

1 HOUSE OF REPRESENTATIVES
2 COMMONWEALTH OF PENNSYLVANIA

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4 PA Games of Skill Machines and House Bill 1407

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6 House Gaming Oversight Committee

7 Ryan Office Building
8 Room 205
9 Harrisburg, Pennsylvania

10 Monday, June 10, 2019 - 10:00 a.m.

11 --oOo--

12 COMMITTEE MEMBERS PRESENT:

13 Honorable Jim Marshall, Majority Chairman
14 Honorable Donald Cook
15 Honorable Russ Diamond
16 Honorable George Dunbar
17 Honorable Frank A. Farry
18 Honorable Joshua Kail
19 Honorable Aaron D. Kaufer
20 Honorable Thomas Mehaffie
21 Honorable Tedd C. Nesbit
22 Honorable Tim O'Neal
23 Honorable Chris Quinn
24 Honorable Justin Walsh
25 Honorable Ryan Warner
Honorable Scott Conklin, Minority Chairman
Honorable Dave Delloso
Honorable Movita Johnson-Harrell
Honorable Brandon Markosek
Honorable Jeanne McNeill
Honorable Robert Merski
Honorable Ed Neilson
Honorable Mark Rozzi

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ALSO PRESENT:

Jennifer Weeter
Majority Executive Director

Nancy Cole
Majority Administrative Assistant

Phil Falvo
Minority Executive Director

Jim Moser
Minority Legislative Assistant

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1 MAJORITY CHAIRMAN MARSHALL: I'd like to
2 thank all members for coming today, and thank you
3 for those that are testifying.

4 I'd like to remind everyone to please
5 silence their phone and to remind everyone that
6 this hearing is recorded.

7 I'm Representative Jim Marshall from the
8 14th Legislative District, and joined by Chairman
9 Conklin. And, Chairman, if you'd like to introduce
10 yourself and other members, please join in.

11 MINORITY CHAIRMAN CONKLIN: Scott
12 Conklin. I represent the 77th District; basically
13 Penn State University. Thank you, Mr. Chairman.

14 REPRESENTATIVE MOVITA JOHNSON-HARRELL:
15 Good morning. Representative Movita
16 Johnson-Harrell. I represent the 190th District,
17 West Philadelphia.

18 REPRESENTATIVE MEHAFFIE: Tom Mehaffie.
19 I represent the 106th District, Dauphin County.

20 REPRESENTATIVE DUNBAR: Good morning.
21 George Dunbar, Westmoreland County, 56th District.

22 REPRESENTATIVE DIAMOND: Russ Diamond,
23 Lebanon County, 102nd District.

24 REPRESENTATIVE KAIL: Josh Kail, 15th
25 Legislative District, Washington and Beaver County.

1 REPRESENTATIVE O'NEAL: Tim O'Neal, 48th
2 District, Washington County.

3 REPRESENTATIVE ROZZI: Mark Rozzi, Berks
4 County, 126th District.

5 REPRESENTATIVE DELLOSO: Dave Delloso,
6 Delaware County, 162nd District.

7 REPRESENTATIVE McNEILL: Jeanne McNeill,
8 Lehigh County, 133rd District.

9 REPRESENTATIVE MARKOSEK: I'm Brandon
10 Markosek, 25th District, Pittsburgh area, Allegheny
11 County.

12 REPRESENTATIVE COOK: 49th District,
13 parts of Washington, Fayette, the Mon Valley,
14 Representative Bud Cook.

15 MAJORITY CHAIRMAN MARSHALL: Thank you,
16 members.

17 Today's hearing concerns the
18 Pennsylvania Skill games and House Bill 1407. I'm
19 certain the members of this committee and members
20 of the General Assembly would like to get as much
21 information as we can on this topic, and that's the
22 purpose of this hearing, to gather information.

23 And I would like to ask Chairman
24 Conklin, if you have any remarks?

25 MINORITY CHAIRMAN CONKLIN: No. Thank

1 you, Mr. Chairman. I'm just excited to see that we
2 have a nice turnout today. I'm anxious to hear the
3 testimony. But, most of all, I'm anxious to see
4 how the other members on both sides feel about the
5 testimony when the hearing is over.

6 Thank you, Chairman.

7 MAJORITY CHAIRMAN MARSHALL: I'd like to
8 begin with our first group from Pennsylvania Skill,
9 Tom Marino, Vice President of Government
10 Affairs/Public Relations of Pace-O-Matic.

11 MR. MARINO: Thank you. Chairman, Vice
12 Chairs, State Representatives and members of the
13 audience, I appreciate the opportunity to testify
14 before this distinguished committee.

15 My name is Tom Marino, and I'm the Vice
16 President of Government Affairs/Public Relations
17 and counsel for Pace-O-Matic. Prior to taking on
18 this role, I served as United States Congressman
19 for the 10th and the 12th Districts of
20 Pennsylvania, United States Attorney for the
21 Department of Justice, and District Attorney for
22 Lycoming County.

23 Considering my past roles, you might ask
24 what led me to work for Pace-O-Matic and
25 Pennsylvania Skill. I am proud to be working with

1 a Pennsylvania company that is expanding
2 manufacturing and creating jobs. As someone who
3 spent a career in law enforcement, I want to stress
4 upon you that Pennsylvania Skill amusement devices
5 are legal and have been adjudicated by the Court of
6 Common Pleas in Beaver County as such. This
7 decision was included in the packet of materials
8 that we have provided to this committee. The case
9 was not appealed by the Pennsylvania State Police,
10 with the understanding that the Pennsylvania State
11 Police would abide by the court's decision.

12 As a prosecutor, for over 18 years, I
13 know very well that only legislators create the
14 laws and judges interpret those laws. Law
15 enforcement's job is to enforce the laws.
16 Regardless of the personal opinions of a few, we
17 feel that our decision speaks for itself, and that
18 a few law enforcement officers should not be
19 harassing our customers.

20 I believe in this product, and I have
21 witnessed firsthand a positive impact it has had on
22 our communities; countless jobs that have been
23 created, the small businesses which have been
24 saved, the clubs, VFWs, legions, and volunteer fire
25 companies which have gone from bankruptcy to

1 thriving due to our legal Pennsylvania Skill
2 amusement devices. Even better, these amusement
3 devices are manufactured right here in Pennsylvania
4 by Miele Manufacturing, and nearly all of the parts
5 and materials are sourced from the United States;
6 mostly, from Pennsylvania, including cabinets,
7 steel, wires, et cetera. Miele Manufacturing went
8 from a dozen employees to well over 100 employees.

9 It was stated last week at a press
10 conference that we do not pay taxes. I want to be
11 clear that our company pays tens of millions of
12 dollars in taxes to local, state and federal
13 governments. That is something you'll be hearing
14 more about shortly.

15 As someone who once sat in your shoes as
16 a legislator, I have great respect for Pennsylvania
17 Skill, because we are walking through the front
18 door, meeting with legislators, talking to interest
19 groups, and we have the courage to stand before
20 this body to ask you to implement responsible
21 regulations on this growing industry.

22 And when I say we, I want to be very
23 clear on this point. It applies to all the
24 individuals testifying today. We are here to speak
25 about Pace-O-Matic's legal, adjudicated

1 Pennsylvania Skill machines. There have been
2 efforts to lump us in with tens of thousands of
3 illegal machines, and that is unfair. Again, we
4 are testifying about Pace-O-Matic's products,
5 Pennsylvania Skill, and not the score of other
6 illegal gambling devices.

7 For those of you concerned about illegal
8 machines, we share those concerns. We must enforce
9 the laws, eliminate illegal operations in the
10 market, and further, cement the marketplace for
11 legal skill machines, help small businesses, clubs,
12 VFWs, American Legions, local fire halls and
13 fraternal clubs, and provide substantial tax
14 revenue to the Commonwealth.

15 I yield back the balance of my time, and
16 thank you.

17 MAJORITY CHAIRMAN MARSHALL: Thank you,
18 Mr. Marino.

19 Mr. Marino is joined by Rick Goodling,
20 Compliance Supervisor of Pace-O-Matic. Sir.

21 MR. GOODLING: Thank you.

22 Good morning, Chairman, members of the
23 committee, my name is Rick Goodling, and I serve as
24 the Compliance Supervisor for Pace-O-Matic in
25 Pennsylvania.

1 Prior to joining Pace-O-Matic, I served
2 as a Pennsylvania State Trooper for nearly
3 27 years, rising to the rank of corporal, where I
4 worked as a patrol, as a patrol supervisor,
5 criminal investigations, as a trooper attached to
6 the Bureau of Liquor Control Enforcement's
7 Compliance, Auditing and Gambling Enforcement Unit,
8 the CAGE Unit, and as a supervisor agent. There I
9 was tasked with investigating large scale illegal
10 gambling investigations, which included
11 investigating gambling devices.

12 As part of my efforts with Pace-O-Matic,
13 Miele Manufacturing and Pennsylvania Skill, that is
14 still one of our missions. We have a compliance
15 team in Pennsylvania comprised of former
16 Pennsylvania State Troopers and liquor enforcement
17 officers that is tasked with visiting our
18 customers, and we help to weed out illegal gaming
19 machines that should not be in the marketplace.

20 We have contacted the Pennsylvania State
21 Police about illegal machines, and often have been
22 successful in getting small businesses, VFWs,
23 American Legions, fire halls, and other clubs to
24 switch out their illegal games to Pennsylvania
25 Skill amusement devices. Over the last nine months

1 alone, we can estimate that nearly 100 illegal
2 machines have been taken off the streets by our
3 compliance team and replaced with our legal
4 amusement devices.

5 We currently have about 12,000 amusement
6 devices in small businesses, VFWs, legions, fire
7 halls and other clubs across the Commonwealth.
8 Only adults, 18 and over, may play our Pennsylvania
9 Skill amusement devices. During my service with
10 the state police and as a supervisor of compliance,
11 I have never witnessed a minor playing a
12 Pennsylvania Skill amusement device.

13 Many of our games are in locations where
14 those customers must be 21 or over to enter the
15 premises. We work with our manufacturer,
16 operators, and locations to ensure they are
17 compliant, and that our amusement devices are being
18 utilized properly as outlined in our service
19 agreement and our code of conduct.

20 We met with many of you individually,
21 and nearly every one of you asked about the
22 difference between a game of skill and a VGT or a
23 game of chance. The main difference is that, our
24 devices require interaction and predominant skill
25 to play. With a Pennsylvania Skill device, you

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1 must think and take action to win.

2 On a VGT, or slot machine, a player
3 simply pushes the button and hopes that the machine
4 will eventually pay out. A person with patience
5 and skill can win every single time on our
6 Pennsylvania Skill product.

7 With our Pennsylvania Skill amusement
8 devices, our basic game is tic-tac-toe, where the
9 player must select a wild or open spot in order to
10 complete a line. You win points depending on the
11 type of images you are able to line up. If you are
12 not successful enough, you may get to play a
13 follow-me game. There is a memory game where the
14 user must follow a series of colored balls in a
15 specific order. Again, if you are skilled enough,
16 you can win every time and win 100 percent of your
17 game play every time you press a button.

18 Our amusement devices operate on a fill
19 license system and are not connected to the
20 Internet. When a device is empty and has no
21 additional fills left, an operator must call up
22 Miele Manufacturing, a Pennsylvania company, and
23 purchase a new fill license. Once purchased, the
24 operator will enter a code and renew the license.
25 This is a system we have set up deliberately and

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1 allows us to track how each device is performing
2 and ensure that we pay taxes on every dollar spent
3 and collected.

4 As a former state trooper, I have seen
5 the bad actors and how they utilize illegal
6 machines and take advantage of the system, avoid
7 taxes, and hurt the entire industry. That is one
8 of the many reasons I believe in the Pennsylvania
9 Skill product. We have a model that is transparent
10 and really benefits the entire Commonwealth.

11 I would now like to turn this over to
12 Doctor Pete Zaleski to discuss the economic study.
13 Thank you.

14 MAJORITY CHAIRMAN MARSHALL: Mr.
15 Zaleski.

16 MR. ZALESKI: Thank you, Rick, and thank
17 you to the members of the committee.

18 My name is Peter Zaleski, and I'm a
19 professor of economics at Villanova University
20 where I have served on the faculty since 1987.
21 Since the 1990's, I've undertaken numerous economic
22 and statistical analyses. Pace-O-Matic has
23 contracted with Meadows Metrics, an analytics
24 consulting firm, to perform an economic impact
25 study, and I serve as the lead consultant on this

1 project.

2 Using data provided by Miele
3 Manufacturing, we are estimating the income
4 generated for Pennsylvania Skill amusement device
5 machine operators who are located in Pennsylvania
6 and the income generated for owners of the
7 establishments where these devices are located in
8 Pennsylvania.

9 In addition, we are including an
10 indirect impact and an induced multiplier effect.
11 This is a standard treatment and economic analysis
12 which allows us to estimate the dollar value of the
13 added benefits to the community; examples, of
14 which, were mentioned by Tom Marino, and you will
15 hear more about these in the next group of
16 testimony.

17 The indirect effect accounts for the
18 additional income generated throughout the state as
19 a result of these business owners needing to hire
20 more employees or outsource more work to support
21 their growing businesses. The induced effects
22 measure the extra spending in the community all of
23 those affected will undertake. As a result of this
24 added income and spending, the Pennsylvania Skill
25 devices generate sales tax and income tax for the

1 Commonwealth of Pennsylvania.

2 Miele Manufacturing produces these
3 devices in Williamsport, PA, and utilizes numerous
4 PA suppliers. We are also estimating the economic
5 impact of Miele Manufacturing's manufacturing
6 activities on the Pennsylvania economy. This
7 impact also includes a substantial indirect effect,
8 as well as the induced multiplier effect. As you
9 will agree, manufacturing is a crucial part of a
10 healthy state economy. The sale of these devices
11 generate sales tax for the State of Pennsylvania,
12 along with income tax on the income generated.

13 We have made preliminary estimates so
14 far and will complete our analysis in the coming
15 weeks. Our preliminary estimate is that the
16 Pennsylvania Skill amusement device has a
17 substantial impact statewide with respect to job
18 creation, income generation, and the generation of
19 tax revenue.

20 For the current year, we would expect a
21 total economic impact on the state's gross domestic
22 product just shy of \$1 billion, and that generates
23 state tax revenue of 26 to \$30 million, and we
24 would expect those numbers to increase over the
25 next few years.

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1 I now yield to Randy Wright to discuss
2 the impact of skill games in Virginia.

3 MAJORITY CHAIRMAN MARSHALL: Thank you.
4 Please proceed.

5 MR. WRIGHT: My name is Randy Wright. I
6 am a consultant for Queen of Virginia Skill
7 amusement devices. Let me first thank you for your
8 public service.

9 I too have served in various public
10 roles in my home state, the Commonwealth of
11 Virginia, including serving as a city councilman, a
12 member of the state Board of Commerce for
13 seven years, and chaired the board for two of those
14 years; chaired a Virginia Statewide Blue Ribbon
15 Commission on transportation in urbanized areas,
16 and served as National Chair of the Transit Board
17 members of North America.

18 During that time, in that role, I worked
19 with SEPTA, which was rated in the top three
20 transit authorities in America, and I'm proud to
21 have become personal friends with the then CEO Rick
22 Simmonetta and his wife Bonnie. I still hold the
23 distinction of having been the only Chair to serve
24 in that capacity for three years.

25 For the purpose of today, I'd like to

1 discuss my service as Deputy Director of the
2 Virginia Lottery from 2014 to 2018. Let me share
3 with you the Virginia story regarding the Virginia
4 Lottery and Queen of Virginia Skill amusement
5 devices, which are the same Pennsylvania Skill
6 amusement devices utilized in this Commonwealth.

7 The Virginia Lottery had a record year
8 in fiscal year 2019 with more than 2 billion in
9 sales and profits of 606 million. At this point,
10 in fiscal year 2020, lottery sales are up over the
11 8.6 percent projections which indicate profits will
12 exceed 645 million this year.

13 Since Queen of Virginia amusement
14 devices were introduced in Virginia, our joint
15 statistical data shows that where the Lottery and
16 skill amusement devices share locations, Lottery
17 sales have increased from 17 to 27 percent in
18 profits. My point here is that skill amusement
19 devices complement the Lottery. Virginia Skill
20 casinos offer various games.

21 In conclusion, the implementation of
22 Virginia Skill amusement devices has contributed to
23 the record-breaking years the Virginia Lottery has
24 recorded.

25 Thank you for allowing me to speak

1 today.

2 MAJORITY CHAIRMAN MARSHALL: Thank you,
3 gentlemen. I believe we have some members that
4 have questions. We'll start with Representative
5 Dunbar.

6 REPRESENTATIVE DUNBAR: Thank you, Mr.
7 Chairman.

8 And thank you all for being here today.
9 I think it's a conversation we certainly should --
10 should be having. And I would assume my reputation
11 is one that's a pro-gaming legislator. I'm pretty
12 certain that's everybody's view of mine, although I
13 am on Representative Hahn's bill here to make these
14 machines illegal. I do believe that we have to
15 first reign it in and then find ways of how we can
16 actually regulate this industry.

17 Right now these machines are pretty
18 prolific. How many are out there, would you say?
19 Can somebody give me an estimate?

20 MR. GOODLING: Over 12,000.

21 REPRESENTATIVE DUNBAR: Over 12 -- Over
22 12,000 of your -- of your --

23 MR. GOODLING: Of our Pennsylvania Skill
24 machines.

25 REPRESENTATIVE DUNBAR: There are also

1 other machines like it or similar to it.

2 MR. GOODLING: Like two or three kinds.

3 REPRESENTATIVE DUNBAR: That are not
4 legal as far as -- Do we know that number?

5 MR. GOODLING: I do not.

6 MR. MARINO: There have been estimates,
7 but they range anywhere from 20 to 40,000.

8 REPRESENTATIVE DUNBAR: And then that is
9 -- So we have an industry that's kind of
10 unlicensed, unregulated. It's out there.

11 Do you, as Pace-O-Matic, have an issue
12 with being regulated, paying licensing fees; paying
13 that per unit fee like every other casinos do for
14 all of their machines?

15 MR. MARINO: We have no -- We have no
16 objection to that. We are ready to sit down with
17 this body and put together responsible legislation.
18 We want it regulated.

19 Many of you know when I've sat down to
20 speak with you, you were a little bit surprised
21 that we were coming in and asking you to regulate
22 us. It definitely needs regulation.

23 REPRESENTATIVE DUNBAR: I'm on to
24 something because I did see the gentleman wearing
25 the shirt creating tax revenue, and I've heard some

1 discussions about tax revenues. Would you also be
2 willing to be put on equal footing with the tax
3 rates the casinos are paying? As you know, we have
4 a very prolific tax rate for our casinos.

5 MR. MARINO: We disagree with that
6 because that will put our business -- Most of these
7 people sitting behind me who are working, or tavern
8 owners, manage clubs, it will put them out of work
9 because our machines are not fixed to win for the
10 house like in a casino. Casino machines are set
11 for the casino to win and for the customer to -- to
12 not win much.

13 Ours are not manipulated. We can't set
14 the machine to win. It's based totally on skill.

15 So, if you're talking about a
16 54 percent, it would practically wipe out the
17 industry. It will close bars, restaurants, VFWs,
18 volunteer fire organization, et cetera.

19 REPRESENTATIVE DUNBAR: Right now, if an
20 individual would play your game and become very
21 efficient at it and win, do they get a 1099?

22 MR. MARINO: That I don't -- I can't
23 answer it right now, but I'll get the information
24 for you.

25 REPRESENTATIVE DUNBAR: And do we have

1 any problem gaming aspects with your machines? Is
2 there any 1-800-GAMBLER, any of those types of
3 things on -- with the machines?

4 MR. MARINO: That's all part of the
5 legislation that we want to sit down and discuss
6 and put together.

7 As far as your previous questions, if --
8 that is an integral part of the legislation as
9 well; letting people know that if you're going to
10 play these machines and you're gonna win money, you
11 have to account for it. It's got to go on your
12 taxes just like everyone else is paying taxes.

