight, nine years
19 ago. It certainly has worked. When we have
20 situations there, instead of having to wait for
21 some squad car to show up from the barracks at the
22 larger casinos, somebody is there pretty much
23 instantaneously.

24 REPRESENTATIVE QUINN: I don't doubt
25 that it works. It's just, as I see the PSP's

1 budget so strained, and I see a commercial
2 enterprise that has their own security, too, it's
3 just common sense to me to look for what can be
4 taken over from PSP.

5 My next question is with regard to the
6 truck-stop gaming. I know there was a lot of
7 conversation or articles in the paper about
8 municipalities that exempt -- they opted out of
9 truck-stop gaming. Can you tell how many
10 municipalities are still eligible for that?

11 MR. BARASCH: I'll let Kevin handle it.

12 REPRESENTATIVE QUINN: Thanks.

13 MR. SHERMAN: Sure I'll take it.

14 MR. O'TOOLE: I'll defer to our Chief
15 Counsel.

16 MR. SHERMAN: For the truck-stop gaming,
17 municipalities themselves could not opt. But
18 counties --

19 REPRESENTATIVE QUINN: Counties. Thank
20 you for correcting me.

21 MR. SHERMAN: -- which chose the
22 Category 1, 2 or 3 casino could opt out.

23 REPRESENTATIVE QUINN: How many opted
24 out or, conversely, how many are still in?

25 MR. SHERMAN: The only ones that did not

1 opt out were Allegheny County and Fayette County.
2 All other counties hosting a Category 1, 2 or 3,
3 which would be 12 others -- or 10 others have opted
4 out.

5 REPRESENTATIVE QUINN: Oh, gosh. Was
6 that your expectation, or was it like the other
7 things, unpredictable?

8 MR. SHERMAN: I've --

9 REPRESENTATIVE QUINN: Okay.

10 MR. SHERMAN: Yeah.

11 REPRESENTATIVE QUINN: So when we talk
12 about the truck stop, the temporary rules that you
13 issued put in a truck parking spot is 5 feet wide
14 and 20 feet long for commercial, correct?

15 MR. SHERMAN: They're bigger than that.
16 What we did is, we looked at the statute that --

17 REPRESENTATIVE QUINN: 53, sorry.

18 MR. SHERMAN: Correct. We looked at the
19 statute that required diesel-fueling islands,
20 minimum of 50,000 gallons of diesel fuel sold per
21 month; requirement in the statute that there be at
22 least 20 parking spaces dedicated for commercial
23 motor vehicles and situated on not less than three
24 acres of land and, of course, these are truck-stop
25 establishments.

1 The thought was, clearly, with the
2 diesel islands for fueling larger vehicles, they
3 are fueling true trucks. Most cars aren't running
4 on diesel fuel. I -- certainly has to be space
5 available to park those vehicles, which are of the
6 larger size. But we didn't limit it to 8 by 53.
7 We said or that otherwise meet a gross vehicle
8 weight of 26,000 pounds, which is, substantially,
9 in many cases smaller than a tractor-trailer which
10 can go up to 60,000 pounds for a fully loaded
11 tractor-trailer.

12 So, there's some wiggle room in there.
13 It's not a strict 8-by-53 limit. As you noted,
14 these are the temporary regulations. And as we
15 move forward, if we find out that they're not
16 working or it's limiting that, we can always
17 address it or clarify those standards as we go to
18 the proposed stage.

19 REPRESENTATIVE QUINN: Are you having
20 some of the companies or the owners of the truck
21 stops weigh in already on that issue specifically?

22 MR. SHERMAN: I, myself, I've heard from
23 some that think the space requirements are entirely
24 consistent with the act. I've heard from others
25 that would like them to be more liberalized to

1 allow other facilities.

2 REPRESENTATIVE QUINN: Okay.

3 MR. SHERMAN: So it runs the gamut.

4 REPRESENTATIVE QUINN: And temporary
5 means how long?

6 MR. SHERMAN: It can be a maximum of two
7 years before we have to move them into the IRRC
8 regulatory process. We have no intention of
9 waiting that long. We want to get up and running;
10 get a little bit of experience and then move
11 forward.

12 REPRESENTATIVE QUINN: Thank you very
13 much.

14 MR. BARASCH: If I could before you
15 yield your time, I misspoke.

16 The state police requirement in the 1s
17 and 2s is not -- is not statutorily dictated. That
18 was, obviously, a judgment that the state police
19 had in its budget eight, nine years ago.

