



**Statement of the Pennsylvania Federation of Fraternal and Social Organizations on
Skill Games
Presented to the House Gaming Oversight Committee by
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Good morning. Chairman Marshall, Chairman Conklin, distinguished members of the House Gaming Oversight Committee; I would like to thank you for the opportunity to present testimony today on the hot issue of “Games of Skill”.

The Pennsylvania Federation of Fraternal and Social Organizations (PFFSO) is a statewide association of nearly 500 social clubs, veterans clubs, fire companies and other non-profit service organizations, most of whom hold liquor licenses. Our clubs provide numerous charitable works in the local communities, funded largely, by law, by small games of chance. Particularly in these times of budgetary constraints on state and local governments, our organizations are counted on increasingly to help, but the sources of revenue have not kept up with the need. Further, as our members age, the clubs are constantly struggling to find ways to attract younger members, who will take over the essential community activities of the clubs and fire companies. Our members have in the past few years supported the updating of the Local Option Small Games of Chance Act, as a way of supporting club activities, and have worked with this Committee for many years to that end.

PFFSO has worked closely with the committee, and its Senate counterpart, over the past decade or longer, to pass legislation updating the small games of chance and Bingo laws, based on the premise that these bills were not an expansion of gambling, but a mechanism for these non-profit organizations to increase the amount of money they can raise and contribute to other local charities. As we have testified before you before, for many clubs, dues revenues have not been able to keep pace with the structural and other overhead needs of aging facilities, and clubs have been forced to find other ways to attract new members, and to keep existing members coming into the club. Clearly some clubs, and taverns as well as other small businesses, have taken advantage of the popularity of the so-called “skill” games over the past several years, in addition to the advancements in SGOC. These games have far exceeded expectations. Our member clubs have heard for years that enforcement would be stepped up on these machines, which the PA State Police believe to be illegal, as they search for a “friendly” jurisdiction to plead a case to overturn the Beaver County ruling.

We have done some informal surveys of our member clubs on this issue, and we had some lively and informative discussion on it at our annual convention earlier this month in Berks County. The opinions vary widely on a regional basis, for a number of reasons, primarily the lack of clear guidance outside of the Beaver County case, as to whether these machines are in fact legal in the other 66 counties. Clubs all over the state report that although the PSP/LCE profess the machines are illegal, they have not confiscated them when they come for a “visit” for other reasons. This, along with presentations from the Skill game manufacturers and vendors, has added to the mixed messages being received in our clubs.

Further, many of our club members are legitimately concerned that adding these machines at the VFW or Moose Lodge impact on the SGOC ticket sales that lead to their charitable giving, which is a central part of the mission of many clubs. Other clubs have indicated that the presence of a limited number of machines have actually increased strip ticket and pull tab play, as folks wait

their turn to play the skill games. These clubs consider it a “win-win” – literally. The revenue generated by the skill games, along with the 40% retained from SGOC, contribute greatly to the maintenance of many clubs.

Therefore reaching a consensus among club folks in this diverse state on whether to support skill games, like VGT’s in past sessions, has been difficult. Our Board met in June to discuss the issue, and the general consensus is that if these machines are in fact legal, clubs would like to have the right to have them in their bar areas. We agree, though, that the lack of a regulatory structure, which allows the games to be placed in a wide variety of establishments, with sometimes questionable supervision and rules, not to mention rules for use of the proceeds of the machines, is not tenable, and should be addressed. We are aware of a pending Commonwealth Court case that may further inform this issue in the near future, but in the interim we would like to work with the committee and the other stakeholders, including the PSP, on legislation that makes sense for clubs and bars, for the lottery, casinos, and for the state coffers.

Without having seen the specific language in Rep. Moul’s recently announced draft legislation, which would put skill games under the Local Option Small Games of Chance Act, we would nonetheless suggest the Committee hold off on advancing legislation to make the operating of the machines a criminal offense, and look at options for making them safe and legal under the law. Perhaps the machine profits could be taxed, and revenue treated like slots revenue, to go towards local tax relief and the other funds which benefit from slots revenue, and alleviate any perceived harm to those funds, though we don’t believe there is a direct affect at this time. We are aware that this legislation is a “work in progress”, and look forward to participating in future discussions as the issue moves along the process.

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

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