13 REPRESENTATIVE DUNBAR: All right.
14 Thank you.

15 Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN MARSHALL: Thank you,
17 Representative.

18 Representative Mehaffie.

19 REPRESENTATIVE MEHAFFIE: Mr. Chairman,
20 Representative Dunbar just talked about the
21 machines that you've placed out into the
22 marketplace, and then he said there's other
23 machines. Can you tell me the difference between
24 those two machines?

25 MR. MARINO: Yes, sir. The difference,

1 in Pennsylvania to have -- to have gambling, you
2 have to have three elements: Chance, consideration
3 and reward.

4 Chance means it has to be a game of
5 chance with little or no skill to win.

6 Consideration is the wager to start the game, and
7 the reward is, obviously, something that must be
8 greater than the consideration.

9 So, the difference is, if you remove one
10 of those elements, you no longer have gambling.

11 In our machines we remove -- obviously,
12 remove the element of chance. We introduce the
13 element of skill, which, therefore, makes our game
14 predominately based on skill; therefore, not a
15 gambling device. A lot of these other devices are
16 alleged skill machines and -- as well as the
17 illegal gambling device out there.

18 Basically, how they are played is, you
19 press a button and you win or lose. Just like in
20 the casinos, when you press a button you win or
21 lose. Our game is not like that. For our games --
22 our games are dictated by the skill. A patient
23 skillful player that can win 100 percent of the
24 time. That is the major difference.

25 Example I would like to give are the

1 video poker -- illegal video poker machines that
2 are out there. If you have the best poker player
3 in Pennsylvania come and play these illegal poker
4 machines, no matter how skillful they are, how
5 patient they are, that machine will only let them
6 win a percentage of the time. They are dictated by
7 the software of the machine. No matter how skilled
8 you are, you cannot win.

9 With our machines, guaranteed, every
10 time you press a button, if you're patient and
11 skilled enough, you can win 100 percent of the
12 time.

13 REPRESENTATIVE MEHAFFIE: The machines,
14 how can you tell the difference between yours and
15 theirs if you're a player? Is there a distinct
16 difference?

17 MR. GOODLING: Well, there's many
18 different types of machines out there, and all the
19 software is different. There's just not two or
20 three styles of software. There's actually
21 probably 40 or 50 styles of software.

22 So telling the difference, which we have
23 a lot of problems with, we have other companies
24 that are not as transparent as us and are trying to
25 duplicate -- even duplicate our cabinets or making

1 them look very similar so people, when they come
2 in, they think they are Pennsylvania Skill games
3 when they really are not, and the game is based on
4 chance and not skill.

5 REPRESENTATIVE MEHAFFIE: Right. As a
6 player, though, I mean software is different, and I
7 get that and I'm okay with that. But if I walk up
8 to a machine and yours is there and theirs is right
9 aside of each other, how would I know one is a game
10 of skill and one is just pot luck?

11 MR. MARINO: First of all, our machine
12 has on it Pennsylvania Skill, and when you start
13 playing that machine, you have to make moves;
14 whereas, on a slot-machine type, VGT, you just push
15 a button and wait until everything stops, and then
16 you push the button again.

17 If I can, I'd like to take a moment to
18 explain chance and skill. I'm using definitions
19 and Black's Law Dictionary, which is the Holy Grail
20 for the courts. Chance: Something that happens
21 unpredictably without intention or observable cause
22 and the assumed impersonal purposeless determiner
23 of unaccountable happenings, contingency. Black's
24 Law, skill, practical and familiar knowledge of
25 principles and profits of an art, science or trade

1 combined with the ability to apply them.

2 So, if you play on machines, they have
3 to make the next move.

4 REPRESENTATIVE MEHAFFIE: One other
5 question. You talk about that you have them in
6 legions, VFWs, bar rooms, and so forth. I'm
7 hearing that they're getting out into convenience
8 stores and other places. Can you tell me what the
9 amount is from your traditional bar, tavern, club,
10 compared to how many are out in grocery stores or
11 convenience stores?

12 MR. GOODLING: I don't know that answer
13 for you, sir, but I can certainly get that for you.

14 REPRESENTATIVE MEHAFFIE: Perfect.
15 Thank you very much, gentlemen.

16 Thank you, Mr. Chairman.

17 MAJORITY CHAIRMAN MARSHALL:
18 Representative Johnson-Harrell.

19 REPRESENTATIVE JOHNSON-HARRELL: Good
20 morning, Mr. Marino.

21 MR. MARINO: Good morning.

22 REPRESENTATIVE JOHNSON-HARRELL: I
23 actually have a three-part question. The first
24 part of the question is, in order to play your
25 machines, do you have to insert cash?

1 Second part of the question, as a result
2 of succeeding at the game the individual plays, how
3 are rewards determined?

4 And the third part of the question is,
5 is the reward for winning a monetary prize, or can
6 it be exchanged for cash?

7 MR. MARINO: Your first question, you
8 have to put money in it -- into it.

9 Second part I didn't get the word that
10 you said.

11 REPRESENTATIVE JOHNSON-HARRELL: Is the
12 reward as a result of succeeding at the game,
13 because the game is skill based, right?

14 MR. MARINO: Yes.

15 REPRESENTATIVE JOHNSON-HARRELL: Is the
16 individual paid -- As the individual is paid, how
17 are the rewards determined?

18 MR. MARINO: If they can correctly
19 continue through that game, accomplish what that
20 particular game asks a person to accomplish, then
21 they will win.

22 And to your third question, yes, they
23 are awarded monetary money, but, it doesn't come
24 out of the machine. A ticket comes out, and they
25 have to take that ticket to the owner of the store

1 or the bar to have it redeemed.

2 And we are very, very sincere in saying
3 we want that regulated because we want proof to be
4 shown to the location owner that that person is old
5 enough to be playing that machine.

6 REPRESENTATIVE JOHNSON-HARRELL: And
7 there are levels, I assume?

8 MR. MARINO: Yes, ma'am.

9 REPRESENTATIVE JOHNSON-HARRELL: (No
10 microphone).

11 MR. MARINO: Yes, Representative.
12 You're welcome.

13 MAJORITY CHAIRMAN MARSHALL: Thank you.
14 Representative Diamond.

15 REPRESENTATIVE DIAMOND: Good morning,
16 everyone, and thank you for your testimony today.
17 I want to return to -- Yeah, my mike works. I
18 don't know why.

19 I want to return to the topic that
20 Representative Mehaffie brought up, because I think
21 it really gets to the crux of why we, and this
22 body, are now taking a look at this, and why we
23 appreciate you coming forth and asking for some
24 sort of action.

25 This is a Facebook comment I got from

1 one of my constituents. She said, well, I hope you
2 guys in Harrisburg ain't planning to make the
3 Pennsylvania Skill games at the clubs illegal.
4 Some of us can't get out to the casino to play the
5 slots.

6 I think that's important because, there
7 are folks who don't go to the casinos who want this
8 kind of opportunity, which you folks are providing.
9 But I also -- I also believe that there are a lot
10 of knockoffs out there, and that's really the
11 reason I think that we're here is because there are
12 some games that are just not games of skill.
13 They're being marked as games of skill.

14 And that gets back to Representative
15 Mehaffie's question, which, as a customer, how does
16 this Lady Sandra, when she goes into her club, how
17 does she know that this is a legal, under the
18 court's definition it's Pace-O-Matic game, or
19 whether it's one of these knockoffs that somebody
20 just slapped a Pennsylvania Skill label on?

21 I think it really gets to the heart of
22 the matter why you're here before us and while
23 you're encouraging us to work with you on the
24 legislation to regulate this industry.

25 So, again, how do I as a customer; how

1 does anybody who's going into whatever club
2 wherever, how do we know that's a legal game or not
3 a legal game?

4 MR. GOODLING: Well, again, there's a
5 whole bunch of softwares out there. What we would
6 like to do is actually sit down with
7 legislation (sic) and actually come up with
8 something.

9 For example, we utilize QR codes in our
10 machines; where, law enforcement, for example, when
11 they go -- start using some type of enforcement on
12 these illegal machines, they could have an app or
13 some type of software where they would be able to
14 go in and scan it with a QR code knowing that they
15 are our games; our Pennsylvania Skill legal games
16 instead of these illegal games.

17 So, we would love to sit down and
18 discuss that with you.

19 MR. MARINO: Can I say --

20 REPRESENTATIVE DIAMOND: With all due
21 respect, we're not talking about waiting for law
22 enforcement to come around and check them out. I
23 want to know how the customer knows if this is
24 legal or whether they're just gonna be pushing a
25 button, and a game that's labeled a game of skill

1 is actually a game of chance.

2 How does a customer know when they go to
3 the club on a Saturday night?

4 MR. MARINO: What we are doing at this
5 point is, we are telling our customers or potential
6 customers you can't have these games here and have
7 ours. As a matter of fact, we will pull ours out
8 because these are illegal. You know what we want
9 to do as far as the legislation is concerned, and
10 we want tough enforcement.

11 We say if our distributors and our
12 location owners do not abide by our rules, and yet,
13 you're gonna find that our rules are pretty, very
14 strict rules, then we pull out, and then we also
15 report to law enforcement that the machines that
16 are there are illegal machines.

17 REPRESENTATIVE DIAMOND: I appreciate
18 that, but you can't be everywhere all the time, can
19 you?

20 MR. MARINO: No, we can't, and that's
21 why we need --

22 REPRESENTATIVE DIAMOND: Exactly.

23 MR. MARINO: -- that's why we need more
24 law enforcement out there. And we're hoping --
25 We're not hoping. We're pretty sure that the

1 revenue that comes in will be able to establish
2 more law enforcement.

3 REPRESENTATIVE DIAMOND: Thank you, Mr.
4 Chairman. I think this gets to the bottom of why
5 we actually need to do something on this matter,
6 and I appreciate the hearing today.

7 MAJORITY CHAIRMAN MARSHALL: Thank you,
8 Representative.

9 Representative O'Neal.

10 REPRESENTATIVE O'NEAL: Thank you, Mr.
11 Chairman.

12 Gentlemen, thank you for coming. I'm
13 personally a big proponent of clubs. I have many
14 clubs in my area. I'm a member -- lifetime member
15 of the VFW myself. So, I'm always concerned for
16 the viability of clubs in particular.

17 But, with that said, I also want to make
18 sure as we consider what to do in this -- in this
19 manner, that we're also -- we have the accurate
20 information on both sides of the argument.

21 I really have two questions. My first
22 question is for Mr. Zaleski. You talked about the
23 state tax revenue and the estimate generated to
24 state tax revenue based on your analysis of 26 to
25 30 -- \$30 million in revenue. Can you break that

1 down for us? What does that look like as far as
2 what goes into that?

3 You mentioned job creation, income
4 generation and generation of tax revenue. How do
5 you come up with -- What all goes in there? Are
6 you talking winning taxes; taxes that the company
7 itself is paying? What all goes into that?

8 MR. ZALESKI: Thank you. There's
9 basically four main sources for that. Number 1
10 would be, you've got the manufacturing of the
11 machines, so there's the sales tax of the machine
12 and there's the income tax on the manufacturer.
13 That's number 1.

14 Number 2. You've got the revenue that's
15 generated by the -- each time a bill is completed.
16 So you have the sales tax on that. You have an
17 income tax for the establishment owners. You have
18 income tax for the operators. That's all the
19 direct effect, and those are the first two primary
20 effects.

21 The indirect effects you -- may be a
22 fraction of that, and that is for the added
23 business, because now you have -- the
24 establishments have now hired on more workers.
25 They have outsourced more stuff.

1 Miele Manufacturing alone, they have
2 outsourced skill manufacturing, skill processing at
3 a local plant in Williamsport. The cabinetry is
4 manufactured in Lancaster. They get electronic
5 components from Malvern. And so, there's a broad
6 statewide impact, In fact, they actually prefer to
7 do business with manufacturers in the State of
8 Pennsylvania. So all of that additional income is
9 then taxable income.

10 Then you have the final effect, what we
11 call the induced multiplier effect. Now that
12 everyone has the extra income that is generated,
13 people will go out and spend, and a fraction of
14 that is spent within the State of Pennsylvania, and
15 that generates sales tax when the additional
16 spending occurs.

17 REPRESENTATIVE O'NEAL: So I understand
18 it clearly, the 26 to \$30 million does not include
19 any additional tax that might be put on top of the
20 machines or estimates --

21 MR. ZALESKI: That is --

22 REPRESENTATIVE O'NEAL: -- or anything
23 like that?

24 MR. ZALESKI: That assumes the current
25 status quo, and that assumes all of the impacts

1 that I just listed.

2 REPRESENTATIVE O'NEAL: Great. Thank
3 you.

4 And my second question is for Mr.
5 Wright. I'm just curious. You talked about your
6 experience with the Virginia Lottery and how that
7 compares with the skills, but I'm not familiar
8 enough with Virginia's system to know how
9 accurately we can compare it to Pennsylvania.
10 What's the status of gaming in Virginia?

11 I'm not sure how much you know
12 specifically about our gaming legislation. I'm
13 curious as to how that compares with Pennsylvania
14 between the casino legislation that we have lottery
15 and now the potential for skill.

16 MR. WRIGHT: Well, first off, we don't
17 have any casinos in Virginia, just for your
18 knowledge on that part.

19 Secondly, we have actually worked in
20 tandem with the Virginia Lottery, as I spelled out.

21 REPRESENTATIVE O'NEAL: Right.

22 MR. WRIGHT: In other words, I would not
23 have been able to have gotten the 17 to 27 percent
24 profits when we statistically are in the same --
25 similar -- same locations.

1 In fact, just recently there was a
2 comment made by our director -- deputy director,
3 that said, we have no problem with Virginia Skill
4 in Virginia.

5 REPRESENTATIVE O'NEAL: Thank you.
6 Thank you, Mr. Chair.

7 MAJORITY CHAIRMAN MARSHALL: Thank you,
8 Representative.

9 For the record, I would just like to
10 state that there are many committee meetings
11 happening at the same time today. We have members
12 that may leave to go to another meeting. We have
13 members that have come in since we began, including
14 Representative Merski I believe came in later,
15 Representative Farry, Representative Kaufer.

16 And I would like to say that we are
17 going to go a little bit beyond what we had -- the
18 time element that we had for this particular
19 portion because there are so many questions.

20 Next we would have a question from
21 Representative Kaufer.

22 REPRESENTATIVE KAUFER: Thank you,
23 Chairman.

24 I wanted to just follow up on a couple
25 of questions that were asked before. Currently,

1 your machines that are set up, they do not -- they
2 don't accept credit cards. It's cash only; is that
3 right?

4 MR. MARINO: Right.

5 REPRESENTATIVE KAUFER: So -- Because I
6 heard a couple people talking about problem
7 gambling, and I'm probably most known on this
8 committee for talking about problem gambling,
9 especially when it comes to credit card gambling.
10 I probably have the perspective of being
11 anti-gaming, even though I'm not, but that's
12 probably a perspective that people have.

13 But, looking at that, I heard people
14 talk a little bit about iGaming. And so, I guess
15 that -- Have you guys thought about that, how that
16 plays a role because, currently, with iGaming
17 coming online, you can gamble anywhere in
18 Pennsylvania, you know.

19 But this is something that helps our
20 bars and tavern owners out. I'm very sympathetic
21 to that. I certainly think that we've done a lot
22 for a lot of other industries and have been
23 neglecting to help our bar and tavern owners. So I
24 want --

25 What do you think your interaction is

1 going to be going forward with iGaming in
2 Pennsylvania? Have you thought about that?
3 Because, obviously, our law originally was set up
4 to be destination gaming. IGaming sort of took
5 away from that.

6 This is getting back to the idea of
7 destination gaming. I'm just trying to hear a
8 little bit of that perspective. I know it's
9 probably a question you did not anticipate, but
10 trying to get some perspective on it.

11 MR. MARINO: I understand your question.
12 We have, over the years, been developing --
13 redeveloping in our software.

14 As far as the iGaming is concerned,
15 we've talked about that. We know it's coming. We
16 know where we were 10 years ago, where we were
17 5 years ago, and now at six months things are
18 changing.

19 That's an important part, again, of
20 sitting down with the legislative body and getting
21 input from both sides. What are the pros and cons
22 to iGaming compared to what we do, compared to what
23 the casinos do. I think we will come to a
24 consensus that it's going to be the right way to go
25 about this.

1 There is a lot of discussion that needs
2 to take place on this, and that is why we're here.

3 REPRESENTATIVE KAUFER: I appreciate it.
4 I look forward to having a full discussion on this
5 and getting to a resolution on this. Thank you.

6 MAJORITY CHAIRMAN MARSHALL:
7 Representative Merski.

8 REPRESENTATIVE MERSKI: Thank you, Mr.
9 Chair.

10 And I want to thank the panel for coming
11 in today with their testimony and to take
12 questions. Just a few questions.

13 Drilling down a little deeper into the
14 numbers, we're talking about revenues, how many
15 machines do you currently have in circulation?

16 MR. GOODLING: Approximately 12,000.

17 REPRESENTATIVE MERSKI: And what do you
18 anticipate -- what's your goal? I mean, obviously,
19 you're going to make money. What's the outcome if
20 pass -- if we take this statewide? I mean --

21 Okay. Then what's the largest number of
22 machines that you have in one location?

23 MR. GOODLING: I'm not sure about that,
24 but our own internal regulations only allow --
25 should only allow locations to have five machines.

1 REPRESENTATIVE MERSKI: Five machines.

2 Then what's the average weekly gross
3 revenue per machine?

4 MR. GOODLING: I don't have that
5 information.

6 REPRESENTATIVE MERSKI: Can you get that
7 for me?

8 And then, how's the revenue -- 'cause I
9 don't understand. This is new to me. I'm a
10 freshman.

11 How is the revenue divided between you
12 guys, the clubs, and the people who win?

13 MR. GOODLING: The revenue is, we
14 consider, let's say, 40/40/20. Basically,
15 40 percent goes to location, 40 percent goes to the
16 operator, and 20 percent goes to the manufacturer.

17 REPRESENTATIVE MERSKI: Who's
18 responsible for paying out the prizes? And the
19 club, the bar, do you guys do that?

20 MR. GOODLING: Paying out the what, sir?
21 I'm sorry.

22 REPRESENTATIVE MERSKI: Are there like a
23 -- What do they -- they get a reward, right, for
24 winning the game?

25 MR. GOODLING: Yes, sir.

1 REPRESENTATIVE MERSKI: What do they
2 get?

3 MR. GOODLING: A reward.

4 REPRESENTATIVE MERSKI: What kind of
5 reward?

6 MR. GOODLING: Money.

7 REPRESENTATIVE MERSKI: They get money.
8 Who's responsible for paying the money?

9 MR. GOODLING: The location.

10 REPRESENTATIVE MERSKI: The location.
11 So the bar or tavern?

12 MR. GOODLING: Yes, sir.

13 REPRESENTATIVE MERSKI: Okay. And that
14 -- Is there like a minimum payout percentage on
15 your machine? Like, in gaming we have a
16 percentage. Like, 85 percent gets paid out.

17 MR. GOODLING: No, sir. That would make
18 that a gambling device. We do not have that.

19 REPRESENTATIVE MERSKI: So, is there --
20 Then my last question. In the testimony you said
21 that your machines do not get increasingly
22 difficult as they do with the poker machines,
23 correct?

24 MR. GOODLING: Correct.

25 REPRESENTATIVE MERSKI: Can you -- There

1 is a capacity, though, for you to do that, right,
2 software-wise?

3 MR. MARINO: Certainly, there's the
4 capacity to do that because of the ever-changing
5 technology out there. Our machines do not do that.
6 Our machines we cannot go in and set how much we,
7 the business, is going to win.

8 We're a game of skill; not a game of
9 chance that's in a casino or these knockoffs are
10 doing with the labels. We have on our machines put
11 on theirs. Theirs is, push a button and hope they
12 win.

13 REPRESENTATIVE MERSKI: How do you
14 install the software on it, on the machine?

15 MR. MARINO: It's implemented right into
16 the rest of the hardware of the machine, coded. We
17 keep stepping that up on a regular basis. As the
18 corporal said, we'll be able to install a code
19 where even law enforcement can come in, check that
20 code to see if it's a legitimate legal machine.