20 They have to have a law enforcement
21 connection and law enforcement availability and
22 make plans to have law enforcement be on call. But
23 in the statute per se, it doesn't require the state
24 police be present at the 1s, 2s and 3s. I misspoke
25 there.

1 REPRESENTATIVE QUINN: Thank you.

2 You're allowed one mistake today.

3 MAJORITY CHAIRMAN SAYLOR:

4 Representative Delozier.

5 REPRESENTATIVE DELOZIER: Thank you,

6 Mr. Chairman.

7 Thank you all for being here. I have a

8 couple different areas that I wanted to hit on a

9 little bit.

10 How much gaming dollars have gone back

11 to the local sheriff to our -- in the communities

12 in our Commonwealth?

13 MR. O'TOOLE: Representative, it's been

14 a significant amount of money. We have a chart, a

15 schedule, that lists out every penny.

16 REPRESENTATIVE DELOZIER: Okay.

17 MR. O'TOOLE: And we can provide that to

18 you.

19 REPRESENTATIVE DELOZIER: Okay.

20 MR. O'TOOLE: But I don't have it right

21 in front of me.

22 REPRESENTATIVE DELOZIER: All right.

23 But it's millions and it's broken down

24 into the different types of gaming, correct? Each

25 one has their own pocket of money that is going

1 back to local sheriff, if I understand it
2 correctly.

3 MR. O'TOOLE: Well, the local sheriff
4 percentage, for the most part, is -- is consistent
5 around the Commonwealth with all 12, but there are
6 some unique aspects to -- to them without a doubt.
7 There is some uniqueness.

8 REPRESENTATIVE DELOZIER: Okay. Thank
9 you. I just know that -- I mean Cumberland County
10 right across the river, which we do not have one,
11 and I know Dauphin right across here does and we
12 see a lot of conversation about it. I was just
13 curious as to how much in its entirety has gone
14 back to our communities because I see the money
15 going to our, you know, law enforcement,
16 firefighters, good community issues, and buying new
17 trucks or doing what's necessary. So, I just
18 wanted to get an accounting on that.

19 I wanted to follow up a little bit about
20 what Representative Quinn had talked about with the
21 law enforcement and PSP and local security. As she
22 had asked, you have security in every one of your
23 sites, as well as the fact that PSP is at every one
24 of the sites, it's 11 officers. I asked PSP the
25 same question, so that's why I had that piece of

1 information.

2 So each and every one, do you know how
3 much, off the top of your head, how many of them
4 have local enforcement as well? I know there's
5 some communities that have just PSP don't have
6 local law enforcement.

7 MR. O'TOOLE: Well, we can certainly
8 assert that Sugar House Casino has done a very good
9 job of having open lines of communication with the
10 City of Philadelphia Police Department, and you
11 will see some presence of local police at Sugar
12 House. And most of the local police, and not just
13 Sugar House, but Parks as well and Bensalem, they
14 will respond to incidents outside of the facility;
15 if there's a parking lot incident or --

16 REPRESENTATIVE DELOZIER: Oh. So PSP
17 doesn't cover the parking lot?

18 MR. O'TOOLE: No. They --

19 REPRESENTATIVE DELOZIER: They stay in
20 the building?

21 MR. O'TOOLE: Their immediate law
22 enforcement responsibility is in the casino.

23 REPRESENTATIVE DELOZIER: Okay. The
24 ability for us -- for the officers, the troopers
25 that are there, do you know offhand how much that

1 cost the fund; how much we pay the PSP? I asked
2 them the same question. They didn't have the
3 number. That's why I'm asking you guys.

4 MR. BARASCH: I think the answer is
5 probably the entirety of whatever the state police
6 budget is for gaming enforcement.

7 REPRESENTATIVE DELOZIER: That's what
8 I'm asking. They didn't know what that budget was.
9 Do you know what you guys pay to PSP?

10 MR. O'TOOLE: It's approximately
11 28 million, I believe.

12 REPRESENTATIVE DELOZIER: So the cost
13 from the fund, okay.

14 Do the troopers patrol the floor?

15 MR. O'TOOLE: Yes.

16 REPRESENTATIVE DELOZIER: So they're out
17 on the floor doing -- Okay.

18 MR. O'TOOLE: On occasion. I mean, they
19 also have offices at the property. They do their
20 work in the office as well as walk around the
21 floor.

