

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL
MAIN BUILDING
ROOM 140
HARRISBURG, PENNSYLVANIA

WEDNESDAY, FEBRUARY 12, 2014
2:30 P.M.

PRESENTATION FROM
GAMING CONTROL BOARD

BEFORE:

HONORABLE WILLIAM F. ADOLPH, JR., MAJORITY CHAIRMAN
HONORABLE KAREN BOBACK
HONORABLE JIM CHRISTIANA
HONORABLE GARY DAY
HONORABLE BRIAN ELLIS
HONORABLE GLEN GRELL
HONORABLE SETH GROVE
HONORABLE ADAM HARRIS
HONORABLE TOM KILLION
HONORABLE DAVID R. MILLARD
HONORABLE MARK T. MUSTIO
HONORABLE DONNA OBERLANDER
HONORABLE BERNIE T. O'NEILL
HONORABLE MICHAEL PEIFER
HONORABLE SCOTT A. PETRI
HONORABLE JEFFREY P. PYLE
HONORABLE CURTIS G. SONNEY

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BEFORE (cont.'d):

- HONORABLE JOSEPH F. MARKOSEK, MINORITY CHAIRMAN
- HONORABLE MATTHEW D. BRADFORD
- HONORABLE MICHELLE F. BROWNLEE
- HONORABLE MIKE CARROLL
- HONORABLE H. SCOTT CONKLIN
- HONORABLE MADELEINE DEAN
- HONORABLE DEBERAH KULA
- HONORABLE TIM MAHONEY
- HONORABLE MICHAEL H. O'BRIEN
- HONORABLE CHERELLE L. PARKER
- HONORABLE JOHN P. SABATINA
- HONORABLE STEVEN SANTARSIERO
- HONORABLE JAKE WHEATLEY

ALSO IN ATTENDANCE:

- DAVID DONLEY, REPUBLICAN EXECUTIVE DIRECTOR
- DAN CLARK, REPUBLICAN CHIEF COUNSEL
- MIRIAM FOX, DEMOCRATIC EXECUTIVE DIRECTOR
- BERYL KUHR, DEMOCRATIC CHIEF COUNSEL
- HONORABLE BRYAN BARBIN
- HONORABLE DOM COSTA
- HONORABLE PAUL CLYMER
- HONORABLE SHERYL DELOZIER
- HONORABLE GEORGE DUNBAR
- HONORABLE MARK GILLEN
- HONORABLE MAUREE GINGRICH
- HONORABLE JOSEPH HACKETT
- HONORABLE BILL KORTZ
- HONORABLE MIKE REGAN
- HONORABLE CHRIS SAINATO

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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KEVIN O'TOOLE, EXECUTIVE DIRECTOR, GAMING CONTROL BOARD	22

1 P R O C E E D I N G S

2 * * *

3 MAJORITY CHAIRMAN ADOLPH: Thank you. I'd like
4 to reconvene the House Appropriations Budget Committee.
5 This hearing is on the Gaming Control Board. With us today
6 is the Chairman, William H. Ryan, Jr., as well as the
7 Gaming Control Board Executive Director, Kevin O'Toole.

8 Gentlemen, good afternoon.

9 MR. RYAN: Good afternoon, Chairman.

10 MR. O'TOOLE: Good afternoon.

11 MAJORITY CHAIRMAN ADOLPH: Thank you for being
12 here. We're looking forward to having a good conversation
13 with you.

14 Before we get started, once again, I'm going to
15 ask both members and guests to check their iPhones and
16 their iPad s and ask that they turn of their electronic
17 devices. It does interfere with the PCN coverage.

18 With us today is the Republican Chair of the
19 Gaming Oversight Committee, Representative Mauree Gingrich.
20 Mauree, nice to see you.

21 REP. GINGRICH: Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN ADOLPH: Thank you for joining
23 us.

24 REP. GINGRICH: Thank you.

25 MAJORITY CHAIRMAN ADOLPH: At this time, I'd like

1 to ask Chairman Joe Markosek for any comments.

2 MINORITY CHAIRMAN MARKOSEK: Just welcome,
3 gentlemen. I look forward to hearing the testimony and
4 particularly the questions and answers.

5 MR. RYAN: Thank you.

6 MR. O'TOOLE: Thank you.

7 MAJORITY CHAIRMAN ADOLPH: Thank you.

8 Mr. Ryan, if you would like to go first as far as
9 an opening statement.

10 MR. RYAN: Thank you, Mr. Chairman.

11 Good afternoon, Chairman Adolph, Chairman
12 Markosek, and members of the Committee. I am Bill Ryan,
13 Chairman of the Gaming Control Board here in Pennsylvania.
14 Joining me today is Kevin O'Toole, on my left. Kevin, as
15 most of you know, is our Executive Director.

16 And seated behind Kevin and me are Commissioners
17 John McNally, Keith McCall, and David Woods. Annmarie
18 Kaiser has not made it yet but I expect she will be here.

19 MAJORITY CHAIRMAN ADOLPH: Great.

20 MR. RYAN: Ladies and gentlemen of the Committee,
21 for Fiscal Year 2014-2015, the Board's budget request, as
22 recommended by the Governor, is \$37,990,000. This
23 represents an increase of \$1.1 million, or 2.9 percent over
24 our current fiscal year appropriation.

25 Our requested increase is necessary to provide

1 for additional anticipated costs of nearly \$1,949,000, with
2 the largest cost drivers being increases in pension rates,
3 which are up 32 percent in the next fiscal year; individual
4 health benefits, which is increasing 8.1 percent; and
5 salary increases pursuant to the Collective Bargaining
6 Agreement.

7 The Board's budget request includes \$32.4 million
8 for personnel and benefits and \$5.5 million for operating
9 and fixed-asset expenses. The personnel budget supports
10 312 positions, which is down from 326 positions at the end
11 of 2011, despite the opening of two casinos since that
12 time. And, of course, the opening of those two casinos,
13 both of which were Category 3 casinos, required that the
14 Board hire seven employees and place them at each of those
15 two casinos.

16 In spite of this reduction in staff, the Board
17 anticipates benefit costs being \$4.4 million higher next
18 fiscal year compared to Fiscal Year 2010-2011, which is a
19 50 percent increase in benefit costs.

20 While reducing complement has played a very
21 important role in keeping our budget increases to a
22 minimum, lean operating costs have also helped achieve this
23 goal. In fact, the Board anticipates that operating costs
24 for Fiscal Year 2014-2015 will be at their lowest levels
25 since Fiscal Year 2005-2006.

1 As you know, the operations of the Board are not
2 funded by general tax revenue. In fact, the Board's budget
3 is funded completely by assessments on the casino industry
4 that are above and beyond the taxes that the industry pays
5 on slot and table game revenue.

6 Therefore, the Board's budget does not impact the
7 amount of tax revenue generated by gaming. That being
8 said, the Board is very cognizant of the need to regulate
9 strictly but efficiently, and our Fiscal Year 2014-2015
10 budget request reflects that.

11 The Board's funding comes from two independent
12 funding streams. 81.6 percent of our proposed budget is
13 generated from weekly deductions from accounts established
14 within the Treasury for each casino. These accounts are
15 established under Section 1401 of the Gaming Act to fund
16 operations of the four gaming regulatory agencies. And
17 that would be the Board, the Revenue Department, State
18 Police, and the Office of Attorney General.

19 18.4 percent of our proposed budget is restricted
20 revenue, which is generated when slot manufacturers,
21 licensees, and applicants are billed for specific costs
22 incurred by the Board's gaming laboratory or investigative
23 secretive staff for database searches, fingerprint fees,
24 travel, gaming lab operating costs, and designated
25 application and investigative fees that can be directly

1 attributed to licensees, manufacturers, or applicants.

2 We have provided the Committee with a handout
3 containing additional information on our budget request,
4 how Pennsylvania has benefited from the gaming industry and
5 historical casino gaming revenue and tax revenue on a
6 fiscal-year basis.

7 Finally, as I realize the Committee may be
8 interested in how Pennsylvania fared on a calendar
9 year-over-year basis, it is worth noting that casino gaming
10 revenue was down 1.4 percent and casino tax revenue was
11 down 4 percent in 2013 when compared with 2012.

12 However, despite the slight decreases, these
13 figures still total over \$3.1 billion and \$1.4 billion,
14 respectively, and Pennsylvania continues to bring in more
15 tax revenue than any other state, annually funding
16 important items such as property tax relief and the
17 Pennsylvania Volunteer Fire Company Grant Program.

18 Thank you for allowing me to provide this
19 testimony. We appreciate the Committee's consideration of
20 our budget request. Kevin and I would be happy to answer
21 any questions you have.

22 MAJORITY CHAIRMAN ADOLPH: Thank you, Chairman
23 Ryan. It's certainly nice to see your Board here.

24 MR. RYAN: Thank you.

25 MAJORITY CHAIRMAN ADOLPH: I'd also like to

1 recognize that Annmarie Kaiser, a member of your Board, has
2 arrived. It's always nice to see Annmarie.