21 And the beauty of this is also, there's
22 a tally. We keep a record of what goes into those
23 machines, what comes out. If law enforcement or
24 any investigative agency that has reason to need
25 that information, we're gonna make sure it is

1 supplied.

2 Say Tom Marino will have a business, and
3 he's making ES machines in there and making money.
4 The business has been observed and law enforcement
5 thinks there's something going on, and they go in
6 and ask Tom Marino how much money did you make last
7 week? Oh, I only made a hundred bucks. Well, Tom
8 Marino made -- I'm using me because I don't want
9 anybody else --

10 That's really easy just to make a number
11 up. But we have a complete accurate accounting of
12 that electronically back to our manufacturer where
13 the individual, when their number of what they
14 purchased in the past, and they call us up and ask
15 for more and electronically it's transferred, so we
16 have a very good accounting system.

17 REPRESENTATIVE MERSKI: Could you then
18 get me the payout percentage for these machines?

19 MR. MARINO: We'll do the best we can.

20 REPRESENTATIVE MERSKI: Thank you.

21 No further questions.

22 MAJORITY CHAIRMAN MARSHALL: Thank you.

23 Representative Dellosa.

24 REPRESENTATIVE DELLOSIO: Thank you,

25 Mr. Chair. And I'd like to thank the panel. I

1 just have a couple of quick questions.

2 I'm underlining things in your
3 testimony. One of the things I underlined was
4 countless jobs that have been created, and then for
5 small businesses which have been saved, VFWs,
6 American Legions and volunteer firefighter halls.

7 I have to ask what the countless jobs
8 are that have been created? And I'd also like to
9 ask, if we're single handedly -- If games of skill
10 --

11 And let me preface this by saying,
12 there's a -- I'm okay with games of skill. There's
13 a place for games of skill. My biggest concern is
14 that the residents of Pennsylvania don't be
15 brandished as perennial losers and that the workers
16 of Pennsylvania get their fair share of the revenue
17 that's created by games of skill. So, when I see
18 that we save legions, fire halls and VFWs, I'm
19 wondered if there might be a lot of losing going
20 on.

21 And secondly, the countless jobs, I'm
22 curious as to where the jobs come from. It's been
23 my experience with games of skill that there's one,
24 two or three put in a legion or put in a fire house
25 or put in a bar, and the bar owner doesn't hire

1 anyone additional to treat it as if it's a Swatch
2 parlor.

3 So I guess, in short, my question are --
4 my question is, the type of jobs created? Could
5 you tell me what the types of jobs are created
6 outside of manufacturing?

7 MR. MARINO: Sure.

8 REPRESENTATIVE DELLOSO: And -- And are
9 we -- I know percentage-wise we can be a winner
10 every time, but are we losing too much?

11 MR. MARINO: No. I can -- I can sit
12 here and honestly say, no, we're not losing, and
13 we're not gonna be in a position where we're gonna
14 lose too much because, again, our games are games
15 of skill.

16 We can't rule out manufacturing, because
17 I have to give you some examples. As I said in my
18 opening statement, Mr. Miele's business several
19 years had 12 people. He has well over a hundred
20 now.

21 There's a steel plant in Williamsport.
22 My grandfather worked there. They almost went out
23 of business. They were at the point where they
24 couldn't do it anymore. They are forming steel for
25 us, and he says business is booming. You're going

1 to hear testimony from some of these people behind
2 us that operate the clubs, operate restaurants, and
3 they're saying, we have hired another person. I
4 had to put a waitress on. I'm buying more, you
5 know, more food from the vendor who sells me food.

6 We're going to have exact numbers --
7 pretty exact numbers on those as we tally what you
8 hear from the people that are going to testify
9 shortly.

10 But, it's just not going to be a job
11 here and a job there, because we know what fire
12 departments -- Now, certainly, the volunteers,
13 that's not a job. But the fire departments are
14 saying to us, if it weren't for your game of skill
15 in here, we wouldn't have been able to buy that new
16 ambulance. You're going to hear this stuff in
17 better detail and more eloquently explained once
18 the second panel comes up here, because they face
19 it.

20 I can tell you this. We have had some
21 owners of businesses say that they really wanted us
22 to remove the machines because they weren't making
23 as much money -- nearly as much money as they were
24 on the other machines, the illegal machines.

25 REPRESENTATIVE DELLOSO: Thank you,

1 Congressman. I'm looking forward to that type of
2 testimony. One of my -- Like you say, my biggest
3 concern is that every day Pennsylvanians aren't
4 perennial losers and everyday workers in
5 Pennsylvania. When I hear things like a 40/40/20
6 split, I'm wondering what share of that is going to
7 the employees. That's what I'm looking forward to.
8 Thank you.

9 Thank you, Mr. Chair.

10 MAJORITY CHAIRMAN MARSHALL: Thank you.
11 Thank you, sir.

12 Representative Johnson-Harrell.

13 REPRESENTATIVE JOHNSON-HARRELL: Thank
14 you, Mr. Chairman.

15 Can this body get a copy of the rules
16 for Pace-O-Matic?

17 MR. MARINO: Absolutely.

18 REPRESENTATIVE JOHNSON-HARRELL: Okay.
19 Wonderful.

20 MR. MARINO: We are putting -- Let -- We
21 are putting together a playbook.

22 REPRESENTATIVE JOHNSON-HARRELL: Okay.

23 MR. MARINO: That's my responsibility.
24 That's why I was brought on. It's almost complete.
25 We're waiting for the final numbers to come through

1 from the economic impact statement. And we will be
2 able to supply you that information. And you don't
3 have to wait until we get the economic impact
4 statement. We'll get that to you as soon as
5 possible.

6 REPRESENTATIVE JOHNSON-HARRELL: Okay.
7 What are the ages for players to be able to
8 participate? Is it 21? Is it 18?

9 MR. MARINO: 18.

10 REPRESENTATIVE JOHNSON-HARRELL: It's
11 18. So, of course, there could be unintended
12 consequences and minors could have access to this.

13 Are there things in place to ensure that
14 minors do not have access to this, and are there
15 consequences for businesses that possibly would
16 allow minors to participate?

17 MR. MARINO: Yes. I explained a little
18 bit earlier there are unintended consequences. But
19 again, that's part of why we want to sit down with
20 you and discuss the legislation of where things are
21 put, where they're placed.

22 As I stated earlier, if a location owner
23 or a distributor doesn't follow the rules, you will
24 see, we take our machines out. If the illegal ones
25 are in there, we will report that. It's just a --

1 It's a ticket system. They have to put
2 cash in the machine. They don't get cash out of
3 the machine. They retrieve it from the, say, the
4 bar owner or convenience store owner. That owner
5 has to make sure that they ask for identification
6 from that individual and it matches up. That, in
7 itself, discourages minors from playing these
8 machines.

9 REPRESENTATIVE JOHNSON-HARRELL: Okay.

10 MAJORITY CHAIRMAN MARSHALL: Thank you.

11 MR. MARINO: I do have one thing I'd
12 like to say about this, too. We're regulating.
13 I've seen minors walk up to Lotto machines and put
14 money in and get tickets out, and they don't even
15 -- they don't go to the cashier and say, hey, I
16 want these tickets and not have to tell their age.

17 So, we're way ahead of the curve on this
18 as far as minors playing. Now the minor can't get
19 cash reward there right away, but that minor can
20 certainly take that ticket to somebody who is 18, a
21 buddy or a family member, and say, go get this
22 money. Not in our business.

23 MAJORITY CHAIRMAN MARSHALL: Thank you.

24 We've been joined by Representative Chris Quinn and
25 Representative Ed Neilson.

1 Just a moment, sir.

2 And we have a question from Chairman
3 Scott Conklin.

4 MINORITY CHAIRMAN CONKLIN: I just
5 wanted to follow up on the good lady -- on the good
6 lady's question.

7 You've spoken a few times about you have
8 your own set of ethics or regulations you put in.
9 Is that in the handbook that you give out to the
10 participants within the program when they have the
11 machines?

12 MR. MARINO: It's part of a contract
13 when you establish a relationship with a business
14 owner.

15 MINORITY CHAIRMAN CONKLIN: Could you
16 give us a copy of that just so we can have an
17 understanding where you're coming from?

18 MR. MARINO: Yes, we will.

19 MINORITY CHAIRMAN CONKLIN: And I have
20 to tell you, I had a gentleman came to see me who
21 was barely making ends meet. He had some 6-pack
22 shops. He told me the money he's making off these
23 machines in his 6-pack shops is unbelievable, so
24 he's a huge advocate for them, and he's very
25 thrilled with it.

1 I've got another question for you, when
2 it comes to payouts. I stopped at an establishment
3 to get some gas, walked in. They have a 6-pack
4 shop. Guys were sitting there and ladies were
5 partaking with your machine. I think there were
6 seven of them at the time, so -- I may have
7 miscounted, but I believe there was seven.

8 The one gentleman was very excited when
9 he won, and he went up to cash in. Rather than
10 getting one payout, they paid him 495, a slip for
11 another 495, a slip for another 495. Why would
12 they do that?

13 MR. MARINO: Well, not being an
14 accountant but being a federal prosecutor and
15 working with the IRS, I would question that.

16 And if, whatever the -- whatever the sum
17 amount is for winning that particular game should
18 be paid out and not broken up and handed out that
19 way.

20 MINORITY CHAIRMAN CONKLIN: Is that --
21 When you set those up, do you tell folks they
22 aren't allowed to do that? I mean, is that part of
23 your guidelines when you're helping set the
24 establishments up?

25 MR. GOODLING: That's something done by

1 -- (No microphone). That's something done by --

2 MINORITY CHAIRMAN CONKLIN: So it's
3 nothing you would say you can't do this. It's up
4 to the location fees.

5 MR. MARINO: We can make sure that we
6 address this, as well as not only in the
7 legislation but in our contracts.

8 MINORITY CHAIRMAN CONKLIN: Is there any
9 way a minor could win on that game, walk out the
10 store with the ticket and come back and hand it to
11 somebody to come back in and cash out?

12 MR. MARINO: Yes, because there's no --
13 it's not being --

14 MINORITY CHAIRMAN CONKLIN: When we look
15 at regulations within the shop -- Again, I'm
16 somebody who chairs the Gaming Committee; was one
17 of the votes that allowed casinos in, and I have
18 never spent a dollar in a gambling machine in my
19 life. I'm not -- I'm neither for or against it. I
20 believe in free will.

21 As we go through this, and we look at
22 the stringent regulations we put on casinos, and
23 one of the facts we're getting right now with the
24 new law, and even truck stops that want to have the
25 machines in, aren't very happy about the way we

1 want to monitor to make sure that it's done in a
2 way that doesn't hurt the public; that it's done in
3 an honest way.

4 Is this something that you want to work
5 with us to make sure that the establishments that
6 have these and they're put in to make sure that all
7 the rules are played by -- we make sure that there
8 aren't these multiple -- And you knew, Congressman,
9 you knew exactly -- When I was standing there, I
10 knew exactly why those slips were being paid out in
11 multiple slips and not one slip.

12 Is this something you want us, as a
13 legislative body, to do to bring in many of these
14 re-stringent standards that we put in to other
15 gambling casinos, gaming facilities, to make sure
16 that it's done properly; to make sure that cash
17 isn't done under the table; to make sure that slips
18 aren't done in multiple ways; to make sure that
19 children aren't involved in this? Is this
20 something that you are asking for us to do?

21 MR. MARINO: A thousand percent.

22 And let me add to that. You know my
23 background. I put the bad guys away, a good team
24 of prosecutors and staff. I would not tarnish --

25 If my father were alive, he would have

1 said, you have two things. You have your word and
2 you have credibility; three, and your children,
3 that you take with you. I would not be working for
4 a company that would not do something like that.

5 We are well on our way. We are putting
6 legislation together. We are putting that outline
7 together to sit with you folks and ask you, what do
8 you think of this? What do we not have in here,
9 and what should we put in there?

10 MINORITY CHAIRMAN CONKLIN: Thank you.

11 MAJORITY CHAIRMAN MARSHALL: Thank you,
12 Chairman.

13 Representative Delloso.

14 REPRESENTATIVE DELLOSO: Real quick.

15 If Charlie Babbitt and the Rainman were
16 sitting there, they could hit the 105. Do you have
17 any safeguards in there to prevent the washing of
18 dirty money; money laundering?

19 I mean, theoretically, somebody that's
20 super skilled could wash dirty money through the
21 machines? Or is there a mechanism to prevent that?
22 Can you track play? Can you track a guy comes in,
23 throws 20 grand in and walks away with 18?

24 MR. MARINO: We can track the play
25 electronically. Our legislation, we want to track

1 that play for tax purpose as well. But, you know,
2 you're saying things that can happen with Lotto
3 machines.

4 So, there's always a way. I've always
5 found a way as a prosecutor, at some point it
6 doesn't smell right, then follow the money.

7 REPRESENTATIVE DELLOSO: Thank you, Mr.
8 Chair.

9 MAJORITY CHAIRMAN MARSHALL: Thank you.
10 Representative Farry.

11 REPRESENTATIVE FARRY: Just a quick
12 question since we're so far behind.

13 How are you going to handle the
14 exclusion list for problem gamblers?

15 MR. MARINO: Yeah. We're going to sit
16 down and talk about that. But, once again, it's
17 not a gambling device. It's a game of skill.

18 If somebody is going to put --
19 somebody's going to put -- You laugh about that,
20 but I really wish -- We've had the opportunity. We
21 invited a lot of people to come and use our
22 machines, many didn't. I'd like to invite anybody
23 to come and show you what level of skill is needed
24 to do that.

25 And we'll figure out -- Hopefully, we

1 can figure out what to do for someone. If there's
2 a report, we'll have a number they can call. We
3 can get on top of that. We get a complaint from a
4 family member saying somebody just -- check in
5 there.

6 REPRESENTATIVE FARRY: With all due
7 respect, Congressman, if somebody has an addiction
8 issue -- So let's say whiskey is my ill. If I
9 can't get whiskey, I'll take Gin because I have an
10 addiction issue and I want to chase that.

11 So, if somebody can't get into a casino
12 because they're on the exclusion list and they have
13 access to a game of skill, they may very well chase
14 that.

15 And the reason I bring this up is, there
16 was an incident that happened in Bucks County where
17 one of my colleagues had a very upset mother of an
18 adult son, that drove the son to my colleague's
19 office and was blaming a local casino for allowing
20 him in, and he was on the exclusion list. He spent
21 a significant amount of money. It turned out he
22 was at the local tavern playing a game of skill.

23 That's what my point is. I think that's
24 something important to look at because, the
25 casinos obviously work very hard to honor that. I

1 don't know how it gets addressed through the games
2 of skill. I think it's important for the committee
3 to have that point raised.

4 MR. MARINO: Well, that's what we have
5 to do when we sit down and discuss the matters.
6 We're all in on preventing someone who is addicted
7 to gambling. But, how do you do it with a Lotto
8 machine?

9 REPRESENTATIVE FARRY: I think playing
10 an amusement type of device is a lot different than
11 a scratch-off.

12 MR. MARINO: I don't think so, because
13 I've seen where people stand there and buy ticket
14 after ticket, after ticket, and I just want to get
15 my one Lotto ticket through as they are playing
16 scratch-offs; give me another one, give me another
17 one, give me another one. That's a similarity
18 there.

19 REPRESENTATIVE FARRY: I keep hearing
20 you bring up the Lottery, though. And what I have
21 to say is, under your theory, then, if we wanted to
22 eliminate problem gambling, we should eliminate the
23 Lottery then, too. Or if we wanted to eliminate
24 underaged people from having access, so then we
25 should eliminate the lottery too.

1 MR. MARINO: And my point is to you just
2 that. You made my point for me, because we're not
3 going to eliminate the Lotto, and we're not going
4 to stop underage gambling, but we can have laws to
5 try preventing it as much as possible.

6 MR. WRIGHT: If I could, in the
7 Commonwealth of Virginia, the Virginia Lottery
8 works hand and glove with Gamblers Anonymous, and
9 we contribute money and we help them to do PSA
10 notices and things of that nature.

11 So, it is a problem that the Lottery
12 deals with, at least in Virginia, and nationally
13 too.

14 REPRESENTATIVE FARRY: Thanks.

15 MR. WRIGHT: If I could say just one
16 more quick thing about things of an important note.
17 Operators in Virginia for the first time are able
18 to provide full health care benefits for their
19 employees, which I think is pretty neat. That's as
20 a result of the success of our skill games.

21 MAJORITY CHAIRMAN MARSHALL: Thank you.
22 Representative Johnson-Harrell.

23 REPRESENTATIVE JOHNSON-HARRELL: You
24 just made a statement about preventing underage
25 gambling. In the Commonwealth, you have to be 21

1 years old to gamble. I want to make a suggestion
2 rather than ask a question. I would suggest that
3 you raise the age from 18 to 21.

4 MR. MARINO: We know that's going to
5 come up, and we're willing to sit down and discuss
6 that. We're open minded with that.

7 MAJORITY CHAIRMAN MARSHALL: Thank you.

8 REPRESENTATIVE NEILSON: I'm sorry,
9 Chairman.

10 MAJORITY CHAIRMAN MARSHALL: I believed
11 that we had wrapped it up, but go ahead.

12 REPRESENTATIVE NEILSON: We appreciate
13 you being here. I'm over here behind Josh.

14 But, this is something that you should
15 be doing on your own now moving forward. You say
16 you're gonna work with us. This is something that
17 it's 21 now. You should be doing that already;
18 instead you're 18.

19 You know, I joined on this legislation
20 because there are no rules, and you have a stellar
21 record. I'm glad they brought you on board at this
22 late time. There has been an issue going on up
23 here for five, six years now. So, I'm glad they
24 brought you aboard, and maybe you can set some
25 rules for us.

1 But, to say you're willing to work with
2 us, that's great. That's because we're looking to
3 make something legal that we believe is not legal.
4 So, doing something wrong now isn't gonna to
5 motivate me to work with you at all later. I just
6 wanted to make sure everybody knew that, because
7 this is something you can be doing today and you
8 choose not to.

9 So, I just ask that as you step forward,
10 don't say we're willing to work with you on that.
11 Come in here with a stellar product. Come in here
12 with something that we want to do so we don't have
13 to go through all these rules and don't have to
14 create this legislation.

15 And, you know, I worked with your office
16 before as a prosecutor. You always did a stellar
17 job, and I hope you can really bring this to a
18 place where it needs to be. Right now it's not
19 where it needs to be.

20 MR. MARINO: I understand, and we'll
21 work to get to that place.

22 REPRESENTATIVE NEILSON: Thank you,
23 Chairman.

24 MAJORITY CHAIRMAN MARSHALL: Thank you.

25 I appreciate the testimony from this

1 group, and I would like to ask the next group to
2 come up.

3 We have Nicole Miele, Director of
4 Charitable Giving; John Dunkleberger,
5 Administrator, Manager of Moose Lodge 145; Bill
6 Reigle, volunteer firefighter for Middletown Fire
7 Department; and Del Guerrini, President of
8 Pennsylvania Amusement and Music Machine
9 Association.

10 Nicole, please proceed.

11 MS. MIELE: My name is Nicole Miele, and
12 I'm the Director of Charitable Giving for
13 Pennsylvania Skill. I also own the manufacturing
14 company who produces the games, Miele
15 Manufacturing, with my husband Lou.

16 I would again like to thank all the
17 members of the committee for this opportunity to
18 address you on our Pennsylvania Skill amusement
19 devices, and specifically the ways we have worked
20 to support local charities in Pennsylvania.

21 Before I begin, I want to state that I
22 have a unique appreciation for the work our state's
23 law enforcement does on a daily basis, as my father
24 was a corporal in the Bureau of Criminal
25 Investigations with the state police. I am proud

1 that our company works with so many retired
2 troopers, and I have the utmost respect for the
3 rule of law. With so many illegal gaming machines
4 in the marketplace, I'm proud that our company
5 manufactures and distributes legal games of
6 predominant skill.