22 REPRESENTATIVE DELOZIER: And what kind
23 of crimes are committed? You had mentioned a few
24 of them. At what point -- How often do they occur?
25 Like, how many calls do you have that PSP is

1 involved on an annual basis?

2 MR. BARASCH: I can't tell you how many
3 the state police is involved in, but we have a lot
4 of petty crime that goes on. We are aware of
5 all of it.

6 Our eyes and ears are our CCRs, our
7 consumer -- Excuse me. Casino compliance officers
8 are on the floor 24 hours a day.

9 REPRESENTATIVE DELOZIER: And that's not
10 security?

11 MR. BARASCH: Not our people, no. Our
12 people are there to make sure they have their eyes
13 on what the customers are doing and what the casino
14 is doing.

15 REPRESENTATIVE DELOZIER: Okay. So you
16 have them; you have the security on site, plus PSP,
17 plus the local enforcement.

18 MR. BARASCH: Yeah. You're not going to
19 see all four at any one casino, okay. You have
20 some combination. We are constantly there. Our
21 people work shifts --

22 REPRESENTATIVE DELOZIER: So the PSP,
23 they say they're on every shift.

24 MR. BARASCH: I don't know that detail.
25 I know that we are on every shift 24 hours a day.

1 REPRESENTATIVE DELOZIER: Okay. So we
2 don't know -- Do we have that data as to what kind
3 of calls and what kind of issues we have within the
4 casinos?

5 MR. O'TOOLE: The state police --

6 REPRESENTATIVE DELOZIER: What types of
7 crimes, I guess, is what I'm asking.

8 MR. O'TOOLE: The state police
9 maintained the uniform crimes statistics that break
10 down the categories of incidents that --

11 REPRESENTATIVE DELOZIER: Just in the
12 casinos?

13 MR. O'TOOLE: Just in the casinos, yes,
14 they do.

15 REPRESENTATIVE DELOZIER: Okay. Okay.
16 Do they have that information or do you
17 have that information?

18 MR. O'TOOLE: They have that
19 information.

20 REPRESENTATIVE DELOZIER: Okay. When we
21 have -- As they go through with the troopers and
22 everything else, I guess -- What my point is that,
23 it seems a little duplicative that we have four
24 entities possibly doing all what is supposed to be
25 -- And from what I can tell, not a lot of criminal

1 activity necessarily comes out of the casinos.

2 So, we have troopers that we're paying
3 \$29 million; that \$29 million could go to property
4 tax relief or back to our local share. Again, as
5 many of us have said, we're just looking for ways
6 to assist because our troopers are short-staffed.
7 I mean, they -- A, they said they don't have enough
8 to do the gaming; that they have some shifts that
9 go without.

10 So, the trooper is not there. Do you
11 guys survive? I guess you do since you're --

12 MR. O'TOOLE: We're not there for law
13 enforcement purposes, Representative. We're there
14 for compliance purposes.

15 REPRESENTATIVE DELOZIER: Well, I
16 recognize that. But the operation and safety of
17 those that are in that building I would assume
18 would be an issue for the board. No?

19 MR. O'TOOLE: What issue for the board
20 in terms of safety and surveillance is to ensure
21 that the casinos have the resources to handle them
22 appropriately that they have sound internal
23 controls.

24 REPRESENTATIVE DELOZIER: Right. And
25 those internal controls, I'd have to imagine, would

1 be, making sure nobody is cheating, correct?

2 MR. BARASCH: Absolutely.

3 MR. O'TOOLE: Yes, yes.

4 REPRESENTATIVE DELOZIER: I'm saying --
5 I would assume. I mean, that --

6 MR. O'TOOLE: Mandatory supervision.
7 There's mandatory training of dealers, although
8 there are some, you know, criminal activity through
9 dishonest dealers that may scam a game with one or
10 more players. That certainly does occur.

11 REPRESENTATIVE DELOZIER: Absolutely.
12 And I'm not trying to say that you guys don't do a
13 good job. I'm looking at the duplicity of -- or
14 how many times overlap we have. And when PSP is
15 stretched so thin with 140 officers that are doing
16 gaming when we have security, and we have local law
17 enforcement as well, it just seems that it's a
18 little bit of an overlap. So I was just trying to
19 get more details on that.