3 Chairman Markosek will start off the questioning.

4 MR. RYAN: That's great.

5 MAJORITY CHAIRMAN ADOLPH: Chairman Markosek.

6 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

7 Mr. Chairman and Director, thanks.

8 MR. RYAN: Thank you.

9 MR. O'TOOLE: Thank you.

10 MINORITY CHAIRMAN MARKOSEK: With the proposed
11 expansion, potential expansion, of the lottery with Keno,
12 we have new gaming coming on line with small games of
13 chance taverns, more casinos are expected to open soon.
14 How might this affect your revenues with these various, you
15 know, expansions of various types of gaming?

16 MR. RYAN: Well, it's hard to say, Chairman, in a
17 vacuum because we haven't seen any real concrete proposals
18 yet.

19 MINORITY CHAIRMAN MARKOSEK: Okay.

20 MR. RYAN: I might add that if Keno is added to
21 the lottery as another lottery game, that could possibly
22 detract interest from the casinos. I don't think anybody
23 could say how much.

24 MINORITY CHAIRMAN MARKOSEK: Okay.

25 MR. RYAN: I think the one thing that may have

1 surprised a lot of people is that the lottery has done
2 pretty well since gaming began in '06.

3 MINORITY CHAIRMAN MARKOSEK: Okay.

4 MR. RYAN: And in the last couple of years it's
5 done very well.

6 MINORITY CHAIRMAN MARKOSEK: Right.

7 MR. RYAN: So to me that's a tricky question to
8 answer, especially in the vacuum we are all in, that is,
9 how broadened would be a Keno game? in how many outlets
10 would it be offered? what would be the terms of play?

11 MINORITY CHAIRMAN MARKOSEK: Sure.

12 MR. RYAN: I think they're all questions that are
13 still up in the air. Bottom line, I think we all have to
14 concede that there probably is a finite amount of money
15 here in Pennsylvania people are going to use to game.

16 MINORITY CHAIRMAN MARKOSEK: Yes.

17 MR. RYAN: That is an issue. I wish I could be
18 more specific than that, sir, but I don't think I can. And
19 I don't think anybody else can either.

20 MINORITY CHAIRMAN MARKOSEK: Your request this
21 year, as I understand it -- and correct me if I'm wrong --
22 is more based on just increased expenses that you have
23 internally with your personnel, health care, those kinds of
24 things, but really not so much because of an anticipation
25 of bringing more people on for these potential future

1 needs.

2 MR. RYAN: Yes.

3 MINORITY CHAIRMAN MARKOSEK: Is that a fair
4 statement?

5 MR. RYAN: Well, as far as it goes, sir, it would
6 be, although I would add that we do expect and have
7 requested funding for tavern game work that the Board has
8 had assigned to it, which you know basically amounts to
9 doing background checks.

10 MINORITY CHAIRMAN MARKOSEK: Right.

11 MR. RYAN: And we have requested an amount of
12 about \$350,000 for the rest of this fiscal year and about
13 \$930,000 for next fiscal year.

14 MINORITY CHAIRMAN MARKOSEK: Okay.

15 MR. RYAN: That is based on our estimate of what
16 we think our increased costs could be.

17 MINORITY CHAIRMAN MARKOSEK: All right.

18 MR. RYAN: We plan and are in the process of
19 bringing on four extra people in the near future to
20 supplement the people who do background checks in our
21 agency because the best minds in the Bureau of
22 Investigation and Enforcement -- and they are very good
23 minds -- think that would be a good start.

24 MINORITY CHAIRMAN MARKOSEK: Sure.

25 MR. RYAN: We'll know in a couple of months how

1 accurate that is.

2 MINORITY CHAIRMAN MARKOSEK: Okay.

3 MR. RYAN: But when it comes to the tavern gaming
4 aspect of what we have to do, we have this other restricted
5 fund account through the Governor's Office that, at least
6 for this year, what's left of it, and next year, we can
7 rely on. So that will be some cushion.

8 MINORITY CHAIRMAN MARKOSEK: Okay.

9 MR. RYAN: Does that answer your question, sir?

10 MINORITY CHAIRMAN MARKOSEK: Yes. I'm just
11 trying to make sure that you have proper funding to carry
12 out the task that we, the Legislature, have designed for
13 you to do.

14 MR. RYAN: Right. Yes.

15 MINORITY CHAIRMAN MARKOSEK: And with the
16 additional responsibilities coming along -- and you're
17 right, some of them are future -- we can only assume at
18 this point that some of these activities will grow,
19 although that's not a sure thing at this point in time.

20 MR. RYAN: I can tell you, sir, I would expect
21 from what we've seen that if tavern gaming grows, the
22 funding source we have, which is the \$1,000 minimum that we
23 get, for the application to do the background, I think
24 we're all comfortable that that will be sufficient.

25 MINORITY CHAIRMAN MARKOSEK: Okay. Well, that's

1 kind of what I was looking to hear you say. I appreciate
2 that.

3 MR. RYAN: Sure.

4 MINORITY CHAIRMAN MARKOSEK: Just a general
5 question.

6 MR. RYAN: Sure.

7 MINORITY CHAIRMAN MARKOSEK: And again, it's very
8 general, for lack of a better way to put it, the overall
9 gaming income for the Commonwealth of Pennsylvania, it's
10 gone down a little bit this past year. That's my
11 understanding. For a while there we seemed to be trending
12 up pretty aggressively.

13 MR. RYAN: Yes.

14 MINORITY CHAIRMAN MARKOSEK: How do you see it in
15 the future? Do you see competitors coming on line, whether
16 different states, different technologies, that create
17 opportunities for Pennsylvanians that are beyond our
18 borders, for example, impacting our revenue as we move
19 forward?

20 MR. RYAN: That's difficult to say. I think we
21 all guess in the agency what's going to happen based on
22 what we have seen happen since Pennsylvania got gaming
23 beginning back in '06.

24 MINORITY CHAIRMAN MARKOSEK: Okay.

25 MR. RYAN: And there's no question that we now

1 have more competition outside of Pennsylvania.

2 MINORITY CHAIRMAN MARKOSEK: Right.

3 MR. RYAN: Ohio is a competitor.

4 MINORITY CHAIRMAN MARKOSEK: Sure.

5 MR. RYAN: And Ohio is especially a competitor,
6 vis-a-vis Presque Isle up in Erie.

7 MINORITY CHAIRMAN MARKOSEK: Right.

8 MR. RYAN: Other casinos in the Cleveland area,
9 the Ohio area, are very possibly smaller competitors to
10 those in Pennsylvania.

11 MINORITY CHAIRMAN MARKOSEK: All right.

12 MR. RYAN: But right now it doesn't seem to be a
13 huge difficulty.

14 MINORITY CHAIRMAN MARKOSEK: All right.

15 MR. RYAN: Maryland could be a competitor. It
16 appears from what we're hearing, I guess it's Maryland Live
17 down in Anne Arundel County has some draw in the York area.
18 And there's concern that the new casino, the Caesars Casino
19 down in Baltimore, could also put pressure on the casino we
20 have right here at Penn National near Harrisburg.

21 MINORITY CHAIRMAN MARKOSEK: Right.

22 MR. RYAN: We don't see huge numbers so far but
23 definitely see competition.

24 MINORITY CHAIRMAN MARKOSEK: All right.

25 MR. RYAN: And the one thing we've seen with the

1 casinos is that they understand that competition. They
2 understand that it helps to put in amenities, hotels, event
3 centers, conference centers, more restaurants.

4 MINORITY CHAIRMAN MARKOSEK: Sure.

5 MR. RYAN: And I think we are seeing that.

6 MINORITY CHAIRMAN MARKOSEK: Yes.

7 MR. RYAN: But I would expect that everybody in
8 the industry and those of us who regulate it are going to
9 have to be very closely watching what happens over the next
10 ten years. And I think what really could be game changing
11 if it ever happens would be casinos in New Jersey closer to
12 our border and casinos in New York closer to our border
13 than those are now.

14 MINORITY CHAIRMAN MARKOSEK: Okay.

15 MR. RYAN: They could be big issues for
16 Pennsylvania gaming, I would think.

17 MINORITY CHAIRMAN MARKOSEK: Okay. Thank you. I
18 appreciate it. Thanks very much.

19 MR. RYAN: You're welcome.

20 MINORITY CHAIRMAN MARKOSEK: Thank you,
21 Mr. Chairman.

22 MAJORITY CHAIRMAN ADOLPH: Thank you.

23 Also joining us today is Chairman Paul Clymer.
24 Chairman Clymer, nice to see you.

25 REP. CLYMER: Thank you.

1 MAJORITY CHAIRMAN ADOLPH: And also George
2 Dunbar. Thank you, Representative.

3 REP. DUNBAR: Thank you.

4 MAJORITY CHAIRMAN ADOLPH: At this time I'd like
5 to call on Chairman Gingrich.

6 REP. GINGRICH: Thank you, Mr. Chairman.

7 Thank you, gentlemen, both for being here.

8 MR. RYAN: You're welcome.

9 MR. O'TOOLE: Thank you.

10 REP. GINGRICH: As you know, I'm a relatively new
11 Chairman to the Gaming Oversight Committee. And I want to
12 personally thank you for the education that you've provided
13 me with so quickly on the operation at the Gaming Control
14 Board. I've learned a lot. And I really have grown to
15 appreciate quickly the job you do and how you do it.