7 In October of last year, Miele
8 Manufacturing and Pace-O-Matic launched
9 Pennsylvania Skill Charitable Giving with the
10 mission of improving the quality of life for our
11 fellow Pennsylvanians. We have worked with our
12 operators, customers, legislators, and local
13 elected officials to identify causes that are near
14 and dear to their hearts, and encouraged nonprofit
15 organizations and charities to visit our website
16 and apply for assistance.

17 Donation applications are reviewed on a
18 monthly basis, and we have yet to turn anyone down.
19 We also have put in place a match program for our
20 operators to encourage them to be charitable.

21 Since October, we are on track to
22 deliver nearly \$500,000 in donations. We have made
23 major contributions to the Meadows, a retirement
24 center that allows seniors the ability to have an
25 independent lifestyle, Children's Hospitals of

1 Philadelphia and Pittsburgh, Ronald McDonald
2 houses, the Keystone Elk Country Alliance,
3 volunteer firefighters, food banks, Girls on the
4 Run, after- school programs, opioid treatment
5 programs, libraries, the humane society, and many,
6 many more.

7 None of this would be possible without
8 the revenue produced by Pennsylvania Skill
9 amusement devices. If these amusement devices were
10 to go away, these charitable contributions would be
11 forced to stop.

12 The charity and good deeds produced by
13 Pennsylvania Skill amusement devices goes far
14 beyond the checks that we are distributing, the
15 operators, small business owners, VFWs, volunteer
16 fire departments and club owners are hiring new
17 employees, rehabbing their buildings, replacing
18 outdated equipment and increasing their own
19 charitable contributions in their communities.

20 We have countless stories like this from
21 many Pennsylvanians. Behind each story is a family
22 or individual whose life has been changed for the
23 better. These devices are making a positive impact
24 on our economy, and I know that if our legal
25 position is cemented, we will continue to make this

1 impact today and in the future.

2 As one last aside, the benefits of these
3 devices is being felt by real Pennsylvanians across
4 the Commonwealth. For example, we have an operator
5 whose wife was diagnosed with cancer. She needed a
6 highly specialized treatment that was not provided
7 in her area and their insurance did not cover it.
8 Due to the success of Pennsylvania Skill, that
9 operator is able to take his wife to the Cleveland
10 Clinic to receive the best care possible.

11 Last fall, we received many happy
12 letters and photos from operators and customers as
13 they sent their kids off to college, many saying it
14 probably would not have been possible without
15 Pennsylvania Skill amusement devices.

16 These books are full of testimonials and
17 statements from charities that we've given to, and
18 I would love for you to go through these books.
19 You may go through them at any time. They're real
20 stories, real people in Pennsylvania.

21 Thank you, and I'll hand it over to
22 John.

23 MAJORITY CHAIRMAN MARSHALL: Thank you.
24 And we do have your written remarks, every
25 committee person has those. You may choose to read

1 them, if you would like, or a condensed version at
2 your desire. Thank you.

3 MR. DUNKLEBERGER: Thank you, Nicole.

4 My name is John Dunkleberger. I'm the
5 Administrator and Social/Quarters Manager for Moose
6 Lodge 145 in Williamsport. I'm here to testify
7 about the tremendous financial support our Moose
8 Lodge has yielded from our four Pennsylvania Skill
9 amusement devices.

10 Pennsylvania Skill has been a lifeline
11 for many Moose and other fraternal clubs around the
12 Commonwealth. Before the introduction of these
13 devices, our club was struggling. The revenue we
14 generate from the Pennsylvania Skill amusement
15 devices help us pay for overhead costs, which
16 allows us to donate and help our community.

17 Prior to these amusement devices, we
18 struggled to pay our overhead costs, and our club
19 was in desperate need of repairs and updates. We
20 have gone from 3 to 11 employees, and our
21 membership has increased. We are a volunteer
22 organization and we depend on having our members
23 attend and want to participate in the club.

24 These amusement devices has helped to
25 provide an entertainment source that is encouraging

1 our members to come and stay longer. Our club has
2 been able to reinvest in our building. We are now
3 able to make much needed improvements and update
4 equipment.

5 Additionally, our charitable donations
6 to the community have increased dramatically. We
7 were able to make \$14,000 in charitable
8 contributions last year to support the Salvation
9 Army, Little League, parades. And we even were
10 able to establish a scholarship at the local high
11 school. With Pennsylvania Skill, we plan to do
12 even more next year.

13 I am active in the Moose organization,
14 and I am often called in to help other Moose club
15 who require assistance with their books. I can
16 tell you firsthand that without Pennsylvania Skill
17 amusement devices, many of these clubs could not go
18 on operating. This is a fact. Without
19 Pennsylvania Skill amusement devices, I'm not sure
20 how long we could operate as efficiently, if at
21 all.

22 On behalf of our Moose club and other
23 clubs like it across the Commonwealth, I would
24 encourage you to regulate this industry and keep
25 Pennsylvania Skill legal.

1 Thank you. And I would like to
2 introduce Bill Reigle from the Middletown Fire
3 Department.

4 MR. REIGLE: Thank you for allowing me
5 to say a few words. I want to start off by
6 thanking you for your service, and I want you to
7 know we all appreciate the work you do to make the
8 Commonwealth a better place.

9 My name is Bill Reigle, and I serve as a
10 volunteer firefighter for the Middletown Fire
11 Department. In addition to my service as a
12 volunteer firefighter, I help operate the Rescue
13 Fireman's Hose Association, which is a social club
14 for members of the volunteer fire department,
15 retired members, their family and supporters. We
16 have about 350 members.

17 I have been around the Middletown Fire
18 Department my entire life. My father was a
19 volunteer firefighter and ran the club for over
20 30 years. Our department services the Middletown,
21 Londonderry Township and surrounding areas.

22 In addition to my service with the fire
23 department, I've worked in the trucking industry my
24 entire life, and I'm currently a driving instructor
25 for FedEx Freight.

1 I am here to testify about the positive
2 impact Pennsylvania Skill has made for our Rescue
3 Fireman's Hose Association and the Middletown
4 Middletown Volunteer Fire Department. Before our
5 club brought in two Pennsylvania Skill amusement
6 devices, we were struggling to make ends meet. Now
7 our club is doing much better, and we're able to
8 make meaningful charitable donations to our
9 volunteer fire department in the area.

10 Two years ago, we brought in our first
11 Pennsylvania Skill amusement device, we immediately
12 started to see success. Now we have added a second
13 device. That success has continued. We have gone
14 from barely making ends met to bringing in a
15 profit. This has allowed us to invest in our
16 volunteer fire company.

17 In 2017, we were able to make a
18 7,500-dollar donation to the Middletown Fire
19 Department. In 2018, we were able to make a
20 10,000-dollar contribution. This year we hope to
21 do even more.

22 While those contributions may not seem
23 like a lot of money, they have a real impact on our
24 fire department. Those funds help to cover
25 training expenses for new volunteer firefighters,

1 help to purchase and repair equipment. These
2 donations can literally make the difference between
3 our department having the tools we need to save
4 lives and property.

5 Recruiting volunteers and having the
6 resources to operate a volunteer fire department is
7 not easy. Having these extra resources are
8 critical.

9 I'm a major supporter of Pennsylvania
10 Skill amusement devices, and I want you to know
11 they are helping fire departments all throughout
12 the Commonwealth.

13 Thank you for allowing me to speak
14 today. I'd like to introduce Del Guerrini.

15 MR. GUERRINI: Thank you. Good morning.

16 My name Del Guerrini. I'm President of
17 PAAMA, the Pennsylvania Amusement and Music Machine
18 Association. I'm also the owner of Frank Guerrini
19 Vending Machine, Incorporated. This year we are
20 celebrating our 80th year. We lease and maintain
21 coin-operated music devices such as Internet
22 jukeboxes, arcade games, Pennsylvania Skill games
23 to businesses across the Commonwealth.

24 Currently, PAAMA has over 80 coin-
25 operated members. Many of these are small family

1 businesses in Pennsylvania. Like mine, some have
2 been handed down from one generation to the next.

3 I'm here to report that many of these
4 operators who were struggling just years ago are
5 thriving since the introduction of Pennsylvania
6 Skill amusement devices. Before Pennsylvania Skill
7 amusement devices, operators were still marketing
8 their core games, jukeboxes, pool tables, dart
9 boards, and we still do.

10 However, the other half of our business,
11 video games were or in the process of collapsing.
12 With the introduction of gaming on Smart phones,
13 the arcades have disappeared. In many ways, our
14 struggles are tied to the same struggles many of
15 our malls and retailers are facing with the push to
16 online shopping.

17 Operators have had a hard time buying
18 new equipment and maintaining their old equipment.
19 Their vehicle fleets were aging, and they were
20 unable to pay existing employees or bring new ones
21 on.

22 Worse yet, the struggles the operators
23 were facing mirrored the struggles that many bars,
24 taverns, VFWs, American Legions and other clubs
25 were facing. Many of these locations counted on

1 support of operators. The operators couldn't
2 support these locations, so the locations started
3 to cut hours. This, in turn, meant less revenue
4 for operators, and the entire industry was failing.

5 However, now that Pennsylvania Skill
6 amusement devices have been introduced to the
7 market, things have improved dramatically. These
8 amusement devices have given our consumers a reason
9 to stop in and stay longer in locations. Our
10 locations have expanded hours again, hired more
11 employees, and made much-needed improvements to
12 their establishments, from fixing roofs to
13 replacing floors.

14 This success has had a direct impact on
15 our operators, many of whom are here today.
16 Operators are now able to purchase new equipment,
17 to hire additional employees to help with their
18 increased demands. For the first time in decades,
19 things are looking up for our industry.

20 The one concern is the lack of
21 regulations and stability in the market. Our
22 operators would like to see the industry regulated.
23 We'd like to see the illegal machines removed from
24 the market and the legal Pace-O-Matic, Pennsylvania
25 Skill amusement devices given more stability. This

1 will allow our operators to plan long term for
2 their future.

3 The worst thing that could happen to our
4 industry is to ban Pennsylvania Skill amusement
5 devices. If they are banned, operators, locations,
6 clubs and taverns would go back to struggling, and
7 some will go out of business and eventually close.

8 Pace-O-Matic Pennsylvania Skill
9 amusement devices have been a lifeline to many
10 struggling family businesses in our industry, and
11 we would encourage you to keep these devices legal
12 and weed out illegal devices -- illegal games that
13 are hurting the marketplace.

14 Thank you for your time.

15 MAJORITY CHAIRMAN MARSHALL: Thank you.

16 Question from Representative Mehaffie.

17 REPRESENTATIVE MEHAFFIE: Thank you, Mr.
18 Chairman.

19 Thank you everyone for your testimony.

20 Nicole, thank you. We, in the district,
21 are thankful for what you have done. I can tell
22 you, the humane society you mentioned is in my
23 district. So, that was great. They're doing a new
24 addition there. That's light years for them. You
25 know most of their stuff has to come from

1 contributions. So that was great.

2 The other thing was that you donated to
3 the Royalton Senior Center. The Royalton Senior
4 Center usually gets about \$500,000 a year from
5 Three Mile Island. Now in its closure, what you've
6 given will help, hopefully, offset that and
7 hopefully they can stay open. It's very thin.
8 That money that Three Mile Island gave to them and
9 Exelon gave to them was what kept the doors open.
10 Unfortunately, that's not going to happen anymore.
11 What you have done there is greatly appreciated.

12 Bill, constituent, Middletown, it's in
13 the district. I appreciate everything you guys do.
14 I know you have a tough time down there. It's a
15 small group. They do a fabulous job for the
16 Middletown area, Lower Swatara, throughout the
17 whole district. You guys do a fabulous job. I
18 know you condensed, and now it's all into Liberty
19 there so it's all one fire house.

20 The one thing I get worried about, and
21 if we're going to do this legislation what we need
22 to be cognizant about is because you guys receive
23 close to \$500,000 from the gaming revenue as far as
24 the local share that the county has.

25 I know when we first got in, I think you

1 guys got around 325 and 8 last year -- or 300 and
2 now I think lately, you got I think 125 for that
3 new piece of apparatus you guys are going for. So
4 this is something I would like to see, and we've
5 got to make sure we have a good understanding of
6 what's going to happen here as far as, we don't
7 want it to affect that local share, because the
8 majority of that local share that we get goes
9 towards our emergency services. So that's
10 something, as this legislation goes on, and if
11 we're talking about that, I think that's super
12 important.

13 But, Bill, thank you for being here.
14 Nicole, thank you for what you guys have done in
15 your generous contributions throughout the
16 district. Thank you.

17 Thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN MARSHALL: Thank you.
19 Representative Neilson.

20 REPRESENTATIVE NEILSON: Thank you,
21 Chairman. Thank you all for coming today and
22 testifying before the committee.

23 The charitable donations you're making,
24 it's substantial, 14,000, 10,000. I've had
25 complaints from some of my owners back home. So if

1 someone comes in, delivers a machine, one week they
2 get 20 percent. Next week, we didn't do so good,
3 you only get 10 percent.

4 Can you tell me how much you get
5 annually? How much does that machine bring in?
6 Maybe break it down by machine. Giving out \$14,000
7 and \$10,000, that's a lot of money. How much does
8 the club get? How much do you have to pay to bring
9 these machines in to allow you to make these
10 substantial contributions?

11 Say, like, does it bring a hundred
12 thousand in, you get a hundred. This one gets
13 10,000, and then you -- You know what I mean? I
14 hope I tried to make it easy.

15 MR. REIGLE: I can answer that.

16 Basically, we get the machines from an
17 operator that purchases that machine from PA Skill.

18 REPRESENTATIVE NEILSON: So you own the
19 machine.

20 MR. REIGLE: No, sir. PA Skill owns the
21 machine.

22 MS. MIELE: Excuse me. The operator
23 owns the machine and places it in the location.

24 REPRESENTATIVE NEILSON: I'm trying to
25 figure out how much you're taking in on each

1 machine. How much are you bringing in. How much
2 is gambled there. How much the club's getting, and
3 how much do you have to kickback to the operator.

4 MS. MIELE: There's a 20 percent --

5 REPRESENTATIVE NEILSON: I'm sorry. I'm
6 not asking the operator. They have the machines.
7 You know what I mean? So --

8 MR. DUNKLEBERGER: It's broke down to
9 the 20/40/40 split.

10 REPRESENTATIVE NEILSON: Okay. Because
11 my people from home -- I'm from the small city of
12 Philadelphia. They get shaken a little bit. One
13 week they do good, they get a lot. One week they
14 don't, they don't. So that's -- I'm trying to see
15 what's happening across the other state. That's
16 why I'm asking these questions.

17 I have bar owners that says, well, we
18 have this, but we didn't do good this week.

19 MR. REIGLE: That's specifically because
20 it's a game of skill. One week you have someone
21 that does well on the machine. Other weeks you
22 have guys -- people don't do as well on the
23 machine, so it varies what you're gonna take in
24 from week to week.

25 REPRESENTATIVE NEILSON: I understand

1 the dollar amount. That's why I was asking
2 overall, the 20/40/40 split.

3 MR. DUNKLEBERGER: 20/40/40. 20 for
4 licensing, 40 percent --

5 REPRESENTATIVE NEILSON: 20 for
6 licensing?

7 MR. DUNKLEBERGER: 40 percent. You want
8 40 percent for the operator.

9 REPRESENTATIVE NEILSON: Who's the op --
10 So 40 percent for the machine maker? I'm trying to
11 figure who's --

12 The machine comes from Nicole, right?
13 She drops it off at your place, so there's 40, 40
14 and 20. I'm missing a part there. You get 40.
15 They get 60. Please, Nicole, yes, I'm sorry. I'm
16 just trying to grasp this.

17 MS. MIELE: We sell the machines to an
18 amusement operator, and the amusement --

19 REPRESENTATIVE NEILSON: You sell it to
20 the gentleman down the end?

21 MS. MIELE: So Del is an amusement
22 operator.

23 REPRESENTATIVE NEILSON: So now he owns
24 the machine?

25 MS. MIELE: He does. He places that

1 machine in locations that wants them. There's a
2 licensing fee of 20 percent.

3 REPRESENTATIVE NEILSON: Who licenses
4 those machines? The state, the manufacturer?

5 MS. MIELE: Pace-O-Matic and Miele
6 Manufacturing.

7 REPRESENTATIVE NEILSON: Okay.

8 MS. MIELE: And then the rest is split
9 between Del and the location.

10 REPRESENTATIVE NEILSON: Gotcha.

11 Thank you, Chairman.

12 MAJORITY CHAIRMAN MARSHALL: Thank you.

13 REPRESENTATIVE NEILSON: Thank you all.
14 Thank you.

15 MAJORITY CHAIRMAN MARSHALL:
16 Representative Delloso.

17 REPRESENTATIVE DELLOSO: I want to jump
18 right back on the 40/40/20, and I'll try not to be
19 long because the state troopers have been standing
20 too long.

21 On the 40/40/20, the first 40 percent,
22 the 40 percent that goes to the club is the only
23 40 percent in play; am I correct? Is it 40 percent
24 of the total revenue goes to the machine owner, or
25 does the machine owner also have --

1 When I say in play, I mean take less if
2 there's big winnings.

3 MR. GUERRINI: Well, if there's less
4 winning -- In other words, the percentages come
5 into play if there's a profit or what that profit
6 is. So some weeks these machines actually go in
7 the hole.

8 I mean, it's not unusual for us to go in
9 and the owner says, well, we're in the hole this
10 week, and that's because certain locations have
11 players that are more skillful. If they were set
12 that we could percentage them, you'd never go into
13 the hole.

14 REPRESENTATIVE DELLOSO: So that is to
15 say that the machine owner, the operator I guess
16 it's called, so the operator can take a loss also?

17 MR. GUERRINI: Correct.

18 REPRESENTATIVE DELLOSO: Lastly -- And
19 the 40/40 -- Pennsylvania state Lottery, \$0.25 on
20 every dollar goes to older Americans; older
21 Pennsylvanians I should say. So I have to ask the
22 question about the last 20 percent that goes back
23 to the licensing fee.

24 The manufacturer sells the machine, and
25 then has a -- essentially has a 20 percent tail

1 tied to that machine for, I guess its useful life.
2 That having been said, Miele donated \$500,000 last
3 year, and I presume those were charitable
4 donations.

5 But, of that \$500,000 -- And this is a
6 tough question to ask and you may not be able to
7 answer because for proprietary reasons. But, of
8 that half million dollars, what percentage of the
9 20 percent is that half million dollars, because if
10 this was a Lottery function, we know 25 percent go
11 to older Pennsylvanians. Because it's not a
12 Lottery function and it's a private function, older
13 Pennsylvanians, or Pennsylvanians in general,
14 aren't locked into a percentage.

15 Now, all the ancillary stuff is
16 fantastic. All the jobs we've created and
17 everything that goes along with that is fantastic,
18 but this does detract from the lottery.

19 So I'm asking by percentage, what is the
20 -- I guess Miele, what is the -- Miss Miele, what
21 is the contribution of -- by percentages? Is it
22 anywhere close to 25 percent a year of your revenue
23 on licensing?

24 MS. MIELE: Representative, I'll have to
25 get that answer for you. I don't know the exact

1 percentage. I just know that with our charitable
2 donations do come out of a portion of that
3 20 percent, along with some other things that we
4 have to take care of business-wise for that
5 20 percent, including licensing of software and
6 work that goes into the software at all times. I
7 will get you that number.

8 REPRESENTATIVE DELLOSO: Thank you.

9 MAJORITY CHAIRMAN MARSHALL: Thank you.
10 Chairman Conklin.

11 MINORITY CHAIRMAN CONKLIN: Mine's a
12 fairly simple one. Because of the terrible job we
13 do with small games of chance, most of our private
14 clubs are where you're at today. If we would fix
15 that, things would be differently.

16 But as we're going through this -- And
17 this is a curiosity question. I believe I know the
18 answer to it. For the clubs in -- Of course, I've
19 worked with the gentleman from Music for years.
20 It's been a changing industry.