20 Thank you.

21 MAJORITY CHAIRMAN SAYLOR:
22 Representative James.

23 REPRESENTATIVE JAMES: Thank you,
24 Mr. Chairman. I won't promote you to Speaker this
25 time.

1 Thank you for testifying, gentlemen. I
2 just have a couple of quick questions.

3 I was kind of tickled to see that
4 there's a movement toward iGaming at airports. And
5 I guess if you're--what do you call it?--licensed
6 gaming operator, you'll be able to provide tablets
7 to ticketed passengers to -- you know, because we
8 have to be there early, there's something to do
9 while you're waiting for your -- for your airplane.

10 I see there's a two-and-a-half-million-
11 dollar fee at Philadelphia, one and a quarter
12 million at Pittsburgh. How many times does an
13 operator have to pay that? Is that an annual fee
14 or upfront once or --

15 MR. O'TOOLE: That's an upfront fee to
16 receive your initial authorization for that
17 activity.

18 REPRESENTATIVE JAMES: Okay. And if an
19 operator decides he doesn't -- or they don't want
20 to do this anymore, and a new one comes in, will
21 that individual then pay a similar fee? Or you
22 haven't thought that far ahead?

23 MR. O'TOOLE: I haven't thought that
24 far. We're trying --

25 REPRESENTATIVE JAMES: I thought it was

1 a good idea.

2 MR. O'TOOLE: -- to get to step 1 before
3 step 2.

4 REPRESENTATIVE JAMES: Other
5 international airports -- I can think of Erie. As,
6 I guess, designated as an international. Are the
7 there others in Pennsylvania?

8 MR. BARASCH: I believe there's 14 that
9 are designated as being --

10 REPRESENTATIVE JAMES: Are others lining
11 up to participate in this that we know of?

12 MR. O'TOOLE: Some have expressed
13 interest; some have not.

14 REPRESENTATIVE JAMES: Okay. About how
15 -- At what point in time on the calendar do you
16 anticipate that this type of iGaming will be up and
17 operational?

18 MR. O'TOOLE: The iGaming at the
19 airports require a partnership with an interactive
20 gaming certificate holder. So, we need to get
21 further along on the basic interactive gaming
22 process before we can -- before the airports can
23 have their appropriate discussions to partner with
24 a land-based casino and to engage a company to
25 oversee those tablets.

1 REPRESENTATIVE JAMES: Okay. So it
2 sounds like, perhaps, not this fiscal year, but
3 somewhere down the road?

4 MR. O'TOOLE: Maybe the second half of
5 '18-19.

6 REPRESENTATIVE JAMES: Okay. That's
7 all. Thank you very much.

8 MAJORITY CHAIRMAN SAYLOR:
9 Representative Hahn.

10 REPRESENTATIVE HAHN: Thank you,
11 Mr. Chairman.

12 Just want to follow up on something.
13 I'm not sure I heard it -- about the airport
14 gaming. So the international airport in the Lehigh
15 Valley we have, so they would have to partner with
16 the casino from the Lehigh Valley, then? Is that
17 -- or is there a --

18 MR. O'TOOLE: I don't believe there's a
19 geographic requirement that they have to pick any
20 particular --

21 REPRESENTATIVE HAHN: And they don't
22 have to be so far from a casino? There's no
23 distance, no radius that they have to be away from
24 it, correct? I just wasn't clear on that.

25 MR. O'TOOLE: Right. There's no

1 distance that they have to be away from.

2 REPRESENTATIVE HAHN: Okay. Then we
3 were talking about the self-exclusion list. So, if
4 you're on the self-exclusion list, you can be on
5 just for one casino, or does it have to be for all
6 of them?

7 MR. O'TOOLE: The self-exclusion list
8 that we have operated for 10-plus years in the 12
9 operating casinos is a mandatory exclusion from all
10 properties.

11 REPRESENTATIVE HAHN: Properties, okay.
12 But then if we go to iGaming, how -- So you can be
13 on the exclusion list, but then go home on your
14 computer and gamble?

15 MR. O'TOOLE: There's an exclusion list
16 for iGaming. So, you have to -- you have to
17 express the desire to be excluded from iGaming in
18 order to be on the exclusion list for iGaming.