16 MR. RYAN: Thank you.

17 REP. GINGRICH: And I'm very keen on listening to
18 the questions that come before you today.

19 MR. RYAN: Thank you.

20 REP. GINGRICH: What I wanted to talk to you a
21 little bit about now is our newest venue, and that's the
22 tavern gaming.

23 MR. RYAN: Sure.

24 REP. GINGRICH: And you did talk about the
25 numbers as a new budget line item so that we hope you are

1 adequately covered for the expenses involving the
2 investigations and so on that fall under your purview.

3 MR. RYAN: Thank you.

4 REP. GINGRICH: And it was allotted, you know,
5 for what do we look at, maybe 500 investigations this year
6 and another 1,500 based on the projection of 2,000
7 licenses.

8 MR. RYAN: Yes.

9 REP. GINGRICH: So that would beg the question
10 for the group, where are we in numbers of applications or
11 ongoing conversations getting to the point that will
12 generate those licenses at this point?

13 MR. RYAN: Wow. That's a wide-open question,
14 Representative.

15 REP. GINGRICH: Yes.

16 MR. RYAN: We are certainly at the very, very,
17 very beginning from what we hear.

18 REP. GINGRICH: Okay.

19 MR. RYAN: We have received two applications from
20 LCB.

21 REP. GINGRICH: All right.

22 MR. RYAN: I believe LCB has received five. They
23 may have had to send two back because they weren't complete
24 or one back because it wasn't complete.

25 REP. GINGRICH: Okay.

1 MR. RYAN: And they are working on the others.

2 REP. GINGRICH: Okay.

3 MR. RYAN: So the numbers so far aren't great.

4 REP. GINGRICH: All right.

5 MR. RYAN: But I think we have to remember that
6 this just began the 27th of January. Certainly, there
7 seems to be a lot of interest in it. Our Agency, along
8 with Revenue and Liquor Control, as you, I'm sure, know,
9 undertook public meetings in seven parts of the State that
10 were very, very well attended by tavern owners.

11 REP. GINGRICH: Yes.

12 MR. RYAN: There were hundreds of people at all
13 of them.

14 REP. GINGRICH: Yes.

15 MR. RYAN: So there is great interest.

16 REP. GINGRICH: Right.

17 MR. RYAN: I think there's also concern expressed
18 and felt by tavern owners. There's hesitation for a lot of
19 these entities. They are small. You might call them
20 mom-and-pop-type businesses where the burdens placed on
21 them may look great. And it wouldn't be surprising if
22 tavern owners, now that they have the information, are
23 going to look and see and think and decide, is this
24 something we want to get into?

25 REP. GINGRICH: Right.

1 MR. RYAN: And I wouldn't be surprised that -- in
2 fact, I expect that the number of applications is going to
3 increase. It will pick up speed. And I think as it picks
4 up speed, tavern owners in an area seeing their neighbors
5 doing it will feel, hey, I've got to get in on this too.

6 REP. GINGRICH: Okay.

7 MR. RYAN: So I guess the bottom line is it's so
8 early right now for such a new, brand-new, and relatively
9 complex type of activity that I think we all have to give
10 it considerably more time. I really do.

11 REP. GINGRICH: I recognize that.

12 MR. RYAN: Right.

13 REP. GINGRICH: And, you know, with the frozen
14 tundra outside that we've been dealing with for months, I
15 imagine the revenues probably have been even less in
16 thinking about expanding and taking on anything. They're
17 probably looking at that bottom line very closely. So I
18 understand that.

19 But there's another aspect I wonder about too.
20 And that is the conversation that we alluded to earlier,
21 the possible expansion of anything in gaming, Keno being
22 one of them, of course.

23 MR. RYAN: Right.

24 REP. GINGRICH: So have you had discussions, even
25 with the Governor's Office or with the Administration,

1 about Keno and the effect it could possibly have on
2 something like the tavern games?

3 I would assume if I owned a tavern or a
4 restaurant and was interested in this, I'd be watching that
5 myself and wanting to know more about whether I'd be
6 included in an opportunity there. Would that be easier to
7 implement? Would my bottom line be favored by each? Have
8 you had any discussions on that?

9 MR. RYAN: No, Representative, we have not.

10 REP. GINGRICH: Okay.

11 MR. RYAN: This has been an Administration
12 initiative from the beginning.

13 REP. GINGRICH: Yes.

14 MR. RYAN: And it's one that the Department of
15 Revenue has been involved in. We had discussions last year
16 on a few issues, but not on the nuts and bolts of what this
17 is about, which, of course, is exactly what you're talking
18 about. We have not, no.

19 REP. GINGRICH: And we don't know either and
20 neither do the tavern owners.

21 MR. RYAN: Right.

22 REP. GINGRICH: So while we're projecting 2,000
23 licenses -- and there's a lot of reasons why in the very
24 beginning things don't, you know, go as rapidly as maybe we
25 wish they would.

1 MR. RYAN: Sure.

2 REP. GINGRICH: I imagine there's potential for
3 it. But I do think there's a lot of reasons why there's
4 speculation on whether or not -- and until we know that --
5 we don't know it either as a Legislature.

6 MR. RYAN: Right.

7 REP. GINGRICH: I know you will have those
8 conversations when we get close to that point.

9 MR. RYAN: I would expect so, yes.

10 REP. GINGRICH: Thank you so much.

11 MR. RYAN: Sure.

12 REP. GINGRICH: And thank you, Mr. Chairman.

13 MAJORITY CHAIRMAN ADOLPH: Thank you.

14 Representative Mike Carroll.

15 REP. CARROLL: Thank you, Mr. Chairman.

16 Gentlemen, I'm to your left.

17 MR. RYAN: Okay.

18 REP. CARROLL: Thank you for being here this
19 afternoon. To follow up on the Chairwoman's commentary
20 relative to Keno, I wanted to drill down on that if I could
21 a little bit.

22 MR. RYAN: Sure.

23 REP. CARROLL: I know again it's, you know, under
24 the purview of the lottery here, but as I understand Keno,
25 there really are two choices here with respect to the way

1 this could be operated, a terminal-based option or a
2 lottery-based option, which is the New York model, as I
3 understand it, having visited facilities in New York that
4 operate Keno.

5 Does the choice of the Keno provider affect what
6 you would expect to happen in our casinos going forward?

7 MR. RYAN: Kevin.

8 MR. O'TOOLE: The method of play is significant.
9 I can share with you certainly that from the casino
10 regulatory perspective, our current license slot
11 manufacturers do produce a Keno theme to gain for slot
12 machines.

13 REP. CARROLL: Okay.

14 MR. O'TOOLE: And our gaming lab, when we get
15 those submissions, we review that game software. And if it
16 meets our standards, including the required payout
17 percentage, we give the slot manufacturer authority
18 approval to sell that product.

19 REP. CARROLL: Okay.

20 MR. O'TOOLE: And the casinos in Pennsylvania do
21 have some portion, relatively small, but some portion of
22 their slot machines offer a Keno-related theme.

23 REP. CARROLL: But that really wasn't the
24 question.

25 Do you envision a reduction in the slot revenues

1 primarily? I wouldn't think that it would affect table
2 games as much. But do you expect a reduction in slot
3 revenues if either of the Keno alternatives are implemented
4 in Pennsylvania? Would either of those Keno alternatives
5 have a more significant impact on slot revenues?

6 MR. O'TOOLE: It's difficult to project that. If
7 it's a central computer system that randomly selects
8 numbers and transmits those numbers to all of the licensed
9 lottery facilities that can offer Keno, it's a game of Keno
10 being played differently. So that might draw a different
11 component of customers.

12 REP. CARROLL: Okay. And this is not a question,
13 just a commentary at the end here. The commentary I had
14 with the Secretary of Revenue when he was here, I do think
15 we have to be cautious in Pennsylvania with the continuing
16 and ongoing default to adjust an additional type of
17 gambling in order to solve every financial problem that the
18 Commonwealth faces.

19 We really do have to get to a point -- I know
20 other s on the panel have offered this observation as well.
21 But, you know, to default to another type of gaming can't
22 be the solution for every problem we have in the
23 Commonwealth.

24 I don't expect an answer on that. I appreciate
25 your testimony. Thank you.

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MR. O'TOOLE: Thank you.

REP. CARROLL: Thank you, Mr. Chairman.

MAJORITY CHAIRMAN ADOLPH: Thank you.

Representative Seth Grove.

REP. GROVE: Thank you, Mr. Chairman.

Thank you, gentlewoman.

MR. RYAN: Thank you.

MR. O'TOOLE: Thank you.

REP. GROVE: Good to see all the Commissioners here as well. For actually, I guess, the beginning of really the Property Tax Relief Fund, we've been at roughly \$595 million for a while now. Are we drawing money from the Reserve Fund to pay for that currently?

MR. RYAN: It is my understanding we are not.

REP. GROVE: Okay. Is there worry with some of the declines we've seen in slot revenue that the property tax allocation will be unsustainable over the long term?

MR. RYAN: That's a tough question for us to answer.

REP. GROVE: Okay.