21 Are you here for Pace-O-Matic, or are
22 you here because you're asking us, as a legislative
23 body, please don't take that revenue source away
24 from your clubs? Please don't take that revenue
25 source away from your members? And, are you asking

1 us to please come up with a solution that you can
2 still be able to have some type of game within your
3 facility that's able to make money, able to allow
4 you -- especially the -- the nonprofits. I mean,
5 you all just do an amazing job of helping out kids.

6 So, that's my question. Are you here
7 for Pace-O-Matic, or are you here to ask this
8 legislative body, please don't mess this up again
9 like we did the small game of chance? Just give us
10 an opportunity to keep our clubs open and help our
11 communities?

12 That's a simple question just for you
13 guys.

14 MR. REIGLE: Both.

15 MINORITY CHAIRMAN CONKLIN: You're here
16 for Pace-O-Matic?

17 MR. REIGLE: Both.

18 REPRESENTATIVE DUNBAR: You're here for
19 Pace-O-Matic?

20 MR. REIGLE: Both.

21 So, if we came up with another solution
22 -- We may come up with Pace-O-Matic. But if we
23 come up with another solution that allows you to do
24 what you're doing today, you wouldn't be for it?
25 You just want Pace-O-Matic? That's what --

1 MR. REIGLE: Can you come up with
2 another solution?

3 MINORITY CHAIRMAN CONKLIN: That's what
4 I'm asking.

5 MR. REIGLE: (Inaudible; simultaneously
6 speaking).

7 MINORITY CHAIRMAN CONKLIN: No, no.
8 That's what I'm asking. It's just -- No, this
9 isn't -- I have no dog in the fight with
10 Pace-O-Matic either. I'm just curious because
11 there's a lot of different mechanisms moving right
12 now.

13 MR. GUERRINI: I think the whole key for
14 us as a state association and the state operators
15 who are in the association is the fact that
16 Pace-O-Matic's machine has been adjudicated, so we
17 feel comfortable.

18 I've been approached by 20 other
19 manufacturers with better splits, this, that and
20 the other thing. They're not games of skill.

21 MINORITY CHAIRMAN CONKLIN: No.

22 MR. GUERRINI: First thing they would
23 tell us was, hey, by the way, we can adjust the
24 percentages and you can give the locations a better
25 cut, or whatever. I said, hey, we don't want to go

1 there. That's not what we're interested in.

2 So Pace-O-Matic has put their money
3 where their mouth is. They've decided that from
4 day 1, in the first meeting we had with liquor
5 control enforcement, they wanted to go in the front
6 door.

7 MINORITY CHAIRMAN CONKLIN: Okay.

8 MR. GUERRINI: They wanted to do it the
9 right way.

10 MINORITY CHAIRMAN CONKLIN: But, the
11 reason I'm asking this, even folks from the company
12 has come to us and is changing the percentage what
13 they're willing to give the state, which changes
14 all your percentages as well.

15 MR. GUERRINI: Well, in other words, we
16 realize if the machines are going to be legalized,
17 that the state would secure some kind of
18 percentage, which, we would rather do because we're
19 looking for a long-term solution. We're looking
20 for something that our employees know that they're
21 going to have good jobs 10 years from now; not two
22 weeks from now.

23 MINORITY CHAIRMAN CONKLIN: We're all on
24 the same page. I just wanted to make sure that --
25 because, to be honest with you, it means a lot more

1 to me if you're here just looking for a solution
2 which may be Pace-O-Matic, or just looking for a
3 solution than it does that you're here for
4 manufacture. I'll be honest with you. It really
5 does. It means a lot more to me --

6 MR. GUERRINI: Sure. Absolutely.

7 MINORITY CHAIRMAN CONKLIN: -- if you're
8 after a solution and not here for manufacturing.
9 Again, I have nothing against Pace-O-Matic at all.
10 Nothing whatsoever.

11 MR. GUERRINI: Like I say, I think the
12 key is, they've come up with what we feel is the
13 best solution, and they're willing to take and do
14 whatever is necessary by the type of staff that
15 they have to try to work with the legislators to
16 implement that.

17 MINORITY CHAIRMAN CONKLIN: Okay. Thank
18 you.

19 MAJORITY CHAIRMAN MARSHALL: Thank you
20 all for your testimony. That's all the questions
21 we have for this group.

22 I'd like to invite Drew Svitko,
23 Executive Director of the Pennsylvania Lottery.
24 Thank you. Thank you, Drew. Please proceed.

25 MR. SVITKO: Thank you.

1 Chairman Marshall, Chairman Conklin,
2 members of the committee, thank you for allowing us
3 to come here and share our perspective on this
4 issue, and how -- and then talk about the ways that
5 Pennsylvania Skill games are directly influencing
6 our business and directly hurting our ability to
7 generate funds for older Pennsylvanians.

8 At the current saturation rate, a team
9 of economists have analyzed these machines for us
10 over the last couple of years. At the current
11 saturation rate, approximately \$138 million a year
12 in loss sales is a direct result from these illegal
13 machines. Those are funds that -- those dollars
14 would help us generate profit for older
15 Pennsylvanians and fund critical programs.

16 These illegal machines are under-cutting
17 our purpose -- the public purpose of the state-
18 funded, state-sanctioned gaming available through
19 the Lottery. So how is that happening?

20 At first glance, the machines appear to
21 be, often to our players, appear to be Pennsylvania
22 Lottery machines. They're often placed right next
23 to our machines, and there is often confusion with
24 our players. Our players contact us with questions
25 that are actually questions about those machines

1 and not ours. So there's a great perception that
2 these machines are Pennsylvania Lottery machines.

3 Currently, more than 21 percent -- one
4 in five -- more than one in five Pennsylvania
5 Lottery retailers have at least one of these
6 illegal machines. Last year, that number has
7 doubled; gone up more than 100 percent. And
8 unchecked a year from now, I would suspect it would
9 double again. And that \$138 million a year would
10 go up accordingly.

11 In addition, these illegal machines are
12 hurting our ability to recruit new retailers,
13 specifically for the new monitor games that were
14 passed as a result of Act 42 of 2017. Keno and
15 monitored games were allowed for in that
16 legislation and were important to the Lottery to
17 expand our presence in retail, reach new players,
18 and generate even more funds for older
19 Pennsylvanians.

20 But since then, we've been told by
21 potential retailers that because those machines are
22 there and because of their profitability, that they
23 did not want the Pennsylvania Lottery monitor
24 games.

25 So I'd just like to also stress the

1 importance of the Lottery's mission. We remain the
2 only U.S. Lottery to dedicate 100 percent of its
3 proceeds to older residents. Since we started
4 selling tickets in 1972, we've generated more than
5 \$29 billion for those good causes for programs
6 enriching the lives of older Pennsylvanians all
7 around the Commonwealth.

8 But that's being threatened every day by
9 these illegal machines, and there's a potential for
10 hundreds and hundreds of millions of dollars moving
11 forward, and potentially billions of dollars in
12 impact and net loss for those important programs.
13 So it's important we take action and support House
14 Bill 913 introduced by Representative Neilson, and
15 Senate Bill 710 proposed by Senator Tommy
16 Tomlinson. Both of those pieces of legislation
17 will go a long way toward clarifying the law,
18 giving authority to people to enforce it and
19 reinforcing the penalties.

20 Thanks for the opportunity to present.
21 I'll keep my remarks short, and I'll look forward
22 to your questions.

23 MAJORITY CHAIRMAN MARSHALL: Thank you.
24 Representative Neilson.

25 REPRESENTATIVE NEILSON: Thank you,

1 Chairman.

2 Thank you, Drew, for coming too.

3 Drew, we've been getting a lot of
4 information on this. This is something that we've
5 really been reading a whole lot about. This year
6 we heard from proponents of these machines that the
7 Lottery has gone up and we have grown.

8 Now, Act 42 we had a lot of expectations
9 when we passed that act that we thought that we
10 would be growing substantially more than we did
11 this year. But, can you tell us where that growth
12 is from, because I think it's important we realize
13 that it could have been bigger, and that's --
14 That's it.

15 I have one of the oldest districts in
16 the Commonwealth. I think I'm number 3 of more
17 seniors than -- There's only two districts in the
18 Commonwealth that has more seniors than my district
19 has. So, this is -- It's important to me. This is
20 very important. It keeps them in their homes. It
21 feeds them. That's what I wanted to make sure. If
22 you could explain that. And I'm -- That's all I
23 have.

24 MR. SVITKO: The Lottery is having a
25 good year, and it would have been better; more

1 precisely, \$138 million better, not to mention the
2 additional revenue we could have generated from
3 additional retailers for Keno and Xpress Sports.
4 Those games are a small part of our growth, because
5 we're not -- we're behind our estimates because
6 we're having so much trouble recruiting new
7 retailers to sell those games.

8 A lot of the growth is coming from
9 scratch-off tickets; big Jackpot games. You see
10 Power Ball and Mega Millions. When you see a big
11 jackpot now, and if you don't have a ticket for the
12 next drawing, you should get one.

13 So the growth is coming from all over
14 our product portfolio; not much of it from those
15 monitor games because of the problem we're having
16 recruiting new retailers.

17 MAJORITY CHAIRMAN MARSHALL: Thank you.
18 Representative Warner.

19 REPRESENTATIVE WARNER: Thank you,
20 Mr. Chairman.

21 Thank you for your testimony today. I
22 have a quick question.

23 One of the earlier numbers that you had
24 mentioned was that the Lottery lost approximately
25 \$138 million due to games of skill. Could you

1 elaborate a little bit on how you come up with that
2 number? I mean, for one, seems like a very large
3 number. But, where it comes from.

4 MR. SVITKO: Sure. It is a large
5 number. The more alarming part is that it has
6 grown dramatically over the course of last year and
7 is expected, unchecked, to grow dramatically moving
8 forward.

9 The way that that \$138 million was
10 calculated, a team of economists and analysts
11 analyzed data that was collected; looked at -- they
12 were able to isolate the effect of --

13 REPRESENTATIVE WARNER: Where was that
14 team? Who provided that team?

15 MR. SVITKO: So, the -- So there's a --
16 we have an internal research team, and then --

17 REPRESENTATIVE WARNER: The team was
18 from the Lottery?

19 MR. SVITKO: And our --

20 REPRESENTATIVE WARNER: Internally from
21 the Lottery?

22 MR. SVITKO: And then our supplier --
23 Also, our supplier of our systems also has a team
24 of economists, and they work together to arrive at
25 estimates.

1 They were able to isolate the effect of
2 each machine. They control for a number of
3 different market factors and retail trends. They
4 were able to analyze stores where Lottery sales
5 occur in stores in which has a Skill machine and
6 stores that don't; and then also, the before and
7 after installation. So the economists' analytical
8 approach was to balance out those factors, again
9 the market trends, but also the presence of a
10 machine, no presence of a machine, and then the
11 timing of the machine, and arrived at a 95 percent
12 certainty that the number is \$138 million a year.
13 And if we analyze it a month from now, it will be
14 greater.

15 REPRESENTATIVE WARNER: 95 percent
16 certainty.

17 MR. SVITKO: Right.

18 REPRESENTATIVE WARNER: Has there been
19 any other -- anybody else provided or done an
20 investigation to see what this number is, or is it
21 just the Lottery? Is this the only number that we
22 have to go off of? Is this a number provided from
23 the Lottery, that you're aware of?

24 MR. SVITKO: I work for the Pennsylvania
25 Lottery, so I'm not necessarily aware of any other

1 studies going on, but I have a responsibility to do
2 what's best for -- for older Pennsylvanians in our
3 mission.

4 REPRESENTATIVE WARNER: Okay. I
5 appreciate that.

6 And I guess you have to come up with a
7 number. To me it just seems grossly -- personally
8 just seems grossly over-estimated, because you
9 almost have to be a mind reader, right? Like, you
10 have to determine, like, okay, this person plays a
11 game of skill, do they also play the Lottery? I
12 mean, maybe I don't play the Lottery, but I play a
13 game of skill. I mean, I like to go -- I don't
14 play the Lottery that often, but I go to the
15 casino.

16 So I just wonder, you almost kind of
17 have to be a mind read to determine, is that person
18 going to play the Lottery and a game of skill, or
19 they play both? That's a pretty tough number to
20 come up to.

21 I do have another question. Since -- I
22 wonder if you can maybe provide a background of the
23 impact of the Lottery since the implementation of
24 casinos in the state. Since we started with the
25 casinos and we have all the slot machines, what --

1 Is the Lottery better now than it was since we've
2 had casinos in the state, or is it worse than what
3 it was since that time, since, roughly 2004, 2005
4 when we allowed casinos in the state?

5 MR. SVITKO: The Lottery has grown since
6 2004.

7 REPRESENTATIVE WARNER: So it's done
8 better. Okay.

9 No further questions, Mr. Chairman.
10 Thank you.

11 MAJORITY CHAIRMAN MARSHALL: Thank you.
12 Representative Dunbar.

13 REPRESENTATIVE DUNBAR: Thank you, Mr.
14 Chairman.

15 Just to follow up on Representative
16 Warner's questions. The \$138 million, is that a
17 revenue loss or an income loss? I mean, does that
18 mean you sold \$138 million less in tickets or you
19 made \$138 million less?

20 MR. SVITKO: That's a sales numbers.

21 REPRESENTATIVE DUNBAR: Okay.

22 MR. SVITKO: Since we run at 25 percent
23 margin for older Pennsylvanians, so it's about a
24 quarter of that for older Pennsylvanians.

25 REPRESENTATIVE DUNBAR: Thank you. I

1 just wanted to make sure.

2 MAJORITY CHAIRMAN MARSHALL: Thank you.
3 Chairman Conklin.

4 MINORITY CHAIRMAN CONKLIN: Just a quick
5 follow-up to an earlier question. You said the
6 Lottery has grown since the casinos. Isn't that a
7 requirement within the gaming act that the casinos
8 must have Lottery in there as well?

9 MR. SVITKO: It is a requirement that
10 all casino have Lottery machines. Actually, some
11 of them are among our better retailers.

12 MINORITY CHAIRMAN CONKLIN: Thank you.

13 MAJORITY CHAIRMAN MARSHALL: Thank you.

14 When the casino were first implemented
15 and even prior, did you collect data to see what
16 effect they might have on the Lottery, and could
17 you share that?

18 MR. SVITKO: We did. We collected not
19 only the Lottery did and a similar team of analysts
20 analyzed that data back in the earlier 2000s, but
21 the legislature required the legislative Budget and
22 Finance Committee to also analyze it; to conduct an
23 annual study, which it did for four or five years.
24 I think every year they performed an analysis to
25 make sure the casinos -- the presence of casinos

1 were not hurting the Lottery.

2 And what we determined was, our own
3 internal study and LBFC study determined that
4 casinos tended to be destination businesses and the
5 Lottery is more convenience business, so there was
6 no net effect, and then, overall, the Lottery
7 wasn't harmed by the addition of casinos. That's
8 why we're concerned about seeing a greater effect
9 from these illegal machines because they're
10 everywhere we are, and then some.

11 MAJORITY CHAIRMAN MARSHALL: Thank you.
12 Representative Mehaffie.

13 REPRESENTATIVE MEHAFFIE: Thank you,
14 Mr. Chairman.

15 Drew, thank you, and thank you for being
16 in the district. It seems to me a lot of the
17 people testifying today are in the district. But
18 you have a great establishment there and taking the
19 time with me to understand exactly how the Lottery
20 works with scientific games and how you guys do
21 that and get everything out to us in a timely
22 manner that have those kind of machines.

23 The question you said is, you had
24 trouble placing machines. Have you seen anybody
25 remove Lottery from their premises because they

1 took on a game of skill?

2 MR. SVITKO: I don't think we -- I'm not
3 aware of any specific cases. We have 9700
4 retailers. So, might there be a couple? Perhaps.
5 I'm not aware of specific cases where we
6 essentially were kicked out because of their
7 presence.

8 I know very specifically we've been
9 hearing from our sales team that that is often a
10 reason that we cannot recruit new retailers for our
11 monitor game.

12 REPRESENTATIVE MEHAFFIE: I think that's
13 more of -- I mean, I understand you want to grow
14 and have more places. But removal to me could be
15 really, really bad. So, thank you. Appreciate
16 that.

17 Thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN MARSHALL: Thank you.
19 Representative Delloso.

20 REPRESENTATIVE DELLOSO: Real quick.
21 Real quick math. \$138 million, \$36 million from
22 Pennsylvania seniors. Could you use another
23 36 million for Pennsylvania seniors?

24 MR. SVITKO: So, we work for our
25 stakeholders; not stockholders. So our mission is

1 to deliver as much money as we can in a responsible
2 way for those critical senior programs. Our foot
3 is always on the gas trying to find more ways,
4 again, to responsibly generate more money.

5 Absolutely, that \$36 million is missed.
6 I think the representatives of the senior groups
7 will be up here next, and they can talk about more
8 specifically how much more an impact that
9 \$36 million would have. But, I know that we're
10 always looking for nickels and dimes in the couch
11 cushions, for all intents and purposes, let alone a
12 huge sum like 36 million.

13 REPRESENTATIVE DELLOSO: Is there a
14 pathway that's agreeable to the Lottery Commission
15 with the Pennsylvania Games of Skill?

16 MR. SVITKO: So I believe that we stand
17 with the state police on this. These appear to be
18 illegal, and they are, I know, absolutely hurting
19 our ability to generate more money for older
20 Pennsylvanians and affecting the lives of
21 Pennsylvania seniors.

22 So, in my mind it is -- I am always
23 going to be concerned on behalf of our bureau with
24 any initiative that hurts our ability to generate
25 more money.

1 REPRESENTATIVE DELLOSO: Thank you,
2 Mr. Chair.

3 MAJORITY CHAIRMAN MARSHALL: Thank you.
4 Representative Warner, do you have a
5 question?

6 REPRESENTATIVE WARNER: Just very quick
7 follow-up, if you don't mind, Mr. Chairman.

8 I know in previous versions of different
9 bills when we were talking about VGT and gaming,
10 and legalizing and regulating that from the state,
11 we had a lot of different proposals that a portion
12 of the money from those games actually were to go
13 to the Lottery Fund.

14 Are you aware of any restrictions? That
15 if there's a bill to regulate these skill machines,
16 is there anything preventing a portion of money
17 going to the Lottery Fund? Are you aware of any
18 restrictions with that?

19 If we came up with a bill that regulated
20 skill machines, is there any stopping a portion of
21 the money going to the Lottery Fund?

22 MR. SVITKO: I'm not aware of any reason
23 other than the challenge of measuring how much that
24 should be. But, I'm not aware of any.

25 REPRESENTATIVE WARNER: Okay.

1 Thank you, Mr. Chairman.

2 MAJORITY CHAIRMAN MARSHALL:

3 Representative O'Neal.

4 REPRESENTATIVE O'NEAL: Thank you, Mr.
5 Chairman.

6 I'm just wondering, can we get a copy of
7 that economic report?

8 MR. SVITKO: Yes.

9 REPRESENTATIVE O'NEAL: Thank you.

10 MAJORITY CHAIRMAN MARSHALL:

11 Representative Neilson.

12 REPRESENTATIVE NEILSON: A follow-up of
13 Representative Warner's.

14 If we gave the Lottery the skill
15 machines, could your agency handle them? So, maybe
16 if you'd get 60 percent of these skill machines?

17 MR. SVITKO: So, that's something we'd
18 have to -- we'd have to look at. I don't know
19 enough about that business model. We're not a
20 regulatory agency. We're more of an agency trying
21 to sell a product at retail. But it's -- We'll
22 consider anything. That's, obviously --

23 REPRESENTATIVE NEILSON: He just brought
24 something really good up. Maybe we give you these
25 games of skill and you get 60 percent. Then we'll

1 split the other 20 and 20 with everybody else.

2 Just a thought, Chairman. That's all.

3 Thank you.

4 MAJORITY CHAIRMAN MARSHALL: Thank you.

5 I don't believe we have any further questions.

6 Thank you, Drew, for being here and thank you for

7 serving our older adults.

8 MR. SVITKO: Thank you.

9 MAJORITY CHAIRMAN MARSHALL: Our next
10 group is the members of the Pennsylvania State
11 Police. I apologize. You had to stand in this
12 standing-room only hearing. Major Scott T. Miller,
13 Director of the Bureau of Liquor Control
14 Enforcement; Lieutenant Michael Gaines, Eastern
15 Section Commander; Lieutenant Jeffrey Rineer,
16 Central Section Commander.