19 REPRESENTATIVE HAHN: I guess there's no
20 monitoring. It's a self -- self-monitoring.

21 I'm always concerned when, you know,
22 when you're home, we've seen some college kids. I
23 think we've have some in the Lehigh Valley where
24 they've been on the Internet illegally years ago
25 and went through their savings. So, I'm always

1 concerned about when they get onto the iGaming what
2 monitors and what protections are in place.

3 Hopefully, that --

4 I know we talked about it at length as
5 far as no one under 18 -- Is it 18? 21. No one
6 under 21, right, can get on the Internet? But I'm
7 always concerned that somehow they're going to find
8 a way to do that.

9 Thank you, Mr. Chairman.

10 MAJORITY CHAIRMAN SAYLOR:

11 Representative Ortitay.

12 REPRESENTATIVE ORTITAY: Thank you,
13 Mr. Chairman.

14 I want to talk a little bit about
15 iGaming and talk about the issue of Skins. Can you
16 tell me what Skins are? And I'm not talking about
17 the old school basketball shirts versus Skins.

18 MR. O'TOOLE: Most of us are familiar
19 with that version of Skins.

20 It's really just a portal that gets you
21 into a gaming platform, and on that gaming platform
22 is game content, and it's that game content that a
23 player, who has registered an account, can access.

24 REPRESENTATIVE ORTITAY: Now, when
25 New Jersey implemented their iGaming, did they

1 limit the amount of Skins per licensee?

2 MR. O'TOOLE: They did. But there's
3 really no true comparison with New Jersey and
4 Pennsylvania in reading our legislation.

5 REPRESENTATIVE ORTITAY: What would be
6 the differences between the two? Just a few.

7 MR. O'TOOLE: Well, there is a process
8 -- the companies, let's put it this way. The
9 companies that are experienced and run Internet
10 sites throughout the world and in the United States
11 as well at the three jurisdictions that have it
12 legal now, Delaware, New Jersey and Nevada, they
13 can enter our market by partnering with a land-
14 based casino who obtains the certificates to
15 operate Internet gambling. They can partner with
16 one of those land-based casinos and be a platform
17 provider.

18 But, to be a platform provider, they
19 have to be sure that the website for that
20 land-based casino, whether it's poker, slots or
21 table games, is -- is on behalf of the certificate
22 holder.

23 REPRESENTATIVE ORTITAY: Are they able
24 to have all those platforms with the -- with the
25 one Skin? They can do online poker and --

1 MR. O'TOOLE: Yes, they could. A casino
2 could have one Skin and operate all three types.
3 That would be certainly possible to do.

4 REPRESENTATIVE ORTITAY: So, is it more
5 of a branding issue with Skins? Is that -- I'm
6 just trying to --

7 MR. O'TOOLE: I think the word branding
8 is an appropriate way to describe it. There is
9 more of a branding with respect to entering the
10 market with a land-based casino.

11 REPRESENTATIVE ORTITAY: The reason I
12 ask is, I've heard rumblings that the board is
13 considering limiting it to one Skin per licensee.
14 And I don't know if that's true. And certainly, if
15 you guys have any -- have a response to that, I'd
16 entertain it.

17 MR. BARASCH: If I could, since I'm the
18 one voting member here, we haven't voted on that
19 yet.

20 REPRESENTATIVE ORTITAY: I heard it's
21 coming up next month. Again, just a rumbling.

22 MR. BARASCH: There's been no
23 determination that that -- I can't speak for my
24 other six members of the board. I may have my
25 personal views, but at this point it's quite

1 premature to say much.

2 REPRESENTATIVE ORTITAY: Okay. And I
3 understand that and I respect that. I'm just
4 looking at it from a revenue maximization
5 standpoint. I know this is new for PA, and you
6 said earlier, all eyes are on us.

7 From what I understand, New Jersey did
8 this the first time around, it didn't work out so
9 well. I just want to make sure that we're learning
10 from the sins of the past.

11 MR. BARASCH: We're certainly studying
12 other people's errors, you can be sure of that, and
13 trying to avoid them. As you so aptly state, this
14 is about revenue.

15 REPRESENTATIVE ORTITAY: Right. And
16 that's my thing. If we don't have to limit them,
17 that's great. I'm just thinking, if we do limit
18 them, I think that limits different revenue -- the
19 amount of revenue that we can actually raise from
20 this. And that's just my perspective. I certainly
21 respect your opinion as well.