MR. RYAN: From where we are, I think it would probably be better posed to the Budget Office because they are the ones who take care of those issues.

REP. GROVE: Okay.

MR. RYAN: All I can say is that the decline so

1 far has not been steep.

2 REP. GROVE: Okay.

3 MR. RYAN: Are we concerned about it? Yes.

4 REP. GROVE: Okay.

5 MR. RYAN: But it's not been steep.

6 REP. GROVE: All right.

7 MR. RYAN: There are some factors it could be
8 caused by that really tell us not that we're going to
9 continue to decline but that we're just not going to
10 continue to go up forever and ever and ever.

11 REP. GROVE: Right.

12 MR. RYAN: We may have reached a plateau or close
13 to it because the revenue, as it is now, is being produced
14 by casinos that now have been open for a while.

15 REP. GROVE: Yes.

16 MR. RYAN: There are no new casinos being opened,
17 no big \$50 million payments to increase the fund where we
18 have perhaps stability and what we are seeing is a market
19 that's just mature.

20 REP. GROVE: Okay.

21 MR. RYAN: The people who, when they saw this
22 convenience in their neighborhoods or not too far away
23 said, hey, I want to go there, I've never been to a casino,
24 well, many of them have gone there and decided, yes, I like
25 it. Perhaps others have gone to it and decided, no, it's

1 not for me.

2 REP. GROVE: Right.

3 MR. RYAN: So what the hope is is that what we
4 have is stability. That's about the best Kevin and I can
5 offer you right now.

6 REP. GROVE: Yes. And one of the reasons I was
7 bringing that up is, it's obviously a hot topic in some
8 areas in Pennsylvania.

9 MR. RYAN: Sure.

10 REP. GROVE: I would kind of urge my friends over
11 in the Senate to move House Bill 1189 to put other options
12 on the table to start driving down property taxes so maybe
13 we wouldn't be so focused on how much slot revenues are
14 going to property tax relief.

15 MR. RYAN: Right.

16 REP. GROVE: Two other followups.

17 MR. RYAN: Sure.

18 REP. GROVE: The \$36.1 million that was provided
19 as a loan from the General Fund, what's the time frame for
20 the repayment of that?

21 MR. RYAN: That does not have to be repaid by law
22 until all 14 of the casinos are up and running.

23 REP. GROVE: Okay.

24 MR. RYAN: That's as I understand it.

25 REP. GROVE: Any time frame on that?

1 MR. RYAN: Well, it's up and running sometime
2 possibly in the next five years.

3 REP. GROVE: Okay.

4 MR. RYAN: But I can't say for sure.

5 REP. GROVE: Okay.

6 MR. RYAN: It depends on some things happening.

7 REP. GROVE: All right.

8 MR. RYAN: I can only tell you a possible.

9 REP. GROVE: Okay. And final question, the final
10 Cat 3 license is slotted for 2017. That enabling
11 legislation, is that a discretion up to the Commission to
12 offer that out or is it a compelling language that you have
13 to?

14 MR. RYAN: I believe, as I read it, it's not
15 compelling.

16 REP. GROVE: Okay.

17 MR. RYAN: I believe the Board does have
18 discretion there.

19 REP. GROVE: And does that count as the 14th for
20 the repayment?

21 MR. RYAN: No. I believe that's an additional.

22 REP. GROVE: Okay. I appreciate that.

23 MR. RYAN: Sure.

24 REP. GROVE: Thank you.

25 MR. RYAN: Thank you.

1 REP. GROVE: Thank you, Mr. Chairman.

2 MAJORITY CHAIRMAN ADOLPH: Thank you.

3 Representative Cherelle Parker.

4 REP. PARKER: Thank you, Mr. Chairman.

5 Good afternoon, gentlemen.

6 MR. RYAN: Good afternoon.

7 MR. O'TOOLE: Hello.

8 REP. PARKER: Great to see you all. And always a
9 special thanks and great to see you, Chairman, Speaker
10 McCall, along with Annmarie Kaiser. And I know that I
11 sound like a broken record. But when I see you, Annmarie,
12 and the other young lady sitting in the back -- I can't
13 remember your name -- estrogen is important. And I will
14 always repeat that when this Board comes in front of us
15 because diversity is extremely important.

16 My first question, obviously, is about the
17 Category 2 in Philadelphia. Tell us about the timeline. I
18 think you guys just finished with the suitability hearings.
19 Tell us about the timeline. When do you think a decision
20 will be made? How long before construction starts?

21 MR. RYAN: Well, there is light at the end of the
22 tunnel for all of us.

23 REP. PARKER: Okay.

24 MR. RYAN: You're correct, Representative, that
25 the suitability hearings have been completed. The record

1 has been closed. That took place at the end of January.

2 REP. PARKER: Okay.

3 MR. RYAN: The next procedural move in the
4 progression will be the oral arguments of the applicants.
5 And they will most likely be scheduled in front of the
6 Board on February 26th.

7 REP. PARKER: Okay.

8 MR. RYAN: Each of the applicants will be given
9 15 minutes, not to present new testimony, but to, as
10 lawyers say, sum up and argue to the Board why their
11 particular project is the best and should be the one
12 selected by the Board.

13 REP. PARKER: Okay.

14 MR. RYAN: And when that is finished on the 26th,
15 the issue will be in the hands of the Board.

16 REP. PARKER: Okay.

17 MR. RYAN: And it will be our job to begin
18 deliberations with the hope of reaching a decision.

19 REP. PARKER: Okay.

20 MR. RYAN: Where it goes beyond February 26th
21 exactly, I can't tell you. I will tell you that as
22 Chairman, it is my hope that we can get a decision by the
23 end of April.

24 REP. PARKER: April. Okay.

25 MR. RYAN: That is my hope.

1 REP. PARKER: Right.

2 MR. RYAN: I haven't been through this before.
3 But I know that the hopes and dreams of the Chairman in
4 this situation sometimes get smashed against reality.

5 REP. PARKER: Right.

6 MR. RYAN: We have the reality of the vote that
7 has to take place. It's not a straight majority, as we all
8 know. That has in the past, as I understood it, lengthened
9 the process.

10 REP. PARKER: Okay.

11 MR. RYAN: But it is my hope to have a decision
12 by the end of April.

13 REP. PARKER: Okay.

14 MR. RYAN: After that, assuming that the Board
15 chooses a particular project and grants a license,
16 assuming, then it would be, I expect, very, very, very,
17 very, very likely that a disappointed applicant will
18 appeal, at least one.

19 REP. PARKER: Okay.

20 MR. RYAN: That will go to the State Supreme
21 Court.

22 REP. PARKER: Okay.

23 MR. RYAN: How long that takes, nobody can be
24 sure. I would think a minimum of six months, the maximum
25 10 months, 15 months, 18 months. It could be longer. I

1 don't know.

2 REP. PARKER: Okay.

3 MR. RYAN: So that's really where we are right
4 now.

5 REP. PARKER: Well, Mr. Chairman, we know that
6 you can't etch anything in stone.

7 MR. RYAN: Right.

8 REP. PARKER: But we sort of appreciate you just
9 giving us some projections on what a timeline can look
10 like, particularly for the people in Philadelphia who have
11 been down this road before and thought that we would see
12 the economic benefit, not just for the Pennsylvania economy
13 but for the Philadelphia economy, immediately and we would
14 see something moving. And we know what happened, the
15 disaster that took place the last time.

16 MR. RYAN: Sure.

17 REP. PARKER: So I appreciate you just giving us
18 your projections about what a potential timeline could look
19 like.

20 MR. RYAN: Sure.

21 REP. PARKER: In addition to that, on Friday,
22 April the 12th, 2013, I had the opportunity to provide
23 testimony in front of the Board during one of your public
24 hearings regarding that Category 2 license in Philadelphia.

25 MR. RYAN: Good.

1 REP. PARKER: And my testimony specifically
2 focused on Section 1212 of Chapter 12 and Title 4,
3 particularly as it related to diversity.

4 MR. RYAN: Okay.

5 REP. PARKER: And one of the things that I talked
6 about during my public testimony that I wanted to make sure
7 I reinforced for the benefit of the Board today is to
8 please remember in your deliberations the importance of
9 that section and the goals, not only just for employees,
10 but in ownership opportunities. And if it would be at all
11 possible for you to give us an overview of what diversity
12 and ownership in Pennsylvania looks like today.

13 MR. RYAN: Okay.

14 REP. PARKER: If you don't have those stats on
15 hand, I would appreciate it if you could forward that
16 information directly to Chairman Adolph and Chairman
17 Markosek.

18 MR. RYAN: Sure.

19 REP. PARKER: Because aside from the vendors and
20 the businesses, that is important to us. And your staff
21 has been excellent in making sure they forward that
22 information when we get questions.

23 MR. RYAN: Good.

24 REP. PARKER: But I haven't seen any information
25 as it related to diversity and ownership.

1 MR. RYAN: I know we don't have that with us,
2 Representative.

3 REP. PARKER: Okay.

4 MR. RYAN: But we would be more than happy to
5 forward what we do have to the Committee. That's no
6 problem.

7 REP. PARKER: Thank you, Mr. Chairman.

8 MR. RYAN: Sure.

9 REP. PARKER: And the final thing I wanted to
10 add, sir, is that for the record -- and we've heard a lot
11 of conversation about what we want, you know, the next
12 casino to look like in Philadelphia.