17 Gentlemen, thank you for your service,
18 and please begin when you're prepared.

19 MAJOR MILLER: Good morning. I think
20 it's still morning.

21 Chairman Marshall and Chairman Conklin,
22 and other members of the House Gaming Oversight
23 Committee, thank you for this opportunity to speak
24 with you.

25 Again, I'm Major Scott Miller of the

1 Pennsylvania State Police. I currently serve as the
2 Director of the Bureau of Liquor Control
3 Enforcement. With me today are Jeffrey Rineer.
4 He's your Central Section Commander in the Altoona,
5 Harrisburg and Williamsport area; in our Eastern
6 Section Commander Lieutenant Michael Gaines who
7 mans Wilkes-Barre, Allentown and Philadelphia, the
8 eastern part of the state.

9 We appreciate this opportunity to appear
10 before you and speak about illegal gambling
11 devices, and be part of the conversation about
12 strengthening the prohibitions against illegal,
13 unregulated gambling.

14 Illegal gambling is not new to the
15 Commonwealth. We have experienced great expansion
16 of this industry within the past several years,
17 both in the number of devices and the venues in
18 which they're located. I'd like to begin with some
19 opening remarks, and then we will be available for
20 questions. However, I must note we have several
21 cases in various court systems in the Commonwealth,
22 so some of my answers may be limited.

23 The Bureau of Liquor Control Enforcement
24 has and continues to enforce illegal gambling
25 devices. Since 2013, we have seized an average of

1 590 machines per year. Despite these efforts,
2 illegal electronic gambling devices are present in
3 Pennsylvania liquor licensed establishments.
4 Several of my predecessors and I have been asked to
5 estimate the number of illegal gambling devices in
6 operation in the Commonwealth.

7 In 2017, the Bureau of Liquor Control
8 Enforcement conducted a four-week study to exam the
9 number of machines observed, and then extrapolated
10 that figure to the number of the licensees in
11 categories where typically we saw those machines.
12 Those categories would be restaurants, operating
13 more as bars, clubs and some hotels. We're now
14 seeing that expanded where we're actually seeing
15 machines in beer distributors, for example.

16 Perhaps the greatest expansion area
17 where we're seeing these machines is convenience
18 stores. In strip malls we've seen mini casinos
19 created. We've seen them actually in a mall.
20 Those areas present additional concerns, where
21 we're concerned about youth or teenagers gambling
22 in those facilities.

23 Based upon the study we did, the
24 four-week study, we estimated at the time there
25 were 13,500 machines. That's an extremely

1 conservative estimate. I want to emphasize that
2 that's a conservative estimate. My predecessor,
3 Major Tom Butler, testified before this committee
4 in September of 2015, and testified at that time
5 that he estimated there were 15,000 machines.

6 So I want to quantify the 13,500 machine
7 number from 2017 from the study we did then, nearly
8 two years ago, and say that those were only in
9 licensed liquor establishments. You've heard me
10 say that now the machines have expanded into many
11 other areas that don't have liquor licenses. But
12 to really understand that number and the impact, we
13 need to put a dollar figure to it.

14 So, industry personnel have relayed to
15 us these machines earn an average of a hundred to a
16 thousand dollars per week. If we were to take the
17 middle of that and say \$500 a week, that makes this
18 a 350-million-dollar industry operating we believe
19 illegally in the Commonwealth.

20 To be clear, because we've had some
21 questions about this, these devices are not nearly
22 video games played to obtain a high score, or maybe
23 you win some extra credits to continue to play on
24 the game, or enter your name or initials for kind
25 of bragging rights on the machine, nor are they

1 arcade-type games where you take your children to
2 play and they win tickets or get credits put on a
3 card where they then later exchange that for
4 trinkets or a nominal prize. That's not the games
5 we are talking about.

6 These games accept up to 100-dollar
7 bills in the bill acceptors. They are not
8 coin-operated. Up to 100-dollar bills entered into
9 the machine, and they advertise payouts in excess
10 of a thousand dollars.

11 I heard some statements here and I've
12 heard some other comments when talking about
13 amusement devices, and we also heard some comments
14 about what's a gambler. So gambling is
15 consideration, chance, and reward, and I'll talk a
16 little bit more about that. But if these truly are
17 amusement devices, then all they have to do is quit
18 paying out cash, and people can continue to play
19 the game for the visual amusement and the auditory
20 amusement they associate with those games and not
21 pay out the cash. That would be an amusement
22 device. These machines accept cash for game play
23 and pay out on those.

24 In January of this year, 2019, liquor
25 enforcement officers began documenting specific

1 venues where illegal gambling devices are located.
2 Since January 2019, after only visiting a portion
3 of the licensed liquor establishments in the
4 Commonwealth, we documented 1,822 businesses that
5 have machines within them, and within those
6 businesses we observed 4,368 suspected illegal
7 gambling devices.

8 As I mentioned previously, since 2017,
9 we've seen these numbers increase. We've seen them
10 increase in the different venues they appear in,
11 and we have also seen them going outside
12 traditional licensed liquor establishments.

13 I talked about the venues creating an
14 extra area of concern. Our licensed casinos, as
15 you know, only allow players age 21 or older.
16 We've seen examples of a piece of tape with a
17 marker written on it that says you must be 21 to
18 play. We've seen small signs that say must be 18
19 and older. We've seen signs of 18 with a circle
20 with a red slash through it, no one under 18 can
21 play. These safeguards are not present. We have
22 also seen machines placed next to candy displays
23 and toy displays.

24 I want to make it clear that this is a
25 much bigger industry than any one coming.

1 Presently, there are at least five different
2 manufacturers, that we know of, of alleged
3 skill-based electronic gambling devices operating
4 in the Commonwealth. Several of these
5 manufacturers use different brand names and have
6 multiple game types and most have different
7 software versions to put in their devices.

8 So, just as for example, in preparation
9 for this hearing, I counted up 188 different games
10 from the five different manufacturers in operation
11 in this Commonwealth.

12 So, where before, years ago, maybe in
13 the late '60s or '70s, you would picture a couple
14 of slot machines in the club, and now we're talking
15 about software and technology that can be changed
16 very rapidly. It could be changed by computer, by
17 a service person coming on site and changing the
18 software in those machines, or it can be changed
19 over the Internet, changing the software in those
20 machines.

21 Is it outside the realm of possibility
22 that the payout threshold or the retention of those
23 machines could be changed over the Internet? Could
24 they be changed -- Could these machines be hotter
25 earlier in the week and maybe pay out less after

1 payday? Could they be hotter earlier in the month
2 and maybe pay out less toward the end of the month?

3 Why do illegal electronic gambling
4 devices continue to exist despite enforcement? The
5 machines are lucrative to both the vendor and the
6 business owner. This is a multi-million-dollar
7 industry. Machines generate, as I mentioned
8 before, between a hundred and a thousand dollars of
9 income per week, while generating a very small
10 footprint within a business, usually 3 feet by 3
11 feet square.

12 The proceeds are usually paid to the
13 business owner by the vendor in cash and may or may
14 be reported for tax purposes. One manufacturer
15 reportedly has 9,000 machines operating in the
16 Commonwealth. Presuming an average income of \$500
17 per machine per week, this would generate
18 \$4.5 million in gross revenue per week for this one
19 manufacturer.

20 As one example of the lack of tax
21 reporting, we obtained information from a bartender
22 that they contacted the bar owner about providing a
23 W-2G tax form to a winner for a large payout on one
24 of these devices, and they were simply told by the
25 owner it was the vendor's responsibility, and no

1 tax form was ever provided.

2 I heard some comments or questions
3 earlier about payouts -- limiting payouts to \$495 I
4 believe it was. Interestingly enough, I testified
5 before the Senate Law and Justice Committee in
6 2017. Shortly after that time, I talked about
7 W-2Gs and we started seeing those structured payout
8 slips of \$500 or less.

9 We have received information from liquor
10 licensees who have stated they believe the machines
11 are illegal and have resorted to putting them in
12 their establishments because they're losing
13 business to other liquor licensees who have the
14 machines in their establishments.

15 Additionally, we received information
16 from the vending company who was told if they would
17 not provide gambling machines to a liquor
18 establishment, they need to remove their legitimate
19 vending equipment because they were shifting to
20 another vending machine distributor.

21 Many people believe that gambling is a
22 victimless crime. PSP routinely receives
23 complaints from families who are victimized by
24 family members who lose all their money in these
25 illegal gambling devices, due to gambling

1 addictions or impaired judgment. Illegal
2 electronic gambling devices are currently
3 unregulated; there are no set payout requirements,
4 and payout retention may be changed by the
5 manufacturer or the vendors.

6 Why isn't Pennsylvania State Police
7 Bureau of Liquor Control Enforcement more
8 aggressive in the enforcement of this illegal
9 activity? The cases take time to develop. They
10 involve undercover operations and significant
11 expenditures of time and money.

12 Historically, these cases have been
13 investigated with the aim of prosecuting the
14 vendors of these machines, for felony violations of
15 corrupt organizations based upon the racketeering
16 activity associated with the gambling. Penalties
17 for possession of the machines are a misdemeanor of
18 the first degree under the Crimes Code. Violations
19 for possessing gambling machines under the liquor
20 code are a standard range violation, usually
21 resulting in a fine for approximately \$750, and has
22 historically have not jeopardized the business's
23 liquor license. The PSP, Bureau of Liquor Control
24 Enforcement has worked with the Pennsylvania Liquor
25 Control Board to address this issue.

1 Existing case law has further challenged
2 law enforcement in our efforts to shut down these
3 illegal gambling enterprises. Despite these
4 challenges, we are committed to enforcing the law.
5 We continue to investigate the persons and venues
6 engaged in these illegal activities.

7 The elements of gambling are
8 consideration, which would be money put into a
9 machine; chance, the randomness of some act, for
10 example, the spinning of the slot machine reel; and
11 reward, a payout of cash or item of value. Due to
12 case law, the element of chance versus skill is
13 measured by a predominant factor test. The nature
14 of this determination regarding specific gambling
15 machines has been placed on the court system. This
16 can and has resulted in differing opinions across
17 the Commonwealth. One district attorney or Common
18 Pleas judge, they see a machine as being
19 predominately skill, and another may view the same
20 machine as being predominately chance.

21 Another challenge in making this
22 determination is the technology associated with the
23 gambling devices constantly changing. Individual
24 devices may operate differently than other devices
25 placed in a very similar cabinet or being labeled

1 with the same name. Software versions may change
2 or be upgraded. Think about how the software gets
3 updated on your Smartphones.

4 Increasingly, this may be done remotely
5 via Internet connection, thereby, possibly making
6 yesterday's machine different than the one in the
7 operation today. Thus, each case outside the
8 established per se devices may require independent
9 review and will not present result in precedential
10 case law. Other technological advances such as
11 remote control knock-off devices and cellular
12 telephone applications to shut down systems have
13 been encountered by our officers.

14 What can be done legislatively to
15 address this issue? Providing clarity in the law,
16 specifically defining illegality of devices
17 regardless of the element of chance or skill will
18 enhance the efficiency of law enforcement
19 operations, and provide further clarity to liquor
20 licensees, device manufacturers, distributors and
21 vendors.

22 Again, we thank you for this opportunity
23 to appear before you today, and we'll be glad to
24 answer questions.

25 MAJORITY CHAIRMAN MARSHALL: Thank you,

1 Major Miller.

2 Representative Neilson.

3 REPRESENTATIVE NEILSON: Thank you,
4 Major, for coming today.

5 We have been working on this issue a
6 long time. The reason that we want to try and grab
7 them all, this way get them all out. And that's
8 the importance to you to give you that tool to say,
9 okay, when you walk in -- because you don't know
10 whether it's this one or that one. Some person has
11 a piece of paper and it says, court ruled this, the
12 court ruled that. That's still under --

13 I think they heard court -- Commonwealth
14 Court got testimony two or three weeks ago on the
15 major case against these machines.

16 MAJOR MILLER: Sure. There's currently
17 a Commonwealth Court case regarding the application
18 of Title 4, which is the gambling act, and use
19 against these machines which essentially would
20 provide the opportunity to go into any
21 establishment and say, one, are you a licensed
22 casino? If the answer is no, then you can't have a
23 gambling device there. Was the machine
24 manufactured by a licensed manufacturer? If the
25 answer is no, your machine is illegal. Was the

1 machine supplied by a licensed supplier? If the
2 answer is no, then the machine is illegal. That
3 would greatly increase the efficiency of law
4 enforcement.

5 You think about the gambling act, there
6 are many investigatory processes in there for the
7 key employees, suppliers, manufacturers,
8 distributors, the people who service those
9 machines. None of those safeguards exists with
10 these alleged skill-based devices where the
11 traditional illegal devices we've seen.

12 REPRESENTATIVE NEILSON: We tried to
13 address it in Act 42. You also talked about
14 penalties. Like everybody, when you try and
15 address something, they find a loophole.

16 MAJOR MILLER: Sure.

17 REPRESENTATIVE NEILSON: Other loophole
18 found and what's going to be next.

19 But, something you mentioned about the
20 penalties. Do you think if we take the liquor
21 license, because that's a pretty steep penalty for
22 some of these establishments. I hate to go that
23 direction and put them out of business. Maybe
24 like, first offense this, second offense this,
25 third offense putting it on the auction block,

1 something like that.

2 Would that be a tool for you to have?

3 MAJOR MILLER: Yes. I won't speak for
4 the liquor control board who handles the licensing.
5 But they did testify after me in a previous
6 hearing. They will consider the one adjudicated
7 citation for a gambling device during the two-year
8 renewal process for liquor license. So it now may
9 impact their liquor license.

10 The strengthening in the language in the
11 law, I absolutely believe we will gain significant
12 voluntary compliance, particularly from liquor
13 license holders. We've heard from a lot of club
14 officers who say, listen, we think they're wrong.
15 They're actually negatively impacting our small
16 games of chance sales, but we're pushed to put them
17 in there because they are lucrative. So we have a
18 lot of our members say, hey, why are we missing out
19 on this when the club, the bar, the restaurant down
20 the street is, in fact, getting that -- that
21 revenues from it.

22 REPRESENTATIVE NEILSON: I'm real happy
23 to hear that, because that's important to make sure
24 all these agencies will work together. If there's
25 anything that you feel that our committee can do to

1 strengthen this and give you more tools, because,
2 like you said, this is, from what you've described,
3 we talked off book a few times, you have to go in
4 undercover. We heard from one of your former
5 undercover agents today, he's now working for the
6 skill machines. That's a long process to make
7 certain they're paying out.

8 And manpower. You don't have that kind
9 of manpower. Thus, that's why there's so many
10 machines there. You can't dedicate all the
11 manpower for this while you're trying to protect
12 the other communities.

13 MAJOR MILLER: In an investigation in
14 the spring of last year, we worked an 18-month
15 investigation. We simultaneously raided 40
16 locations and seized over 200 machines in one
17 evening. That was a combination of an 18-month
18 investigation.

19 There may be some people who are
20 thinking, why not just let it work through the
21 court system and let the case solve, work itself
22 out. Some of the seminal case law that exists
23 right now started from cases three, four, five
24 years earlier.

25 So the question -- And I appreciate it's

1 very clear that this committee has done a lot of
2 research and asking intelligent questions, you know
3 the subject matter. Question is, if we want to let
4 the court system work it out, how long are we
5 willing to let that go on?

6 So, some of the case law happened 2013,
7 2014. I mentioned my predecessor was here in 2015.
8 We have seen great expansion of these machines, and
9 I'm sure you have seen them in your communities.
10 There's a location right on Beaver Avenue in State
11 College. They're popping up all over the place.

12 So, the question is, do something now or
13 do we wait on the court system?

14 REPRESENTATIVE NEILSON: Hopefully,
15 that's why we're having the hearing today.
16 Hopefully, we'll do something now. I thank you
17 again gentlemen for your testimony and for coming
18 here today.

19 Nothing further, Chairman.

20 MAJORITY CHAIRMAN MARSHALL: Thank you.
21 Representative Mehaffie.

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

24 That you, gentlemen, and thank you for
25 your testimony, Major. Thank you for your service

1 to Pennsylvania, the Commonwealth.

2 You said something about mini casinos.
3 Can you elaborate on that, please, because I heard
4 the same thing? I did not witness it. It was all
5 hearsay. If you could just elaborate on that, that
6 would be great.

7 MAJOR MILLER: So, across the
8 Commonwealth -- Illegal gambling used to be a
9 little more regionalized, but it's very widespread
10 now. We have seen advertised locations. Strip
11 malls are what comes to mind, with a store front,
12 advertised on the door and advertised on the sign
13 board out in front of the building, and they might
14 have 15, 20, 30 different machines in there, house
15 of skill, things of that nature. So they truly are
16 operating as mini casinos. Where we, obviously,
17 investigate them to ensure there's not illegal
18 activity from a speakeasy perspective.

19 But we think about the expansion of the
20 gambling act that allowed expansion of other
21 casinos, smaller casinos, and what we have now.
22 What we're seeing is 15, 30 machines, there may be
23 more, in the store front or location operating as a
24 casino. That's their sole business is their
25 machines. They might sell some snacks.

1 REPRESENTATIVE MEHAFFIE: The testimony
2 earlier was that, Pace-O-Matic allows five machines
3 in one establishment. So you're talking about
4 these other people putting mini casinos together
5 and skill games together. If there's that many in
6 one place, is that what you're seeing, or is it --

7 MAJOR MILLER: I won't speak of any one
8 business because we have legislation going on. But
9 I would say I haven't seen limits on any number of
10 machines from any one company.

11 REPRESENTATIVE MEHAFFIE: Okay. And if
12 you can't answer this question, that's fine. This
13 comes to the court case stuff. I know you said
14 earlier that you couldn't answer some things.

15 This stems from a court case in Beaver
16 County, correct?

17 MAJOR MILLER: So, the first case
18 appeared out of Bucks County, one Jersey Hold'Em
19 and Red, White and Blue. Those were reel-to-reel
20 slot machines. And the expert testimony that came
21 in said, because the reels were fixed, they weren't
22 in sequential order, but because they were in the
23 same order, that over time someone could
24 theoretically when you hit a skill stop button,
25 learn the timing of when that would stop. So that

1 kind of started the process. So that was a Bucks
2 County case.

3 Then there was a Beaver County case in
4 2014 involving Pace-O-Matic, a Pace-O-Matic
5 machine; one Pace-O-Matic machine. And the result
6 of that hearing was, the judge determined that
7 predominant factor was that skill was more
8 predominant than chance. So that case, the Common
9 Pleas case in Beaver County, only remains in Beaver
10 County. Now, it's been used as reference in other
11 cases, and it certainly can be.

12 There again, we are dealing with
13 machines that constantly change. So, is a machine,
14 for example, that had three games in one point the
15 same machine that now has six games in? There's a
16 machine that might have software version 10.2 the
17 same as a machine that has software version 11.3.

18 When we look at this and you say, why
19 are the state police here? In August of 2016, I
20 was promoted in to be the director of the Bureau of
21 Liquor Control Enforcement. And as I traveled
22 around to our nine district offices and spoke with
23 our liquor enforcement officers, they said, what
24 are we going to do about these skill-based machines
25 and we began learning about them?

1 When I began looking at what the bureau
2 has done to enforce illegal gambling over the
3 years, we're doing the same thing but diminishing
4 returns. So, for many years I've watched the
5 appropriations hearings, and many of you've sat on
6 the Appropriations Committee and I often see you
7 saying, Mr. Deputy Commissioner, how can we help
8 you? Let us know what you need to help you?

9 What we need is some clarity in the
10 legislation. Clarity in the legislation will allow
11 us to be way more efficient in what we do. As I
12 mentioned earlier, I truly believe that we're gonna
13 get a lot of voluntary compliance from business
14 owners.