22 MR. BARASCH: What I can say, from any
23 number of conversations with my fellow board
24 members on any number of issues over the last
25 period of time, there's two -- there's two dominant

1 things on our mind in what he regulate. Number 1,
2 to be responsible in our regulation; protecting the
3 public, protecting the health of the industry, and
4 at the same time, doing what we can to maximize the
5 revenue contribution that comes from the legalized
6 gambling in this state, which sometimes is easy,
7 and sometimes there's some push-pull in those
8 interests.

9 REPRESENTATIVE ORTITAY: That's true.
10 And I hope it brings a lot more people out of the
11 dark websites into more the legal realm, which
12 we'll be rolling out soon. And that helps too. I
13 think having more of the brand, more of the Skins
14 out there will help do that.

15 Again, that's just my opinion. I just
16 wanted to throw that out there.

17 MR. BARASCH: Thank you very much.

18 REPRESENTATIVE ORTITAY: Thank you,
19 guys. Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN SAYLOR:

21 Representative Helm.

22 REPRESENTATIVE HELM: Thank you,
23 Mr. Chairman.

24 We talked about problem gambling a
25 couple times this afternoon, but how much money is

1 set aside to assist with just gaming problems?

2 MR. O'TOOLE: It's -- It's approximately
3 6 million a year with respect to the current
4 land-based casinos and the money that is allocated
5 to the Department of Health and then to the
6 Department of Drug and Alcohol programs.

7 But there will be additional money, as I
8 indicated, from the -- from the new forms of
9 gambling, so that should increase.

10 REPRESENTATIVE HELM: It's a lot of
11 money; a lot of people.

12 Let's talk about the temporary
13 regulations for VGTs at truck stops. Like, it's my
14 understanding that the board has drafted temporary
15 regulations for the implementation of VGTs. Could
16 you update us on where you are and just exactly
17 what the process is?

18 MR. BARASCH: Yeah. The weather has
19 played havoc with a number of things. We spent a
20 lot of time discussing that. We probably would
21 been voting on some temporary regs today if we
22 hadn't had to cancel.

23 A VOICE: No, that's --

24 MR. BARASCH: I'm sorry. I misspoke.

25 The VGTs have already approved, at least

1 the temporary regs. That's what we were discussing
2 when I was talking to Representative Flynn (sic).

3 What -- I'm not sure --

4 REPRESENTATIVE HELM: So the temporary
5 regulations are already -- everything is approved
6 and ready to go?

7 MR. BARASCH: Yes. That's happened
8 already.

9 REPRESENTATIVE HELM: And I know we also
10 had talked about the gaming. Is there anything in
11 those regulations about people with problems? I
12 mean, do -- at the VGTs. I know that's what's
13 expressed in my area. They're really concerned
14 about walking into the truck stops; the people that
15 are on the list not to gamble.

16 MR. BARASCH: I think Doug can speak to
17 that better.

18 MR. SHERMAN: On the one hand,
19 Representative, Dauphin County has opted out of
20 VGTs, so people here won't be visiting Dauphin
21 County truck stops.

22 We do have a self-exclusion list also
23 for truck stops. The act provides that the people
24 can exclude from a single truck stop or regionally.
25 At this point we've defined the region as the

1 Commonwealth. Again, if we need to refine that
2 more, we can. Also, requirements that there be
3 on-site presence at each of these facilities by an
4 individual trained in compulsive and problem
5 gambling to recognize problems; make sure that
6 underaged people aren't getting in, and try to
7 uphold the same standards we expect at land-based
8 casinos at the truck stop VGTs.

9 REPRESENTATIVE HELM: Okay. Then
10 federal gaming laws, because I know people get
11 state laws and federal law mixed up sometimes.

12 But, in Act 42, in part, authorized the
13 board to establish standards and procedures to
14 govern sports wagering in the Commonwealth in the
15 event that it's authorized by the federal law.

16 Could you please provide an update to
17 the committee of any movement or consideration of
18 gaming legislation by the federal government, and
19 what impact, if any, such federal legislation would
20 have on our state?

21 MR. SHERMAN: Sure. Really, on the
22 federal side, everybody's waiting to see what the
23 Supreme Court does with the case out of New Jersey
24 that was recently argued. Right now we're
25 anticipating that the decision could come out

1 either in May or June at the end of this current
2 term.