13 MR. RYAN: Yes.

14 REP. PARKER: And aside from the gaming portion
15 of it, I just wanted to, on behalf of residents and
16 citizens of the city of Philadelphia, ask that the Board
17 please keep in mind the spinoff and economic impact in the
18 city of Philadelphia, not just in the gaming industry but
19 in the non-gaming industry.

20 MR. RYAN: Okay.

21 REP. PARKER: One of the things that we see that
22 has been extremely, you know, important and fruitful for
23 Nevada is that Nevada is thinking about family-friendly
24 kinds of activities that don't have anything to do with
25 gaming in essence but it's a part of what they're using to

1 attract tourists to come.

2 MR. RYAN: Sure.

3 REP. PARKER: Obviously, for the benefit of the
4 economy at large, but to help spur much-needed economic
5 development and have a larger economic impact in the city
6 of Philadelphia that we won't just think about the gaming
7 part but we'll think about construction, we'll think about
8 overall quality of life and how many other businesses will
9 grow.

10 MR. RYAN: Yes.

11 REP .PARKER: And during this time, if we needed
12 to create anything in Pennsylvania today as it relates to
13 our rankings, jobs should be No. 1. So I will hope in your
14 deliberations that you keep that in mind.

15 Thank you, sir.

16 MR. RYAN: Thank you, Representative.

17 REP. PARKER: Thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN ADOLPH: Thank you,
19 Representative.

20 Representative Dave Millard.

21 REP. MILLARD: Thank you, Mr. Chairman.

22 Gentlemen, thank you for appearing before this
23 Committee today.

24 MR. RYAN: Certainly.

25 REP. MILLARD: I'd like to talk to you about the

1 Racehorse Development Fund. The amount of revenues going
2 into the Pennsylvania Racehorse Development Fund, of
3 course, is dependent on the slots played at Category 1
4 facilities. In 2012-2013 the gross terminal revenue at
5 these facilities declined 5.7 percent.

6 In 2014-2015 the GTR at the Category 1 facilities
7 is again declining by 8 percent. And that's through
8 January of this year.

9 Can you speculate on the reason for the severe
10 declines over the past year and a half at the Category 1
11 facilities? And why don't we really see those declines at
12 Category 2 and 3 facilities?

13 MR. RYAN: I guess we can try, Representative.

14 REP. MILLARD: Thank you.

15 MR. RYAN: Certainly a big part of the problem
16 has been Presque Isle Downs because of competition from
17 Horseshoe -- Caesars Horseshoe in Cleveland. When that
18 casino opened, it really did impact the casino up at
19 Presque Isle Downs. I think that probably has been a big
20 part of it. And 2012-2013 was down 9.98 percent. I'm not
21 sure exactly what that is about.

22 REP. MILLARD: Okay.

23 MR. RYAN: But as I look at the other casinos,
24 they all seem to be pretty much the same. The Meadows,
25 seven seven -- although SugarHouse was down four nine six;

1 Mount Airy, four six six; Hollywood, only five six one.

2 REP. MILLARD: Okay.

3 MR. RYAN: The Sands, down ten nine. Anticipate
4 Mohegan down five three nine.

5 REP. MILLARD: Okay.

6 MR. RYAN: So I think a big part of the problem
7 has been Presque Isle Downs.

8 REP. MILLARD: Okay.

9 MR. RYAN: Kevin, do you want to comment on that?

10 MR. O'TOOLE: No. I definitely agree. The
11 competition in Cleveland was noticeable as soon as the
12 Cleveland property opened up.

13 REP. MILLARD: Okay. The Governor again this
14 year is proposing to redirect funds from the Racehorse
15 Development Fund to fund the Animal Health and Diagnostic
16 Commission, the Pennsylvania Veterinarian Lab, the transfer
17 to the Farm Product Show Fund, and my favorite payments to
18 the Pennsylvania State Fair to \$3 million.

19 Now with declining revenues being deposited into
20 the Racehorse Development Fund over the past 18 months,
21 would you care to speculate on what you think the impact
22 will be in the redirection of these funds, what it will
23 have on the racehorse or ag industries in Pennsylvania?

24 MR. RYAN: Representative, I would be reluctant
25 to comment because it would be a guess. I think, as I

1 understand it -- correct me if I'm wrong -- there have
2 been, for a number of years, carve-outs of funds at least
3 this great for other purposes that we know aren't directly
4 involved with the agricultural industry or at least the
5 horse race industry.

6 REP. MILLARD: Okay.

7 MR. RYAN: I think, as I understand it, from what
8 you're saying, this carve-out is along the same lines. I
9 don't know what further changes would be wrought by it.
10 Certainly, you'd like to have all the money.

11 REP. MILLARD: Sure.

12 MR. RYAN: But I think the better people to ask
13 that question of would be in the Department of Agriculture.
14 They might be able to tell you a little bit more easily
15 what they see because they're right on top of the issue
16 because they deal directly through the associations with
17 the industry. And I think you may get a more satisfying
18 answer from them than you would from me.

19 REP. MILLARD: Indeed you can be assured I will
20 be asking that of them.

21 MR. RYAN: Sure.

22 REP. MILLARD: And finally, do you think that the
23 addition of a second casino in Philadelphia -- I know the
24 gentlelady and some others talked about the second casino
25 in Philadelphia. But do you think it will increase the

1 amount of monies deposited into the Racehorse Development
2 Fund or do you think it's going to be very competitive with
3 the other Category 1's or 2's that are located in that
4 area?

5 MR. RYAN: Well, I don't think the fact that
6 there will be a new Category 2 will have any impact on the
7 Racehorse Fund because, as you indicated at the start of
8 your remarks, the key number you have is daily slot take at
9 the casinos that do have racetracks. That is that's the
10 key number.

11 REP. MILLARD: Okay.

12 MR. RYAN: And it's the fluctuations in that
13 number that can cause the increase or the decrease in funds
14 going into the Racehorse Fund.

15 REP. MILLARD: Okay.

16 MR. RYAN: I don't think a new Category 2 which
17 doesn't have a racetrack would have any impact, although it
18 would just spread the burden of funding the Racehorse Fund
19 among another track. So it would lighten the burden on all
20 the other tracks.

21 REP. MILLARD: Well, I think that's our concern,
22 too, that it's being built in a general area, southeast PA,
23 that will take away from the other Category 1 facility that
24 is there and the impact that it would have.

25 MR. RYAN: Right.

1 REP. MILLARD: I certainly appreciate your
2 comments. I appreciate both of you being here today.

3 MR. RYAN: Thank you.

4 MR. O'TOOLE: Thank you.

5 REP. MILLARD: And thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN ADOLPH: Thank you.

7 Representative Dean.

8 REP. DEAN: Thank you, Mr. Chairman.

9 Welcome to the Board. Welcome to the Director,
10 Chairman.

11 MR. RYAN: Thank you.

12 MR. O'TOOLE: Thank you.

13 REP. DEAN: I'd like to understand better your
14 major source of funding, the Section 1401 deposits. Can
15 you explain to me how that works? It makes up something
16 like \$31 million. How does that work?

17 MR. RYAN: The 1401 accounts are created by that
18 section of the gaming law and require the casinos to pay
19 over every day 1 and a half percent of their revenue above
20 and beyond their 55 percent tax or their 14 percent tax to
21 pay over that.

22 That money is placed -- I believe the Revenue
23 Department, isn't, Kevin?

24 MR. O'TOOLE: Yes.

25 MR. RYAN: -- into accounts. And that money then

1 becomes the source for the regulatory missions of -- or one
2 of the key sources for the regulatory missions of our
3 office, the Office of Attorney General, State Police, and
4 the Department of Revenue.

5 REP. DEAN: Okay.

6 MR. RYAN: The other part of our funding is a
7 restricted funds account which is built up because of fees
8 and costs that are imposed directly on licensees,
9 manufacturers, and other people who are licensed by the
10 Board and also investigative costs that are charged because
11 of investigations and actions brought by the Office of
12 Enforcement Counsel against individuals or against casinos.

13 REP. DEAN: Okay.

14 MR. RYAN: So that funding also goes into an
15 account. And that's a restricted funds account that
16 represents the rest of the funding that we rely on.

17 REP. DEAN: And with the 1401 accounts, that's a
18 weekly, a daily or a weekly, collection and it's every week
19 of the year?

20 MR. RYAN: Daily.

21 REP. DEAN: Daily?

22 MR. RYAN: Yes.

23 REP. DEAN: 365 days a year?

24 MR. RYAN: Yes.

25 REP. DEAN: And it's some percentage? I think

1 you said 1 and a half.

2 MR. RYAN: It's 1 and a half percent.

3 REP. DEAN: Above the --

4 MR. RYAN: Above the 55 and above the 14.

5 REP. DEAN: Has that in the past or does it now
6 ever generate a surplus?

7 MR. RYAN: Yes. I believe it's in surplus now.
8 I'm not exactly sure what it is.

9 REP. DEAN: Okay.

10 MR. RYAN: Kevin, are you aware?

11 MR. O'TOOLE: Generally, there's some surplus.
12 The distributions that DOR makes to the four regulatory
13 agencies oftentimes concludes by the end of April. And
14 they make an assessment at that time as to what to do, if
15 anything, with the surplus.