15 So, if the move is to legalize these
16 machines, then what I would ask is that, they're
17 all credentialed in some way to make it very
18 efficient to go in and look at them. And if the
19 move is to say no, we have legalized gambling in
20 other areas, we're going to make the law clear that
21 they're illegal, then make that law sufficient that
22 it, again, makes it very efficient on how we carry
23 out our duties.

24 I'm not asking for more people. I'm not
25 asking for more money. What I'm suggesting is,

1 that we get some clarity in the law with clear
2 definitions. I believe that will help a broad
3 spectrum.

4 REPRESENTATIVE MEHAFFIE: The court case
5 in Beaver, did the Commonwealth then appeal that
6 case? Is that one of the other cases going on in
7 the Commonwealth Court right now?

8 MAJOR MILLER: That case was not
9 appealed.

10 REPRESENTATIVE MEHAFFIE: Oh, they did
11 not appeal it. Okay.

12 If you -- Since you're liquor control
13 enforcement and these many casinos don't have
14 anything to do or don't have a liquor license, you
15 still can oversee that. I mean, you can still
16 seize those machines?

17 MAJOR MILLER: I'm still a Pennsylvania
18 State Trooper. I have enforcement authority
19 anywhere in the Commonwealth. The liquor
20 enforcement officers have more stringent
21 empowerment of their duties.

22 So, it depends on if the case is tied to
23 another case involving -- I mentioned prosecuting
24 the vendors. But, historically, we would focus
25 liquor enforcement officer on liquor enforcement

1 establishments.

2 REPRESENTATIVE MEHAFFIE: Right. Last
3 question. Since the case in Beaver County, has it
4 been harder to seize machines, or have you been
5 still taking out illegal machines?

6 MAJOR MILLER: Well, the biggest
7 expansion we've seen is in -- And I'm going to
8 refer it as alleged skill gambling because
9 different manufacturers have different components
10 of the skill.

11 One, for example, their skill component
12 is a standard video slot machine, and then the
13 skill element is on the reward feature, which is a
14 horizontal bar. There's a vertical bar goes back,
15 and where you stop depends on the amount of the
16 reward. That's their argument of skill.

17 Recently we had a case, in Cambria
18 County, it was decided, judge's ruling in that case
19 -- that was against an alleged skill-based
20 manufacturer. In part of her ruling she stated
21 this: Consequently, because the skill test
22 machine's outcome is predominant sequential
23 order, there is nothing the player can do to
24 overcome that outcome. It's this court's finding
25 that the skill touch machines are games of chance.

1 Furthermore, because all three elements are met,
2 skill touch machines are so intrinsically connected
3 with gambling and are, therefore, gambling devices
4 per se.

5 So, what we're going to have is battling
6 -- There's some -- an older case law, and in that
7 case law the Superior Court states, what we're
8 going to come down to is the battle of the experts,
9 and that's exactly where we're at. That case goes
10 back a number of years.

11 What we're doing, we wind up in court
12 now, we're hiring experts and the industry has
13 their expert, and we battle it out before a judge.
14 I can start talking about a whole lot of gambling
15 terms here, and you've been here for a couple of
16 hours and it's warm, and you'll glaze over very
17 quickly.

18 So, our judges are very smart folks.
19 But imagine when they get battled with two or three
20 days of testimony, detailed testimony about game
21 play. It is a very complex technology. That's
22 where we've moved towards.

23 So, I think -- I would ask that you help
24 us to be more efficient in carrying out our duties.
25 I hope I answered your question.

1 REPRESENTATIVE MEHAFFIE: Absolutely.

2 Thank you, Major.

3 Thank you, Mr. Chairman. That's all the
4 questions I have.

5 MAJORITY CHAIRMAN MARSHALL: Thank you.
6 Chairman Conklin.

7 MINORITY CHAIRMAN CONKLIN: Thank you.

8 I want to thank you all for coming, and
9 thank your brothers and sisters for what you do.

10 As we go through this process of trying
11 to come up with a way that we know what's legal or
12 not legal in a legislative form, would it help you
13 if we were able to put a registry database together
14 that when somebody -- when a manufacturer, or
15 whoever it may be, puts a machine in a facility,
16 that you can go directly to a database?

17 So, if you walk into R and B market and
18 you see 35 machines, and you walk to your car and
19 you just go to a database. There shouldn't be 35
20 machines there. Would that help?

21 MAJOR MILLER: Yes. Anything along
22 those lines. Credentialing with serial numbers. I
23 think there was some testimony putting something
24 you could clear with a Smartphone. Some way that
25 not only the brand of the machine is credentialed,

1 but also the individual machines themselves
2 because, what we see is a masking of machines. So
3 we see other manufacturers putting machines in
4 cabinets of a different manufacturer, or maybe they
5 mimic their games or maybe they mimic their name
6 closely.

7 So, all kinds of -- There's a lot of
8 money involved in this. So, there's all kinds of
9 things that are taking place.

10 MINORITY CHAIRMAN CONKLIN: Thank you.
11 Thank you all.

12 MAJORITY CHAIRMAN MARSHALL: Gentlemen,
13 thank you for your testimony. Thank you for your
14 services to this Commonwealth. We have no further
15 questions.

16 This hearing will extend until
17 approximately 12:45 to try to get as many groups as
18 we can.

19 The next group testifying are Adrian
20 King from Ballard Spahr law firm representing Penn
21 National Gaming and Hollywood Casino and Meadows
22 Racetrack and Casino; Mark Stewart from Eckert
23 Seamans law firm representing Parx Casino, and Bill
24 Downey from Brownstein, Hyatt, Farber, Schreck
25 representing Harrah's Philadelphia Casino and

1 Racetrack.

2 If Blaine Graboyes, co-founder and CEO
3 of GameCo could join this group, it might be more
4 efficient with time.

5 Mr. King, if you're ready, if you'd like
6 to start the group. Thank you.

7 MR. KING: Thank you, Mr. Chairman.
8 Real quick, because I know everyone is looking at
9 it, what we have is an example of what you've
10 already heard, which is a location with skill
11 games.

12 You'll see at the bottom, this gentleman
13 wants everyone to know that the rear of his
14 establishment is the mini casino on Penn Street,
15 Keno, Xpress Sports and five Pennsylvania Skill
16 machines. I think this goes to what you have
17 already been hearing from the state police and
18 others.

19 Let me get started, if I could, Mr.
20 Chairman. Chairman Marshall, Chairman Conklin,
21 members of the committee, good morning. My name is
22 Adrian King. I'm an attorney at the law firm of
23 Ballard Spahr. And I appear before you today on
24 behalf of my client, Penn National Gaming, and its
25 two Pennsylvania casinos, Hollywood Casino at Penn

1 National Race Course, which you all know is up the
2 road in Dauphin County, and Meadows Racetrack and
3 Casino, which is located in Strabane Township in
4 Representative O'Neal's district in Washington
5 County.

6 With me here today are my colleagues,
7 Mark Stewart, from the law firm of Eckert Seamans,
8 representing Parx Casino in Bensalem, Bucks County,
9 Mohegan Sun in Plains Township, Luzerne County, and
10 also represents Live! Casino, soon to be in
11 Philadelphia; and also Bill Downey from the law
12 firm of Brownstein, Hyatt, Farber and Schreck who
13 represents Harrah's.

14 In addition, Mr. Stewart and I
15 represent, between the two of us, four of the five
16 Category 4 casinos that they're going to,
17 hopefully, be licensed to go in Berks, York,
18 Cumberland and out in Westmoreland County.

19 As many of you know, on May 2nd, 2019,
20 all of Pennsylvania's 13 casinos joined together in
21 an industry letter to the House and Senate urging
22 the General Assembly to enact legislation,
23 expressly declaring that so-called skill games are
24 unlawful. Through your staff, we provided you with
25 a copy of the letter, and I will not go through it

1 in detail, but I want to go over some of the higher
2 points.

3 First, we contend skill games are
4 illegal now when operated outside of a licensed
5 gaming facility, i.e., a casino. Through Act 42 of
6 2017, the General Assembly and many of you sitting
7 here today--I don't know how many freshmen we have
8 on the committee--specifically define skill games
9 as slot machines. I want to repeat that. That's
10 in Act 42. We can give you the citation if you
11 want it, exactly.

12 There can be no dispute, then, if the
13 only legal place to operate a slot machine and a
14 skill slot machine is in a licensed casino. As a
15 result of Act 42, the trial court decision in
16 Beaver County, for example, upon which skill games
17 proponents rely on is no longer relevant and no
18 longer of any legal effect, just like any other
19 court decision that is effectively reversed after
20 you, the legislature, change the law. That's the
21 first point.

22 Number 2. Skill games are an illegal
23 expansion of gaming. The rampant proliferation of
24 skill games throughout the Commonwealth constitutes
25 an illegal expansion of gaming and is fundamentally

1 inconsistent with the express intent of the General
2 Assembly. Specifically, in connection with the
3 passage of Act 42, the General Assembly considered
4 many options and proposals for expanding gaming,
5 including some that would have led to gambling
6 machines on every main street in every town across
7 Pennsylvania. What I'm talking about is the
8 widespread VGT proposal.

9 Make no mistake, skill games, if they
10 roll out as they are now, is effectively VGTs
11 across the entire state. You rejected that in Act
12 42. Limited it to truck stops. The legislature
13 rejected that approach, and specifically declined
14 to allow gambling devices in limitless number of
15 locations, irrespective of whether the games are
16 determined by chance, skill or both.

17 Number 3. Illegal skill games siphon
18 revenue from the Commonwealth. Illegal skill games
19 do not generate any gaming tax revenue for the
20 Commonwealth. In fact, quite literally, steal
21 revenue from the General Assembly's top priorities
22 of property tax relief and support for senior
23 citizens.

24 The proliferation of skill games
25 cannibalizes existing legal gaming revenue of the

1 Commonwealth's licensed casinos and, as you've
2 already heard, has undermined the financial
3 condition of Pennsylvania's Lottery. Significant
4 harm caused by skill games is widespread.

5 Since 2006, casino gaming has
6 contributed more than \$12 billion in gaming tax
7 revenue to the state treasury. The Commonwealth --
8 As the Commonwealth is the 54 percent stakeholder,
9 so the majority stakeholder in casino slot machine
10 revenue, it risks the biggest loss from the decline
11 in gaming revenue caused by illegal skill games.
12 And you just heard Pace-O-Matic testify 54 percent
13 doesn't work for them.

14 Casinos have made that work. You've had
15 the highest tax rates for gaming, all variations,
16 slots, tables, sports wagering, Internet--I don't
17 want to overexaggerate--but almost the entire
18 world. Highest percentages in this state. You
19 have been able to enjoy that. The industry has
20 been able to deliver it, casino gaming industry.
21 They don't want to do it. So I ask you if it makes
22 sense to allow them to take revenue away from you
23 at a percentage rate lower than what you're already
24 earning in licensed casinos.

25 In addition, gaming facilities in the

1 Commonwealth directly employ nearly 18,000 people,
2 approximately 90 percent of whom are Pennsylvanians
3 and many of whom are union members. Every measure
4 should be taken to shut down illegal gambling, like
5 skill games which threaten these employees and
6 their family-sustaining jobs.

7 Next, local companies and small
8 businesses typically sell approximately \$230
9 million of goods and services to Pennsylvania
10 casinos each year. Skill games -- put this vital
11 source of business for them at risk and seniors and
12 homeowners will feel the pain of reductions in
13 gaming revenue that would otherwise have gone
14 toward property tax relief and rent rebate
15 programs.

16 Finally, county and local share
17 governments will also feel the ripple effects from
18 decreased local share revenue as a result of
19 illegal skill games, diminishing funds for first
20 responders, human services programs, transportation
21 and infrastructure improvements, and other economic
22 development projects.

23 The Press Journal in Middletown just
24 reported that, in 2019, that area enjoyed nearly
25 \$1 million in local share grants paid directly from

1 Hollywood Casino in Grantville. Fire department
2 that one of your witnesses testified for got
3 \$125,000 for a new pumper truck. They're making
4 major, major, major contributions over and above
5 that, including our charitable contributions.

6 Four. Illegal skill games provide none
7 of the public protections of legalized gaming. I
8 think this is a very important point to go over.
9 Beyond the damage to the Commonwealth and its
10 programs, skill games pose substantial risk of harm
11 to the public. When the General Assembly
12 authorized limited gaming in the Commonwealth,
13 first in 2004, expanding it in 2010, expanding it
14 in 2017, it did so very, very carefully with the
15 primary objective of protecting the public.

16 Skill games, however, afford the public
17 none -- absolutely none of the protections of
18 legalized gaming contemplated by the General
19 Assembly, and imposed on all other forms of
20 legalized gaming. I made a point about VGTs and
21 their role in that regulatory environment.

22 First, no responsible safeguards are in
23 place to protect the public, such as self-excluded
24 list available to compulsive and problem gamblers.

25 No precautions or restrictions are in

1 place to prevent underage gambling on skill games
2 by minors. Indeed, the placement of some skill
3 games appear designed to encourage underage
4 gambling, and I can attest to some of these
5 machines being placed in convenience stores located
6 in close proximity to schools. Casinos cannot be
7 within a certain distance of schools. That is a
8 requirement under the law.

9 Businesses that manufacture and sell
10 skill games, and those that host and offer them for
11 play to the public, are not regulated in any way or
12 required to complete a background investigation, or
13 to demonstrate that they and their principals are
14 of good character, honesty and integrity. No
15 investigation is conducted to ensure their prior
16 activities, criminal record, reputation, and
17 associations do not pose a threat to the public
18 interest.

19 Skill games operations do not comply
20 with anti-money laundering regulations, designed to
21 protect against organized crime and efforts by
22 terrorist groups. Casinos do. Not only are we
23 required by state law, but by federal law. And
24 from what I heard today, it's really the location's
25 problem. The folks manufacturing these machines

1 aren't going to take care of that, and I submit to
2 you that the locations themselves really are not
3 equipped to do that. It takes a lot of effort, a
4 lot of skill, knowledge of the law.

5 Next. Skill games devices are not
6 independently tested or verified like slot machines
7 are, nor are patrons ensured of any quantum of
8 fairness with respect to the play of the game or
9 the payout odds. I think you know every single one
10 of our machines has to go through a lab; very, very
11 carefully tested and approved by the Gaming Control
12 Board.

13 Next. Skill games deceptively resemble
14 lottery machines and traditional slot machines,
15 often confusing customers into believing the games
16 are legitimate and regulated machines.

17 Finally on this point, skilled games are
18 placed in locations without the presence of police,
19 security officers or regulators to oversee
20 operations, resulting in a heightened risk of crime
21 and public safety issues. The illegal skill games
22 promise of, quote, Play Here, We Pay Here, is an
23 enticing invitation to criminals looking to make a
24 quick score. This exact scenario just played out
25 recently in Hamburg along, I think that's

1 Interstate 81, when three men stole money from
2 illegal skill game machines in a convenience store.

3 In conclusion, skill games are bad for
4 Pennsylvania. They're bad for senior citizens, bad
5 for problem gamers, and most significantly bad for
6 children. They represent a bold -- I mean this
7 very sincerely -- a bold repudiation of existing
8 law. They're illegal. They're out of control, and
9 they should be removed from the Commonwealth.

10 Under Act 42 skill games are already
11 deemed illegal. Proposed legislation such as House
12 Bill 1407, Representative Neilson's 931, House Bill
13 931, or Senator Tomlinson's Senate Bill 710, should
14 be approved since the provisions contained therein
15 will strengthen existing law by making it a
16 criminal offense for anyone to knowingly make,
17 assemble, maintain, lease or sell skill games.

18 With that, I'll be happy to answer any
19 questions that you have for this panel.

20 MAJORITY CHAIRMAN MARSHALL: Do any of
21 the other members, questions?

22 (No response).

23 MAJORITY CHAIRMAN MARSHALL: I'm sure
24 Mr. Graboyes.

25 MR. GRABOYES: Sure. I appreciate that.

1 My name is Blaine Graboyes. I'm the
2 co-founder and CEO of GameCo, LLC. Thank you,
3 Chairman Marshall and Chairman Conklin and the
4 members of this committee for the opportunity to
5 speak today regarding House Bill 1407.

6 While I'm now a resident of Las Vegas,
7 Nevada, I was born in Abington, Pennsylvania; grew
8 up in Lower Bucks County, and graduated from
9 Bensalem High School where Parx Casino is located.
10 My connection with the state is one of the reasons
11 that I'm proud to address this body regarding the
12 current topic.

13 GameCo is a gaming manufacturer uniting
14 video games, esports, and casino gambling for a new
15 generation of players and fans. In 2016, GameCo
16 launched the world's first video game gambling
17 machine, or VGM, often referred to as skill-based
18 games. GameCo has established video game gambling
19 as an entirely new category of casino products.
20 And today, GameCo is licensed as a gaming equipment
21 manufacturer in more than 20 jurisdictions,
22 including Nevada.

23 GameCo is here today in support of House
24 Bill 1407, introduced by Representative Marcia
25 Hahn. We're strong supporters of licensed and

1 regulated gaming, and I believe House Bill 1407 is
2 a positive and strong step toward regulating gray
3 markets, such as skill games in Pennsylvania's
4 gambling industry.

5 In particular, regarding House Bill
6 1407, there are two points in which GameCo is
7 strongly in favor of the proposed legislation. The
8 first is a clarification of gambling, which, in
9 many jurisdictions is often defined by three
10 components: Consideration, chance, and prize. We
11 support clarification that only consideration and
12 price should be included to define what is or what
13 is not a gambling product. If a player can wager
14 and potentially win or lose money, this should be
15 defined as gambling.

16 The second critical point is, GameCo's
17 belief and support that gambling should be licensed
18 and regulated. Pennsylvania has a world-class
19 regulator in the Pennsylvania Gaming Control Board.
20 We believe all gambling manufacturers in
21 Pennsylvania should be under the licensure and
22 regulation of the Pennsylvania Gaming Control
23 Board.

24 The language and terminology regarding
25 gambling products can often be the basis for

1 confusion. In this case, the terms chance and
2 skill can cause undue misunderstanding as to the
3 nature of the technology and functionality of
4 gaming machines.

5 Playing skill and hybrid skill games
6 still constitutes gambling. So-called skill games,
7 including games made by GameCo, still contain
8 elements of chance. Skill games contain a random
9 number generator, or RNG, and other elements which
10 control and manipulate win percentages and payouts.

11 While products such as GameCo's video
12 game gambling machines attract a new, younger
13 demographic of customers different from slot
14 machines, and ultimately represent a new category
15 of gaming from a regulatory and technology
16 perspective, they are gambling machines just like
17 slot machines. In fact, this is the basis for
18 GameCo's business plan; to leverage the existing
19 standards and regulation of slot machines, but to
20 combine them with the interactivity of video games
21 to reach a new market of casino customers and
22 provide sustainability and growth to the casino
23 industry. Products such as video game gambling and
24 skill-based games should be regulated in a similar
25 manner and regime as currently governs slot

1 machines.

2 And again, all skill games, and
3 specifically GameCo's VGMs, are a different
4 category of gaming that deserve its own
5 classification of licensure, these games are
6 gambling.

7 Without a well-established and regulated
8 environment, like what the state currently has for
9 casino gaming, you leave gambling wide open to bad
10 actors and bad outcomes. Examples of these risks
11 are myriad and some of them mentioned just earlier:

12 No protection for underage gambling;

13 No protection or consideration for
14 problem gamblers, or money for protection and
15 treatment of at-risk or problem gamblers;

16 No protection against money laundering;

17 No protection against fraud or bad
18 machines;

19 No third-party testing and compliance
20 approval for gaming machines;

21 No state of the art security operation
22 to prevent crimes in the place of business or
23 against the patrons on the premises of such games;

24 No back-end monitoring of machines;

25 No ability to audit machines for

1 financial and patron disputes;

2 No dedicated gaming tax or local share
3 assessment.

4 In the legal and regulated gaming
5 industry, all products are tested and approved by
6 independent test labs, or ITLs. The most
7 well-known and best regarded ITL is Gaming
8 Laboratories International, or GLI. All GameCo
9 products are tested and approved by GLI. It's
10 worth noting that even with the best of intentions
11 and significant investment by GameCo in engineering
12 and quality assurance, it is not uncommon for GLI
13 to uncover deficiencies that impact the payout of
14 our products, which, of course, are fixed by GameCo
15 and retested by GLI before products are installed
16 in casinos.