3 Depending on what the Court does, it
4 could open the door for us to move forward with
5 implementing sports betting. If the Court, for
6 whatever reason, does not overturn the Third
7 Circuit's decision on sports betting, it will
8 remain illegal and would require an act of Congress
9 to legalize.

10 REPRESENTATIVE HELM: All right. Thank
11 you.

12 MAJORITY CHAIRMAN SAYLOR:
13 Representative Sonney.

14 REPRESENTATIVE SONNEY: Thank you,
15 Mr. Chairman.

16 Good afternoon, gentlemen. I came in
17 late, so I apologize if anybody else asked. But
18 how many counties opted out of the truck stops?

19 MR. O'TOOLE: Ten.

20 REPRESENTATIVE SONNEY: Ten opted out?

21 MR. O'TOOLE: Yes.

22 REPRESENTATIVE SONNEY: And that opt-out
23 period is over now; is that correct?

24 MR. O'TOOLE: That's correct.

25 REPRESENTATIVE SONNEY: And, of course,

1 any of those 10 can opt back in, correct?

2 MR. SHERMAN: No, the counties cannot
3 opt back in. That's municipalities for Category 4
4 casinos could opt out and then flip and come back
5 in.

6 REPRESENTATIVE SONNEY: Okay. And I got
7 a question a little bit about the sale of casinos.
8 Since the industry, you know, basically pays all of
9 your expenses, who pays the expense when a casino
10 is sold?

11 The reason I ask this question, I'm from
12 Erie County. I think Presque Isle Downs is gonna
13 be sold for the third time; third time, I think.
14 So, who covers those costs? And is this common in
15 the gaming industry that these casinos are bought
16 and sold, you know, rather all the time?

17 MR. O'TOOLE: The costs of the
18 transaction are born by the two parties, the buyer
19 and the seller.

20 REPRESENTATIVE SONNEY: But don't you
21 have additional work that you have to do before the
22 buyer is even approved to be able to purchase that
23 license?

24 MR. O'TOOLE: Yes. Our Office of
25 Enforcement Council and our Bureau of

1 Investigations and Enforcement monitor those
2 transactions. We receive all of the relevant
3 documents on a timely basis, and -- but that's part
4 of our normal work.

5 REPRESENTATIVE SONNEY: Right. That's,
6 generally, just your normal operations.

7 MR. O'TOOLE: That is correct.

8 REPRESENTATIVE SONNEY: And how often
9 are they sold?

10 MR. O'TOOLE: I'm sorry?

11 REPRESENTATIVE SONNEY: How often are
12 they sold? I mean, is it Presque Isle Downs
13 because it's one of the smaller ones on the market,
14 or are the casinos, in general, being bought and
15 sold all the time, in Pennsylvania?

16 MR. O'TOOLE: Well, we have -- we have a
17 few that will be consummated in the next 12 months
18 or so. That is for sure. But I can -- I can tell
19 you those transactions are -- are a positive
20 reflection on our casino industry.

21 There are no distressed sales going on
22 in Pennsylvania. These are sales because the
23 buyers are very much interested in coming into this
24 jurisdiction and operating casinos. They are
25 experienced casino operators who have facilities in

1 other jurisdictions, and they are excited about
2 coming here. And the sellers are getting, you
3 know, good transaction prices, which is making it
4 attractive for them to move -- to move on from
5 Pennsylvania.

6 REPRESENTATIVE SONNEY: And so, it's not
7 really just an outside entity trying to get into
8 gaming, which would be totally different from a
9 gaming entity simply moving into this area?

10 MR. O'TOOLE: Correct.

11 REPRESENTATIVE SONNEY: And so, is there
12 a mechanism that stops somebody new from just
13 trying to enter into gaming? In other words, could
14 a venture capitalist say, we want to buy Presque
15 Isle Downs because we understand, you know, it's up
16 for sale?

17 MR. O'TOOLE: The ultimate sale
18 transaction does have to be approved by our gaming
19 board. So, we have not had any transactions as
20 you've described. These have been purchases by
21 experienced gaming companies at fair marketable
22 prices.

23 REPRESENTATIVE SONNEY: And, obviously,
24 the amount of work that you would have to do would
25 be totally different if it was an outside entity

1 that was not previously into gaming, correct? I
2 mean, do you have a mechanism to deal with that?