16 REP. DEAN: Okay.

17 MR. O'TOOLE: And last year DOR did advise the
18 casinos that for approximately eight weeks, they did not
19 have to make that 1.5 percent assessment.

20 REP. DEAN: So they got an eight-week break based
21 on good collections?

22 MR. O'TOOLE: They had an eight-week break.
23 Correct.

24 REP. DEAN: Okay. All right. And where does the
25 surplus stand now? How much is there?

1 MR. O'TOOLE: We don't have that information
2 directly. We'd have to make an inquiry with the Department
3 of Revenue.

4 REP. DEAN: Okay. If we could get that number,
5 that would be great.

6 MR. O'TOOLE: Sure.

7 REP. DEAN: And then what does Pennsylvania do --
8 and obviously it comes within your control and your
9 responsibility -- regarding compulsive or problem gambling?

10 MR. RYAN: Pennsylvania has done a lot. And this
11 is an issue we all discuss frequently all the time.

12 REP. DEAN: Okay.

13 MR. RYAN: We take the issue very seriously.

14 REP. DEAN: Okay.

15 MR. RYAN: In 2006, the Board created the office
16 of compulsive and problem gambling by creating that office
17 under the purview of a director who reports directly to
18 Kevin.

19 REP. DEAN: Okay.

20 MR. RYAN: The Board has demonstrated its
21 commitment to protecting the public by striving to
22 understand and lessen the devastating effects of problem
23 gambling.

24 REP. DEAN: Okay.

25 MR. RYAN: Under the Board's regulations, each PA

1 licensee is required to comply with an approved compulsive
2 and problem gambling plan.

3 REP. DEAN: All right.

4 MR. RYAN: Each plan -- and this is important.
5 Each plan contains policies and procedures on problem
6 gambling, underage gambling, and intoxicated gambling,
7 self-exclusion and exclusion. These include procedures on
8 the detection of problem gamblers and how to refer these
9 individuals to treatment providers.

10 REP. DEAN: Okay.

11 MR. RYAN: As directed in the plans and the
12 Board's regulations, casino employees must undergo problem
13 gambling training as part of their employment orientation.
14 They must also receive annual problem gambling training
15 each year they are employed by the casino.

16 REP. DEAN: Okay.

17 MR. RYAN: These plans and the Board's
18 regulations also mandate that each licensee display a
19 problem gambling statement and help line number on all
20 advertising. Usually you've all seen it if you've been
21 around a casino. Gambling problem, call 1-800-GAMBLER for
22 help. This includes print advertising, TV and radio
23 commercials, social media sites, websites, and billboards.
24 And I should add here that such signage is also required to
25 be posted throughout the casinos.

1 And finally, the Board uses a very aggressive
2 self-exclusion program. And that has been extremely
3 successful. As of February 6th of this year, there have
4 been 6,444 requests for self-exclusion.

5 There have been 1,380 self-exclusion removals.
6 And just to elaborate, self-exclusion means that a person
7 who thinks he or she has a problem can go to one of our
8 offices in any of the casinos or one of our regional
9 offices or call up our main office here in Harrisburg and
10 come in and say, I think I've got a problem. I think I
11 should be excluded from the casino in Pennsylvania.

12 And our staff will very carefully meticulously go
13 through the issue with the person, including the signing of
14 forms, making sure the person is acting voluntarily. The
15 person can agree to exclude himself, herself, for a year,
16 five years, or life.

17 REP. DEAN: Okay.

18 MR. RYAN: And if the employee of the Agency is
19 satisfied that it's being done voluntarily, then the
20 paperwork is signed and the person is informed that now you
21 can't come back in this casino or any other casino in
22 Pennsylvania. If you do and you're caught, you could be
23 charged with a summary offense of trespass.

24 REP. DEAN: And how many folks have gotten into
25 this process? You said 1,300?

1 MR. RYAN: It's 6,444 people have been put on the
2 self-exclusion program.

3 REP. DEAN: Okay.

4 MR. RYAN: 1,380 have asked to be removed. And
5 25 percent of those who have removed their names from the
6 list place themselves back on.

7 REP. DEAN: Okay.

8 MR. RYAN: So they realize they do have a
9 problem. So we think this is a very, very effective way to
10 do what we can to assist people who have a problem and to
11 protect all the people who rely on them.

12 REP. DEAN: And do you have any sense of how many
13 people have used the 1-800-GAMBLER line, the numbers for
14 those calls?

15 MR. RYAN: I don't. But I'm sure we can get you
16 a number.

17 REP. DEAN: And if somebody calls 1-800 -- and I
18 don't want to misquote the number. What is it?

19 MR. RYAN: It's 1-800-GAMBLER.

20 REP. DEAN: If somebody calls that line separate
21 from the application that you just described, what other
22 resources come to bear? What else would the person be
23 eligible for sponsored by or supported by the State?

24 MR. RYAN: Well, the State through funds that are
25 obtained from gaming revenue through the Department of Drug

1 and Alcohol Abuse receives about \$5 million a year and has
2 set up, I believe, approximately 80 locations in the State
3 where people can go for treatment. Even if they don't have
4 the funds, they can still go.

5 So this is a source where people can get
6 professional help for a problem that has gotten control of
7 them. So that also is a huge, huge benefit.

8 REP. DEAN: I think it sounds very valuable. If
9 you could offer us the numbers of folks who have sought
10 that kind of treatment, I think it would be valuable.

11 MR. RYAN: We should be able to do that,
12 Representative.

13 REP. DEAN: My final thought is maybe more of a
14 comment. I'd like to echo what Representative Carroll and
15 others have said. And I'd be curious -- and I'm sure it's
16 not something you can fully discuss here -- to hear what
17 your conversations are like about what is the socially
18 responsible level of gambling in society? not just the
19 fiscally responsible.

20 We may be hitting a plateau in terms of revenues
21 and saturation of gaming and gambling. But what's the
22 socially correct level of gambling that we, as a State,
23 want to encourage and partner in?

24 I don't know if you can comment on that. But
25 it's something that concerns me.

1 MR. RYAN: I think everybody is concerned about
2 it. We can't really comment beyond saying that there is a
3 concern. We regulate. We don't set policy. And that's
4 not a copout. But certainly all of us on the Board
5 understand your statement, believe me.

6 REP. DEAN: Thank you.

7 MR. RYAN: Sure.

8 REP. DEAN: Thank you very much for your work.

9 MR. RYAN: Certainly.

10 REP. DEAN: Thank you, Mr. Chairman.

11 MAJORITY CHAIRMAN ADOLPH: Thank you.

12 Representative Curt Sonney.

13 REP. SONNEY: Thank you, Mr. Chairman.

14 Gentlemen, thank you for being here.

15 MR. RYAN: Thank you.

16 MR. O'TOOLE: Yes.

17 REP. SONNEY: I'd like to just talk for a minute
18 about the enforcement aspect specifically within the
19 operations of the casinos. In other words, I would assume
20 that, you know, basically what they're probably dealing
21 with the most is dealing with either underage people trying
22 to gamble or drink, theft of one kind or another. I assume
23 all of these issues when they arise are brought back and
24 brought to the attention of the Board.

25 MR. RYAN: I don't know if all of them are. But

1 certainly many of them are, yes, brought to our attention
2 by the Bureau of Investigation and Enforcement and the
3 Office of Enforcement Counsel.

4 REP. SONNEY: Okay.

5 MR. RYAN: Yes.

6 REP. SONNEY: And then when it comes to any
7 adjudication of these that result in fines, is that done by
8 the Board?

9 MR. RYAN: Yes, it is.

10 REP. SONNEY: Okay.

11 MR. RYAN: If you have an underage gambler who is
12 caught, he's frequently charged criminally. And what then
13 often happens is BIE and OEC bring him in front of the
14 Board to have him excluded.

15 REP. SONNEY: Okay.

16 MR. RYAN: And what I can tell you we have done a
17 number of times since I've been on the Board is, if the
18 young person is 19 or 20, the Board frequently excludes the
19 person for a year after his 21st birthday.

20 REP. SONNEY: Okay.

21 MR. RYAN: That would be an example.

22 REP. SONNEY: All right.

23 MR. RYAN: As far as the casinos themselves, we
24 look very carefully at the problem of underage gambling,
25 underage drinking, having excluded people on the premises.

1 We try to determine, how did it happen?

2 REP. SONNEY: Sure.

3 MR. RYAN: Was there negligence on the part of
4 the casino?

5 REP. SONNEY: Okay.

6 MR. RYAN: Were employees negligent?

7 REP. SONNEY: Okay.

8 MR. RYAN: And if wrongdoing, not criminal
9 wrongdoing, but if negligent conduct is determined to have
10 been a factor in one of these incidents, then the office of
11 enforcement counsel will bring an action again in front of
12 the Board to have a fine imposed upon by the Board.