17 Without this intensive and independent
18 testing process, it is impossible for a gaming
19 device manufacturer to assure the compliance and
20 suitability of their products. For example, all
21 slot machines in Pennsylvania casinos have a
22 minimum payout requirement of 85 percent over the
23 lifetime of each machine. That same requirement is
24 not enforced with skill games. And, in fact, would
25 be impossible to confirm and verify such payout

1 percentages without proper and independent testing
2 from a lab such as GLI.

3 Similar standards are required for
4 physical security and safety testing of slot
5 machines, including certifications from
6 underwriters' labs, or UL. These standards are in
7 place to ensure and enforce the safety and security
8 for patrons and operators, and such standards
9 should be applied to all gambling machines in
10 compliance with gaming regulators.

11 Oversight and regulation from the
12 Pennsylvania Gaming Control Board also ensures that
13 gambling devices are only present at regulated and
14 licensed venues, such as casinos and truck stops in
15 this market. This is critical as such venues
16 provide for the security, monitoring, and
17 administration of such gambling activities. This
18 is critical for ensuring safe operation and to
19 protect the rights of patrons and operators.

20 There are a number of clear-cut factors
21 and considerations that can be used to qualify what
22 is a gaming device and whether a product should be
23 licensed and regulated by the Pennsylvania Gaming
24 Control Board, including, but not limited to, does
25 the game utilize a random number generator, or RNG?

1 Does the game include both consideration
2 and prize in the gaming experience and allow for
3 patrons to both lose and win money wagering in game
4 play?

5 Does the game meet the physical security
6 and safety standards imposed by independent test
7 labs and UL?

8 Does the game provide the ability to
9 audit patron disputes?

10 Is the game operated by a licensed and
11 regulated gaming device manufacturer?

12 Is the game operated in licensed and
13 regulated gaming environments?

14 Is the game tested and approved by ITLs,
15 such as GLI, for adherence to gaming standards such
16 as minimum payback requirements?

17 Is the game connected to and monitored
18 by back-end systems?

19 Does the game provide the ability to
20 attract financial transactions for taxation?

21 It is the reality that GameCo could
22 operate in this gray market, but we strongly
23 believe that our industry needs to be in a secure
24 and regulated environment, and that similar
25 products need to be regulated in the same manner.

1 Operating within the current regulated structure is
2 where we believe GameCo should be, and where skill
3 and hybrid games should operate.

4 However, barriers to entry into
5 Pennsylvania's casino market make it difficult for
6 startups, such as GameCo, to get off the ground
7 here. And it helps to create gray markets like the
8 one we are talking about today. These barriers
9 include high licensing fees as compared to the
10 initial market opportunity for new gaming
11 companies, particularly startups, coupled with high
12 tax rates on gaming machines which make it very
13 difficult for smaller, innovative companies to
14 enter the market.

15 The General Assembly could look toward
16 solutions to help create a friendlier business
17 environment for innovative companies developing new
18 gaming devices, while also reducing and hopefully
19 eliminating gray markets that exists when barriers
20 to the regulated market exists.

21 In summary, GameCo is an ardent
22 supporter of House Bill 1407, as well as Senate
23 Bill 710 introduced by Senator Tomlinson in the
24 Senate. We believe strongly in the regulation of
25 gambling and that skill gaming machines are

1 ultimately gambling devices. Such games and gaming
2 manufacturers should be licensed and regulated by
3 the Pennsylvania Gaming Control Board, and such
4 games and gaming manufacturers should only operate
5 in licensed and regulated gaming establishments.

6 This is required for the protection of
7 patrons and to ensure that gaming taxes are
8 collected for the benefit of the industry and the
9 state. Without such oversight and regulation, it
10 is impossible to verify and control the products
11 offered to patrons in Pennsylvania.

12 Thank you again for the opportunity
13 today.

14 MAJORITY CHAIRMAN MARSHALL: Thank you.
15 Representative Neilson.

16 REPRESENTATIVE NEILSON: Thank you,
17 Chairman.

18 Thank you for your testimony, gentlemen.

19 Today, we've heard from a lot of
20 Pennsylvania manufacturers that make games right
21 here in Pennsylvania. However, they did not go
22 through the regulatory process that was just spoken
23 about by Mr. Graboyes.

24 If those manufacturers did go through
25 that process, would your facilities be willing to

1 take those machines in and use them as part of your
2 model within your casino?

3 MR. KING: Well, I think it's -- I think
4 it's hard to -- I want to make it clear, we don't
5 have our operational folks here with us today. But
6 we are always looking for the latest and greatest
7 technology that would bring patrons into our
8 casinos. That's in our best interest and that's in
9 the Commonwealth's best interest.

10 So the answer is, any one of who has a
11 licensed machine that qualifies with the gaming
12 act, we're willing to consider, absolutely.

13 REPRESENTATIVE NEILSON: Thank you.

14 We did think, as you testified earlier,
15 that Act 42 was kind of tight. It was my amendment
16 that made it tight. I thought we would alleviate
17 all of this. However, like any other act,
18 everybody finds a loophole, something that we
19 talked with the Major about earlier. So,
20 hopefully, we can settle this once and for all.

21 Thanks for putting on the record we are
22 54 percent holders of the casinos, and it does help
23 us with our local property tax, our local share,
24 and a whole lot of stuff. We appreciate it.

25 Thank you, Chairman.

1 MAJORITY CHAIRMAN MARSHALL: Thank you.
2 Representative Mehaffie.

3 REPRESENTATIVE MEHAFFIE: Thank you, Mr.
4 Chairman.

5 Thank you, gentlemen, for your remarks
6 today.

7 My question, too, because of Dauphin
8 County we talked about Hollywood Casino and I
9 talked about it earlier is the amount of money that
10 goes into our local share. Our county
11 commissioners do an absolutely great job here in
12 Dauphin County making sure that goes out to our
13 emergency services, and your current thinking was
14 one twenty-five, and then previously they had a
15 300,000-dollar reward in Middletown. And that's
16 not just Middletown. That's Hershey, that's Lower
17 Swatara.

18 I think every one of the fire companies
19 in the district, the 106th district, got some kind
20 of reward over the last many years. So that is a
21 great concern for me.

22 The other concern is the horse racing.
23 You know I have a thoroughbred breeder in my
24 backyard. He's actually my neighbor. This is
25 something that's been going on. With the funds

1 shrinking -- but not only shrinking, they've been
2 taken from the General Assembly. That money was
3 not to be used, and it really affected his business
4 and what the horse racing industry does here for
5 Pennsylvania. It's a huge industry, and it
6 trickles down.

7 So, do you feel like that's going to be
8 an effect as far as where this goes? And, you
9 know, how can we keep it held harmless, because I
10 think it was in that act that they locked that
11 money down now so that money's not really to be
12 taken care -- taken out by the General Assembly?

13 MR. STEWART: Thank you, Representative,
14 for that question. Mark Stewart.

15 It's absolutely going to be put at risk.
16 It's part of the money for agriculture and horse
17 racing is part of the 54 percent tax on the slot
18 machines. So, every dollar that doesn't go into a
19 slot machine but goes into one of these so-called
20 skill games--or what they really are in Act 42 is a
21 skill slot machine--it's gonna hurt agriculture and
22 hurt horse racing.

23 And the provision you're talking about
24 in terms of that money being safe, or safeguarded,
25 actually went to transfers not being able to be

1 taken out of it -- out of the racehorse development
2 fund into other aspects of the General Fund for
3 state spending. That doesn't protect racing from
4 this threat in any way, shape or form.

5 REPRESENTATIVE MEHAFFIE: Thank you.

6 Thank you, gentlemen.

7 Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN MARSHALL: Thank you.

9 Representative Rozzi.

10 REPRESENTATIVE ROZZI: Thank you, Mr.

11 Chairman.

12 My question is for Mr. King. You said
13 in your -- you talked about in your statement about
14 the Illinois-style rollout of VGTs. What kind of
15 reverse effects did it have on casinos in Illinois,
16 how they rolled out their VGTs? And then if we
17 rolled out, you'd expect to see the same results
18 here in Pennsylvania; just some more cannibalism of
19 these casinos.

20 MR. KING: Well, I think history shows
21 that in Illinois, the rollout of VGTs had a very
22 damaging and harmful effect to the casinos in
23 Illinois. They were downsized. Jobs were lost,
24 and people were put out of work. So, a widespread
25 rollout of VGTs, or in this case skill games, can

1 be anticipated to have a very similar effect on the
2 casinos.

3 REPRESENTATIVE ROZZI: And I'm sure it
4 had the exact same effect on the lottery as well in
5 Illinois. Would you say that?

6 MR. KING: I want to be honest, I don't
7 know the answer to that question, but we can
8 certainly research that and get you an answer.

9 REPRESENTATIVE ROZZI: We'd really like
10 to see how casinos fair. I know it was adverse and
11 I'm sure the lottery had the same effect. I would
12 be curious to see those results.

13 MR. KING: We'll get you something.

14 REPRESENTATIVE ROZZI: Thank you.

15 MAJORITY CHAIRMAN MARSHALL: Thank you,
16 gentlemen. There are no further questions for your
17 group.

18 Our next presenters are Jen Ebersole,
19 Director of State Government Affairs, the
20 Alzheimer's Association; Vicki Hope, Chief
21 Executive Officer of Pennsylvania Homecare
22 Association, and Rebecca May-Cole, Executive
23 Director of the Pennsylvania Association of Area
24 Agencies on Aging.

25 In the interest of time, if you have

1 remarks you could give. We have your written
2 testimony. If you could condense it in any way, we
3 would appreciate that. Whoever is ready, you may
4 begin first.

5 MS. EBERSOLE: Yes. Thank you so much.
6 And good afternoon now, Chairman Marshall, Chairman
7 Conklin, members of the House Gaming Oversight
8 Committee.

9 We appreciate on behalf of the
10 Alzheimer's Association -- My name is Jen Ebersole.
11 I'm Director of State Government Affairs. We do
12 appreciate this opportunity. And in the interest
13 of time, I will keep my comments brief because our
14 written testimony is provided in your packets. I
15 would certainly direct you to that.

16 I do just want to leave you with a
17 couple very important points from our perspective.
18 On behalf of the nearly 400,000 Pennsylvanians in
19 Pennsylvania living with Alzheimer's or related
20 dementia, and the 676,000 Pennsylvania
21 uncompensated caregivers, the access to senior
22 programs that are provided through the Lottery Fund
23 are absolutely vital to their care and to their
24 livelihood.

25 And so, with that in mind, the main

1 point I do just want to make to all of you is that,
2 with the number of older Pennsylvanians and those
3 diagnosed with Alzheimer's disease that is
4 projected to exponentially increase in the
5 foreseeable future, any threat to revenue streams
6 in the Lottery Fund is of grave concern to the
7 Alzheimer's Association.

8 So, with that, we know access to home
9 and community-based services improves the quality
10 of life for individuals and families affected by
11 dementia. It reduces cost by state governments for
12 life for eliminating or delaying nursing home
13 placement, and it reduces the financial and
14 emotional burden on those families caring for them.
15 And for all of those reasons, we do have some
16 concerns with the issue at hand today.

17 So, I do appreciate, on behalf of the
18 Alzheimer's Association, the opportunity to provide
19 this written testimony. We'll be able to find a
20 little bit more detail specifically with the
21 benefits of home and community-based services in
22 your testimony. And with the remaining time left,
23 I'd love to yield to my partners over here.

24 MS. DOTTO: Chairman Marshall and
25 Chairman Conklin, my name is Katie Dotto. I'm here

1 today to testify on behalf of the Pennsylvania
2 Homecare Association, as Vicki was not able to make
3 it. I want to thank you and the committee members
4 for the opportunity to speak on behalf of the home
5 care community in the State of Pennsylvania.

6 Our association represents more than 700
7 organizations. We provide medical care through
8 home health agencies, personal care, non-medical
9 home care agencies and end-of-life care through
10 hospices. I want to focus on home care and
11 personal care specifically as that is covered by
12 Medicaid, and those services basically extend to
13 individuals over the age of 60, or over the age of
14 65 who need help with bathing. They need help with
15 dressing, meal prep, medication reminders, and
16 general companionship.

17 What we are finding is that, with the
18 income levels, for medical assistance in the state
19 to receive home care benefits, your income can be
20 over no more than \$2,000 a month. Where does that
21 leave people who are making \$2,100 a month, or
22 bringing that in through any form of Social
23 Security or other income? Well, it doesn't give
24 them very many options.

25 So what the Lottery OPTIONS program

1 does, it opens up those services to receive those
2 very important home and community-based services.
3 I know that for me personally, I have family that
4 receives this care at home, and it's required full-
5 time care. You're falling from early-on dementia
6 and other issues like that. And it's not cheap, so
7 your options are the Medical Assistance program, or
8 your options are going to be private pay.

9 I can tell you, and you're all familiar
10 with Gus the Groundhog and the tag line that the
11 Pennsylvania Lottery Benefits Older Pennsylvanians
12 Every Day, and these are important programs because
13 this would be the segment of human beings out of
14 those services.

15 And, furthermore, we take a look at
16 those individuals. The OPTIONS program is provided
17 because the lottery in this state is the only
18 lottery nationwide that is dedicated to supporting
19 older Pennsylvanians.

20 So that being said, with a population
21 that is the fourth oldest population in the
22 country, and we see home care waivers currently
23 doubling every single year, these are needed,
24 needed programs. And the waiting list for the
25 OPTIONS program right now, it's currently serving

1 27,000 Pennsylvanians in this state. But the
2 waiting list right now I believe is 3,900.

3 So, when we look at legislation like
4 House Bill 1407 and Senator Tomlinson's bill,
5 Senate Bill 710, we see an opportunity to protect
6 those lottery funds and protect these services that
7 are so very important to so many people across this
8 Commonwealth who are deserving. They are our most
9 vulnerable aging population, and including people
10 with disabilities.

11 So I ask for your support in supporting
12 Representative Hahn's bill. I ask for your support
13 and consideration for Senate Bill 710 when it does
14 come over to this chamber and when it's officially
15 introduced, and any support that we can offer from
16 our perspective we're more than happy to do so.

17 Thank you for the opportunity.

18 MS. MAY-COLE: Good afternoon. My name
19 is Rebecca May-Cole, and I am with the Association
20 of Area Agencies on Aging. I will keep my
21 testimony short also. I can start by saying what
22 they said. Everything that they said I completely
23 agree with.

24 I do need to apologize to Chairman
25 Conklin for, actually, I promoted you,

1 Representative Neilson to Chair, so I apologize for
2 that.

3 At any rate --

4 MINORITY CHAIRMAN CONKLIN: He's been
5 trying to get it off me for all year, so --

6 REPRESENTATIVE NEILSON: I am the
7 longest standing House member on the committee.

8 MS. MAY-COLE: Oh, I don't want to get
9 into the middle of this. Apologies.

10 REPRESENTATIVE NEILSON: Too late.

11 MS. MAY-COLE: He did not pay me to put
12 him first.

13 REPRESENTATIVE NEILSON: I'm not even
14 going to mention the girl next to you didn't even
15 mention my bill. She must not like that one.

16 A VOICE: I'm sorry.

17 MS. MAY-COLE: I do want to point out --

18 A VOICE: -- you the next time.

19 MINORITY CHAIRMAN CONKLIN: He's not a
20 chairman. Don't worry.

21 REPRESENTATIVE NEILSON: (Inaudible
22 statement; no microphone).

23 MS. MAY-COLE: It's been a long meeting,
24 definitely.

25 I do want to point out just a few things

1 that were not mentioned already in the testimony
2 that we've had thus far.

3 I do represent the 52 Area Agencies on
4 Aging, or Triple A's as we call them, that do serve
5 all 67 counties in Pennsylvania. The Triple A's
6 really are the no-wrong-door community partners
7 where seniors and caregivers can come and receive
8 assistance. It comes in many different shapes and
9 sizes. They can be part of county government.
10 They can be stand-alone nonprofits, and they really
11 adjust to serve the needs of their communities
12 locally and what their individual communities are
13 in need of.

14 I will skip ahead to talk a little bit
15 about the types of services that are provided
16 through the Lottery Fund. We have, such as the
17 OPTIONS program, which there's a little bit more
18 details in my testimony that talk about the
19 services provided within OPTIONS. But also
20 included are things like senior centers, and we
21 have home-delivered meals.

22 We have other very, very critical
23 services that are provided to seniors; in many
24 cases, those that are very isolated. It may be the
25 only person they see in that week is the person

1 who's providing those home-delivered meals.

2 So I think that's critically important
3 that we remember the importance and the debt of
4 gratitude, I feel, that we owe our seniors in
5 Pennsylvania, and do everything we can to shore up
6 the Lottery Fund so that it can continue to
7 strengthen.

8 As was mentioned, we do have probably a
9 little bit more than 3,900 people across the
10 Commonwealth on the waiting list for just OPTIONS
11 services. And I want to point out that we have
12 Medicaid, which is incredible, and provides very
13 beneficial support to seniors and to people with
14 disabilities.

15 These non-Medicaid services that are
16 paid for through the Lottery Fund actually serve to
17 delay and/or divert them from Medicaid. And so, if
18 we can keep them from falling, keep them from
19 having some sort of an incident that causes them to
20 need the level of care in a nursing home, then we
21 absolutely need to do whatever we can to try to
22 make that happen. So, we would just ask for your
23 support.

24 The other item I wanted to mention was
25 protective services, which is what people use if

1 they suspect there's some sort of abuse or neglect
2 happening of an older adult. And that is something
3 that has seen a dramatic increase in the number of
4 reports of suspected abuse. More than a 57 percent
5 increase in the reports of that suspected abuse of
6 older adults, that's the kind of service being
7 provided through the PennCare line item, through
8 the Lottery Fund, and that is absolutely something
9 that we need to have a commitment to.

10 With that, I will say thank you. I'm
11 sure we'll all be happy to answer questions in the
12 4 minutes that we have left.

13 MAJORITY CHAIRMAN MARSHALL: Chancellor
14 Neilson, do you have a question?

15 REPRESENTATIVE NEILSON: Thank you all
16 for coming today and providing testimony.

17 We committee members, we talk about this
18 all the time. We know the importance of the
19 Lottery Fund, and we are very -- There's not one
20 rep up here that doesn't support all your programs.
21 We look forward to doing it.

22 I have no specific question, but if I
23 don't talk, the Chairman usually cuts me off. I
24 figured I had to do something. But thank you and
25 enjoy the rest of your afternoon.

1 Thank you, Chairman.

2 MAJORITY CHAIRMAN MARSHALL: Thank you.

3 We have no further questions. I thank
4 you very much for your testimony. And I have
5 closing remarks from Chairman Conklin.

6 MINORITY CHAIRMAN CONKLIN: Actually, I
7 want to thank my Vice Chair, Mr. Neilson, he is the
8 Chairman. I apologize for that.

9 I want to thank all the participants
10 that came out today. I want to thank the members.
11 I also want to thank the individuals who took time
12 out of their day to participate. It's been a great
13 hearing. We've learned a lot. I'm really looking
14 forward to coming up with a viable solution.

15 Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN MARSHALL: Thank you,
17 Chairman Conklin.

18 I'm really amazed how much information
19 there is on this. I knew this was a valuable
20 hearing. We did extend as much as we could to
21 gather as much information as possible.

22 I'd like to thank the members of this
23 committee; a very diverse group, and very
24 inquisitive intelligent members. I appreciate
25 their service to the Commonwealth.

1 I'd thank to thank the staff that did so
2 much in putting this together, and all those that
3 testified. Especially, I want to thank the
4 citizens of Pennsylvania that are here today to
5 express their support or opposition. Their voice
6 is heard, and we appreciate how many people are
7 here.

8 At this time this hearing is adjourned.
9 Thank you.

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I, Karen J. Meister, Reporter, Notary Public, duly commissioned and qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that the foregoing is a true and accurate transcript, to the best of my ability, of a public hearing taken from a videotape recording and reduced to computer printout under my supervision.

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