3 MR. O'TOOLE: We have -- We have a
4 financial investigation unit. It's about five
5 individuals, and they understand the terms of
6 acquisitions and mergers, and they analyze the
7 transactions and they prepare a report that is
8 provided to the board at -- at the time that it's
9 up to the board to render a decision on the sale
10 and to impose a change of control fee.

11 REPRESENTATIVE SONNEY: And that fee
12 would vary depending on the type of sale or the
13 size of the operation?

14 MR. BARASCH: Under our statute we have
15 discretion to charge different fees. We haven't
16 had a change of owner -- haven't had anything
17 recently other than --

18 REPRESENTATIVE SONNEY: In other words,
19 you have the ability should it take more effort
20 than what you would anticipate?

21 MR. BARASCH: What's missing, just to
22 help out here, we do charge the cost of the
23 investigation to the parties, so that's not coming
24 out of -- indirectly. It's not coming out of our
25 budget.

1 REPRESENTATIVE SONNEY: Okay.

2 MR. BARASCH: People who are involved in
3 the transaction, in addition to the costs of paying
4 all their lawyers, they basically have to pay --

5 REPRESENTATIVE SONNEY: Yeah, but still
6 paying for your work.

7 MR. BARASCH: They have to pay our
8 regulatory oversight of those activities. So --
9 And that's separate and apart from whatever fees we
10 charge for a change of ownership. That's a
11 separate thing that's in the statute that allows us
12 to do that, and we've done that over the years,
13 certainly.

14 REPRESENTATIVE SONNEY: Thank you.

15 Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN SAYLOR: Mr. Chairman,
17 I have a couple questions here. One, the temporary
18 regulations I have real concerns. We went through
19 this back when we allowed the bars to have gaming.
20 Then-commissioner under Corbett, the state police
21 commissioner, scared everybody and his brother away
22 and cost the state millions of dollars.

23 I feel the temporary regulations are not
24 within the legislative intent. When you define the
25 issue of commercial vehicles, it's not under the

1 definition we currently have in this Commonwealth
2 for commercial vehicles.

3 Right now under your regulations,
4 basically, truck stops that meet the needs of a
5 Sear's truck or a furniture truck would not meet
6 your definition of 53 foot. I think I have a real
7 concern because, they also -- you know, we need to
8 service those as well with diesel, and I think it
9 will limit the amount. I think it will cut well
10 over half of the truck stops we currently have in
11 Pennsylvania from being able to provide VGTs in
12 this Commonwealth.

13 And somebody who is asking for a budget
14 increase, and us as well who are looking at tight
15 budgets, we need to have the ability to have every
16 dollar we can. That was the whole purpose of the
17 VGT legislation is to try and keep from raising
18 taxes. And so, I would ask you to relook at those
19 temporary regulations, particularly when it comes
20 to truck stops.

21 To me, who really cares what size. I
22 think you have the 50,000-gallon diesel fuel in
23 there. As long as they sell that, I don't think we
24 should care about what size trucks are stopping in
25 to be fueled or gambled. So, I have real concerns

1 about that and what that does to our revenue
2 projections when you're cutting out at least
3 half--I think it's even higher than that--of the
4 truck stops in this Commonwealth from what I've
5 heard already from a number of owners of truck
6 stops across the Commonwealth.

7 So, I would ask you to relook at that
8 here as soon as possible so that we can move
9 forward with getting these truck stops open and up
10 and running.

11 Let's be honest here. I mean, the
12 Governor and everybody else can show you we have a
13 real need in this Commonwealth for revenue dollars.
14 I think the taxpayers of Pennsylvania have no
15 interest in any tax increases, particularly in an
16 election year, and I have no interest in one in any
17 election year or any year.

18 So, I just ask the board to relook at
19 that and fit it within the legislative intent that
20 was created by the legislature, and that was for
21 all truck stops basically to qualify in that area.

22 So, with that, any final comment,
23 Chairman?

24 MR. BARASCH: No. I don't think so.

25 MAJORITY CHAIRMAN SAYLOR: Okay. Very

1 good.

2 With that, I thank you for coming before
3 the Appropriations Committee, and we look forward
4 to working with you.

5 MR. BARASCH: Thank you.

6 MR. O'TOOLE: Thank you.

7 MAJORITY CHAIRMAN SAYLOR: We will
8 reconvene tomorrow morning at 10:00 a.m. And at
9 that time, we will have the Budget Secretary before
10 us.

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C E R T I F I C A T E

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