13 REP. SONNEY: Okay.

14 MR. RYAN: Perhaps there would also be added
15 conditions, that the casino has to improve its training or
16 repeat training or change its rules of discipline for its
17 employees so they understand the ramifications of just not
18 checking the ID of a person who is obviously not much over
19 21, if over 21 at all, and it turns out the person is 18.

20 REP. SONNEY: Okay.

21 MR. RYAN: So there are issues like that that
22 often boil up.

23 REP. SONNEY: Is it the underage that is the most
24 prevalent or is it more, you know, theft or some other
25 area?

1 MR. RYAN: Underage is, I guess, one of the
2 biggest.

3 REP. SONNEY: Okay.

4 MR. RYAN: I haven't really compared them. Theft
5 crimes are also brought in. And what the Board will do if
6 the Office of Enforcement Counsel brings it in front of the
7 Board, it may ask that the person be excluded from all the
8 casinos in Pennsylvania. And the Board will, in my
9 experience, frequently do that.

10 REP. SONNEY: Is it only the Board that can
11 impose a fine back to the casinos?

12 MR. RYAN: Yes.

13 REP. SONNEY: And on a yearly basis, I guess, for
14 the last few years, do you have any idea of what that
15 amount might be?

16 MR. RYAN: I think it's been a little over
17 500,000 a year. I think it's been 4 million total since
18 back in '06.

19 REP. SONNEY: Okay.

20 MR. RYAN: It averages around 500,000 a year.

21 REP. SONNEY: So it's fairly consistent?

22 MR. RYAN: Yes.

23 REP. SONNEY: So we haven't really seen, you
24 know, much more of this in the beginning and seeing it
25 taper off the challenges. The same challenges still seem

1 to exist for the operators, the casino owners themselves,
2 as far as the problems that they're dealing with every day?

3 MR. RYAN: Kevin, you have a longer perspective
4 than I do on that.

5 MR. O'TOOLE: Well, I think probably in the last
6 three to four years, we have built up our staff in the
7 Office of Enforcement Counsel to handle these matters in an
8 expeditious way.

9 REP. SONNEY: Okay.

10 MR. O'TOOLE: So I think there's probably been
11 more fines in the last three to four years than in 2006 or
12 2007.

13 REP. SONNEY: Against the owners or the
14 operators, right?

15 MR. O'TOOLE: Against the operators, yes.

16 REP. SONNEY: Okay. Thank you.

17 MR. O'TOOLE: Sure.

18 REP. SONNEY: Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN ADOLPH: Thank you.

20 Representative O'Brien.

21 REP. O'BRIEN: Thank you, Mr. Chairman.

22 Good afternoon, gentlemen. Welcome.

23 MR. RYAN: Thank you.

24 MR. O'TOOLE: Good afternoon.

25 REP. O'BRIEN: Chairman Ryan, you may remember on

1 your first appearance before the Gaming Oversight
2 Committee, I expressed in very harsh terms my total
3 contempt for the Board. I have to tell you, after the
4 process that you've just gone through in Philadelphia, I
5 have to express my total respect for the Board.

6 MR. RYAN: Thank you.

7 REP. O'BRIEN: You've done a really good job.
8 You've been open. You've been transparent. You've taken
9 the time to listen and be judicious.

10 MR. RYAN: Thank you.

11 REP. O'BRIEN: Now, as you know, I'm not a fan,
12 really not a fan of gaming. But nonetheless, it is and
13 shall be.

14 MR. RYAN: Right.

15 REP. O'BRIEN: Now, if you can, take a moment for
16 me and do as statistical of an analysis as you can on why a
17 new license in Philadelphia will not cannibalize Parks,
18 SugarHouse, Harrods and Valley Forge.

19 MR. RYAN: Representative, believe me, I would
20 love to engage in that with you but I can't because, as you
21 know, we are discussing the possible licensure of a second
22 casino in the city of Philadelphia.

23 REP. O'BRIEN: Yes.

24 MR. RYAN: We are deep into the process. The
25 deliberate process is here. And as, I'm sure you saw, sir,

1 if you paid attention to the coverage of the suitability
2 hearings, there was a great deal of coverage, a great deal
3 of coverage of the issue which you discussed.

4 REP. O'BRIEN: Yes.

5 MR. RYAN: And clearly that is an issue that is
6 before the Board. And because that issue is before the
7 Board, because it's part of what we have to deliberate
8 about in reaching a decision, under law, I, and any other
9 member of the Board, am not free to discuss the merits of
10 this issue except with my fellow commissioners when we meet
11 in executive session.

12 REP. O'BRIEN: I know you're fully aware that the
13 legislative mandate upon you was to make a buck. So I hope
14 you make the right decision to make a buck.

15 Thank you, gentlemen.

16 MR. RYAN: Thank you.

17 Thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN ADOLPH: Thank you,
19 Representative O'Brien.

20 Representative Karen Boback.

21 REP. BOBACK: Thank you, Mr. Chairman.

22 My question is specific to property tax relief.
23 If you had a pie chart, can you give me a percentage of
24 what goes out to the Homestead and Property Tax Relief
25 Fund, a percentage?

1 MR. RYAN: I think I can break this down, even
2 though I'm not always very good with numbers,
3 Representative.

4 REP. BOBACK: Thank you.

5 MR. RYAN: I think you have the \$595 million that
6 goes to the school districts. And it's my understanding
7 that that also goes to wage reduction in the city of
8 Philadelphia.

9 REP. BOBACK: Okay.

10 MR. RYAN: There is another \$160 million, as I
11 understand it, that is transferred to the Lottery Board and
12 that funding goes to extend payments to senior citizens who
13 rent or own and allows, as I understand it, the income
14 level to be a little bit higher for recipients.

15 REP. BOBACK: Okay.

16 MR. RYAN: And in addition, I believe that \$160
17 million also allows people with disabilities who are
18 between 45 and 60 to receive either rebates on rent or help
19 with real estate taxes. I believe that's the way it's set
20 up.

21 REP. BOBACK: And I'm familiar with that program.
22 Of course, that program is needs driven.

23 MR. RYAN: Yes.

24 REP. BOBACK: But the homestead property tax
25 relief, that goes to every member of the Commonwealth,

1 correct, via their school district?

2 MR. RYAN: That's correct. Although I think that
3 is also in some way needs driven. And I only say that
4 because when I look at school districts in my county, the
5 lower-income school districts get relatively more than the
6 more affluent districts.

7 REP. BOBACK: Yes. And I understand that.

8 MR. RYAN: Okay.

9 REP. BOBACK: My concern is that 595 million.
10 That seems to be a stagnated number. I don't remember that
11 ever being increased even though we've expanded to table
12 games. Why is that so? Why isn't each property owner
13 getting a little bit more at least for the Homestead Act?

14 MR. RYAN: Well, the table games, remember, is
15 not part of that funding source. Table games go into the
16 General Fund. So they're off the table. That table games,
17 as I understand it, could go into that fund if the Rainy
18 Day Fund reached \$750 million, I believe.

19 REP. BOBACK: Okay.

20 MR. RYAN: I don't know when that will happen.
21 But I don't think it's anywhere close to that now. But I
22 think that's what it would take for table games revenue to
23 go into that fund that you're concerned about.

24 REP. BOBACK: Well, why the stagnant number?
25 Because we've seen casinos, in fact, since its inception, I

1 think, two new casinos came on board. But it's still the
2 595 million. We just don't see any increase. Is there a
3 reason for that?

4 MR. RYAN: Well, that's done, I believe, by the
5 Budget Director. But I can also tell you that one reason
6 for the relative consistency in the size of the fund is
7 that back when it started, it received, that is the fund,
8 about \$550 million, which were, of course, the licensing
9 fees for 11 casinos.

10 REP. BOBACK: Okay.

11 MR. RYAN: And then it got another 10 for the
12 licensing fees for the Cat 3's. So all that money went
13 into the fund.

14 REP. BOBACK: Okay.

15 MR. RYAN: That's a one-time shot of about \$560
16 million. Then, of course, you had the expansion of gaming,
17 which was able to take it up some. But also what the
18 expansion of gaming did was replace the one-shot money.

19 REP. BOBACK: Okay.

20 MR. RYAN: I would refer you to the Office of the
21 Budget for a more exact estimate. But certainly that's a
22 big reason why it hasn't taken off the way some people
23 think it should when they see the increase in revenue after
24 more casinos were opened in '08, '09, and '10.

25 REP. BOBACK: Will we ever see an increase, do

1 you feel?

2 MR. RYAN: Boy, I really don't know, ma'am.

3 REP. BOBACK: Okay.

4 MR. RYAN: I think it depends on how the casinos
5 do. Is it possible? Sure.

6 REP. BOBACK: Thank you.

7 MR. RYAN: You're welcome.

8 REP. BOBACK: Thank you for your time.

9 MR. RYAN: Sure.

10 REP. BOBACK: Thank you, Mr. Chairman.

11 MAJORITY CHAIRMAN ADOLPH: Thank you.

12 Representative Matt Bradford.

13 REP. BRADFORD: Thank you, Mr. Chairman.

14 I want to follow up on one of the issues you had
15 mentioned. You mentioned the expansion of gaming into
16 table games and the impact.

17 I know at the time that we voted on that, it was
18 stated that, unlike slot terminals, it would be a job
19 creator for Pennsylvania. And that would be an additional
20 impact positive from the expansion of gaming.

21 Can you give me some idea of what kind of job
22 creation we saw from the addition of table games? That
23 might be a question better answered, I guess, by the
24 Executive Director.

25 MR. O'TOOLE: Certainly. Thank you.

1 REP. BRADFORD: Sure.

2 MR. O'TOOLE: We experienced when the rollout
3 occurred in 2010 about 5,500 to 6,000 jobs attributed to
4 the rollout of table games.

5 REP. BRADFORD: Okay.

6 MR. O'TOOLE: And subsequent to that, SugarHouse
7 opened later in 2010 and our two Category 3's.

8 REP. BRADFORD: Okay.

9 MR. O'TOOLE: So that's increased the total
10 number of table-game-related employees.

11 REP. BRADFORD: Okay.

12 MR. O'TOOLE: So it had a significant effect on
13 job creation.

14 REP. BRADFORD: And how much additional revenue
15 to the Commonwealth is attributed just to the table games
16 portion?

17 MR. RYAN: I don't have that figure directly.
18 But that's easily obtainable and we could give it to you.
19 Each casino -- you know, some casinos generate a little bit
20 better on the table games than others. So it's not a fixed
21 percentage at every property.

22 REP. BRADFORD: Do the amount of jobs continue to
23 grow in table games or is that pretty much a stagnant
24 number, that 5,500 to 6,000?

25 MR. O'TOOLE: It grows during expansions. We

1 have seen multiple expansions at the Sands Casino in
2 Bethlehem. And every time they add another 15 or 20 table
3 games, they have to increase their dealer staff and their
4 floor supervisor staff. We do see an uptick in jobs when a
5 casino expands.

6 REP. BRADFORD: Does their license limit the
7 number of tables they can have at each casino?

8 MR. O'TOOLE: Yes. But it's a high number. It's
9 250 tables.

10 REP. BRADFORD: Okay.

11 MR. O'TOOLE: And I believe the Sands, with their
12 most current operational plan change, it brings them up to
13 about 200 tables.

14 REP. BRADFORD: So they're the only one that's
15 close to their ceiling on table games?

16 MR. O'TOOLE: Yes. They're at the highest, yes.
17 Correct.

18 REP. BRADFORD: Okay. One of the things that I
19 was wondering was, when we started, I think the effective
20 or the actual rate was 14 percent on table games, the tax
21 rate. When the Commonwealth cut that by 2 percent, was
22 there a tremendous expansion in terms of job creation?

23 MR. O'TOOLE: Was there an expansion in terms of
24 job creation? No. I don't think that jobs were related to
25 the decrease in the tax rate.

1 REP. BRADFORD: What was the logic for giving
2 that tax break to casino owners?

3 MR. O'TOOLE: It was a legislative determination.
4 I wasn't privy to the discussions on that.

5 REP. BRADFORD: Okay. Do you think there would
6 be any negative impact to going back to the 14 percent to
7 deal with some of the issues that Representative Boback
8 raised?

9 MR. O'TOOLE: Well, again, under the current law,
10 the table game revenue is not factored into property tax
11 relief.

12 REP. BRADFORD: Until it gets to the 750 million?

13 MR. O'TOOLE: Correct. But I think a bill
14 probably had that area down better than I do. It seems
15 like that's not a likely occurrence, although it could
16 happen.

17 REP. BRADFORD: It's not likely that we're going
18 to raise the tax or it's not likely that --

19 MR. O'TOOLE: We get to the --

20 REP. BRADFORD: I'm for raising that tax.

21 MR. O'TOOLE: -- point where the rainy day clause
22 needs to kick in.

23 REP. BRADFORD: Chairman, is that pretty much
24 your thought as well, without additional revenue, there's
25 no way we're ever going to get property tax relief out of

1 table games?

2 MR. RYAN: I think it appears from the state of
3 the economy and the way things are for the foreseeable
4 future is that slot revenue is going to have to be the
5 source. I think it makes sense to look there first. I
6 don't know that we can say anything more than that.

7 REP. BRADFORD: Right. I guess to follow up, it
8 sounds like job creation is divorced from the tax rate in
9 terms of table games. If that being the case, is there any
10 reason from the position of the Commission that we
11 shouldn't look at going back to the old tax rate on casino
12 owners in order to bring that revenue in? Would there be
13 any adverse reason from the Gaming Commission?

14 MR. RYAN: Well, I mean, do you factor in -- are
15 you saying, sir, that you're concerned that the tax rate is
16 too low on table games?

17 REP. BRADFORD: I think the rate should be --
18 again, if you're asking me a question, I guess my answer
19 would be tax rate in a case of something that's a syntax
20 should be set as high as possible in order to generate as
21 much revenue for the common good. So if we could get 14
22 percent without losing jobs, why wouldn't we?

23 MR. RYAN: Again, I would have to join Kevin in
24 saying I'm not sure what the reason was. I would guess
25 that some people in the industry convinced people in the

1 General Assembly that, hey, we do need to get it down. You
2 have to remember one thing, in fairness to the industry,
3 slots are relatively labor unintensive. Not so with table
4 games.

5 REP. BRADFORD: Right.

6 MR. RYAN: Table games you need far more people,
7 far more surveillance people, more employees on the floor
8 to make sure you maintain it.

9 REP. BRADFORD: Sure.

10 MR. RYAN: You can have more problems with table
11 games. You're going to have more counterfeiting, more
12 theft-type crimes.

13 REP. BRADFORD: Sure.

14 MR. RYAN: So it's a bigger deal.

15 REP. BRADFORD: Right. With respect to that, my
16 understanding is that's why the slot rate is almost 50
17 percent. And that's why the table games rate is 14
18 percent.

19 MR. RYAN: Right.

20 REP. BRADFORD: This isn't a theoretical
21 question. I think there is a distinction between those two
22 rates. But I think also we have a perfect control to
23 determine what rate was effective in terms of optimizing
24 revenue to the Commonwealth.

25 At 14 percent we created the same amount of jobs.

1 And then for reasons that have nothing to do with the Board
2 for, frankly, a flaw in the legislation that gave this cut
3 to casino owners, we went down to 12 percent.

4 If there's not going to be an impact on job
5 creation and the Board hasn't thrown out any negative
6 impact to the gaming industry in terms of job creation or
7 otherwise, it would seem like there's an opportunity there
8 to raise that tax and to bring in revenue rather than, you
9 know, introduce things like -- well, further gaming like
10 Keno or additional cuts to things like education.

11 MR. RYAN: Well, all I can say is it may damage a
12 casino enough for them to say, yeah, you're hurting us. I
13 don't know. Maybe the casinos are the places to go for
14 that answer.

15 REP. BRADFORD: Okay.

16 MR. RYAN: I don't think we can help you any
17 more.

18 REP. BRADFORD: No. No. I understand. And
19 again, I'll just wrap up with this because I know everyone
20 wants to get out before the storm. It seems to me that
21 there's a perfect control. This isn't some, you know,
22 theoretical, what's the right tax rate? What's the right
23 amount to charge for a license? We've already proven that
24 these casinos will operate, will hire, will optimize at the
25 higher rate.

1 MR. RYAN: Yes.

2 REP. BRADFORD: We've come down lower. We didn't
3 see an increase in jobs. It seems like we've already
4 proven there's revenue there. Why are we giving a tax
5 break to huge casino owners? You know, the Sheldon
6 Adelsons of the world are doing okay. A lot of regular
7 people could use an increase in minimum wage. I think this
8 is something we need to look at.

9 Thank you.

10 MR. RYAN: Thank you.

11 REP. BRADFORD: Thank you, Mr. Chairman.

12 MAJORITY CHAIRMAN ADOLPH: Thank you,
13 Representative.

14 Chairman, if it's possible, maybe you could give
15 my staff, as well as Chairman Markosek's staff, a
16 comparison of the various taxes that the casinos pay in the
17 Commonwealth of Pennsylvania as compared to, say, New
18 Jersey or Nevada or New York and so forth so we have an
19 idea of whether, as Representative Bradford has said, they
20 are not paying enough taxes to the Commonwealth.

21 MR. RYAN: I can do that, sir.

22 MAJORITY CHAIRMAN ADOLPH: Thank you. It would
23 be a very good comparison to see where we stand in
24 relationship to the other states.

25 MR. RYAN: Sure.

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MAJORITY CHAIRMAN ADOLPH: Gentlemen, I want to thank you for being here today. It's nice to see you.

MR. RYAN: Thank you.

MR. O'TOOLE: Yes, thank you.

MAJORITY CHAIRMAN ADOLPH: It's nice to see you. You're doing an outstanding job. The gaming industry in Pennsylvania is not without its faults.

MR. RYAN: Sure.

MAJORITY CHAIRMAN ADOLPH: But it would be a lot worse without the Gaming Control Board.

Thank you very much.

MR. RYAN: Thank you very much, Mr. Chairman.

MR. O'TOOLE: Thank you.

(The hearing concluded at 3:55 p.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Jean M. Davis
Notary Public