

House Appropriations Committee  
Pennsylvania Gaming Control Board  
Chairman William H. Ryan, Jr.  
February 12, 2014

Good afternoon, Chairman Adolph, Chairman Markosek and members of the Committee. I am Bill Ryan, Chairman of the Gaming Control Board. Joining me today is Kevin O'Toole, our Executive Director, and Commissioners John McNally, Keith McCall, Annmarie Kaiser, and Dave Woods who are seated behind us.

For Fiscal Year 2014-15, the Board's budget request for administration as recommended by the Governor is \$37,990,000. This represents an increase of \$1.1 million, or 2.9%, over our current fiscal year appropriation. Our requested increase is necessary to provide for additional anticipated costs of nearly \$1,949,000, with the largest cost drivers being increases in pension rates, which are up 32%, individual health benefits, which are increasing 8.1%, and salary increases pursuant to the collective bargaining agreement.

The Board's budget request includes \$32.4 million for personnel and benefits and \$5.5 million for operating and fixed asset expenses.

The personnel budget supports 312 positions, down from 326 positions at the end of 2011 despite the opening of two casinos since that time. In spite of this reduction in staff, the Board anticipates benefit costs being \$4.4 million higher compared to Fiscal Year 2010-11, a 50% increase.

While reducing complement has played a very important role in keeping our budget increases to a minimum, lean operating costs have also helped achieve this goal. In fact, the

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Board anticipates that operating costs for Fiscal Year 2014-15 will be at their lowest levels since Fiscal Year 2005-06.

As you know, the operations of the Board are not funded by general tax revenue. In fact, the Board's budget is funded completely by assessments on the casino industry that are above and beyond the taxes that the industry pays on slot and table game revenue. Therefore, the Board's budget does not impact the amount of tax revenue generated by gaming. That being said, the Board is very cognizant of the need to regulate strictly but efficiently, and our Fiscal Year 2014-15 budget request reflects that.

The Board's funding comes from two independent funding streams. 81.6% of our proposed budget is generated from weekly deductions from accounts established within the Treasury for each casino. These accounts are established under §1401 of the Gaming Act to fund operations of the four gaming regulatory agencies.

18.4% of our proposed budget is restricted revenue, which is generated when slot manufacturers, licensees and applicants are billed for specific costs incurred by the Board's gaming laboratory or investigative staff for database searches, fingerprint fees, travel, gaming lab operating costs, and designated application and investigative fees that can be directly attributed to licensees, manufacturers or applicants.

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We have provided the Committee with a handout containing additional information on our budget request, how Pennsylvania has benefitted from the gaming industry, and historical casino gaming revenue and tax revenue on a fiscal year basis.

Finally, as I realize the Committee may be interested in how Pennsylvania fared on a calendar year over year basis, its worth noting that casino gaming revenue was down 1.4% and casino tax revenue was down 4.0% in 2013 when compared with 2012. However, despite the slight decreases, these figures still total over \$3.1 and \$1.4 billion, respectively, and Pennsylvania continues to bring in more tax revenue than any other state, annually funding important items such as property tax relief and the Pennsylvania Volunteer Fire Company Grant Program.

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



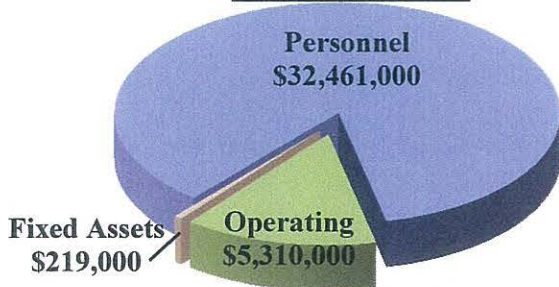
# Pennsylvania Gaming Control Board



## Fiscal Year 2014-15 Budget Request

The PA Gaming Control Board (“Board”) is an independent agency tasked with regulating the casino gaming industry in concert with the Pennsylvania State Police, Department of Revenue and Office of Attorney General. The Board’s annual appropriation helps ensure that the interests of the public are met through strict enforcement of the law and regulations that pertain to the operation of the casinos.

### Budget Overview



The Board’s budget request for administration as recommended by the Governor is \$37,990,000 for Fiscal Year 2014-15. This represents an increase of \$1.1 million, or 2.9%, over the Board’s current fiscal year appropriation, and is needed to cover additional anticipated costs of nearly \$2 million due to pension and health benefit rate increases and collectively bargained salary increases.

The Board’s \$37.99 million administrative budget includes \$32.46 million for personnel and benefits and \$5.53 million for operating and fixed asset expenses.

The personnel budget supports 312 positions, down from 326 positions at the end of 2011 despite the opening of two casinos since that time. In spite of this staff level reduction, the Board anticipates benefit costs being \$4.4 million higher compared to Fiscal Year 2010-11.

While reducing complement has played a very important role in keeping the Board’s budget increases to a minimum, lean operating costs have also helped achieve this goal. In fact, the Board anticipates that operating costs for Fiscal Year 2014-15 will be at their lowest levels since Fiscal Year 2005-06.

Each year, the General Assembly appropriates the Board with spending authority via two independent funding streams, which are funded in full by the gaming industry in addition to the taxes paid on slot and table game revenues. Therefore, the Board’s budget does not impact the amount of tax revenue generated by gaming. That being said, the Board is very cognizant of the need to regulate strictly but efficiently, and our Fiscal Year 2014-15 budget request reflects that philosophy.

One funding stream making up 81.6% of the proposed budget is generated from weekly deductions from accounts established within the Treasury for each casino. These accounts are established under §1401 of the Gaming Act to fund operations of the four gaming regulatory agencies.

The second funding stream making up 18.4% of the proposed budget is restricted revenue, which is generated when the Board bills slot manufacturers, licensees and applicants for specific costs incurred by the Board’s gaming laboratory or investigative staff for travel, database searches, fingerprint fees, gaming lab operating costs, and designated license fees that can be directly attributed to slot licensees, manufacturers or applicants.

### Funding Sources





## **Strict, Efficient Gaming Regulation**

The Fiscal Year 2014-15 budget request will continue the Board's commitment to efficiently implement strict gaming regulation. Overall, funding for the Board currently supports oversight of over 26,600 slot machines and 1,070 table games at 12 casinos throughout Pennsylvania.

Funding the Board's budget will allow staff to continue to protect the interests of the public. Here are just some examples of work performed during last fiscal year:

- The Office of Enforcement Counsel brought enforcement actions resulting in fines of \$530,590;
- The Bureau of Licensing produced over 11,000 credential badges for gaming industry employees, and processed nearly 8,500 applications for entities and individuals;
- The Bureau of Gaming Lab Operations reviewed 13,817 slot machine pay tables and 1,320 articles of associated equipment for legal integrity;
- The Bureau of Gaming Operations reviewed 1,091 internal control amendments, 415 table game submissions and 67 slot tournament submissions;
- The Office of Compulsive and Problem Gambling continued outreach to help increase registered the total number of individuals registered for the self-exclusion program to 6,425 (as of 2/1/14).

## **Tavern Gaming**

Recently, the General Assembly vested the Board with new responsibilities under the Local Option Small Games of Chance Act when Act 90 of 2013 was signed into law by Governor Corbett.

Specifically, the role of the Board under the Act is limited to conducting background investigations on applicants seeking a tavern gaming license through its Bureau of Investigations and Enforcement ("BIE"). Upon completion of background investigations, the BIE will transmit reports to the Pennsylvania Liquor Control Board for their consideration in determining whether to award a license.

The tavern gaming portion of the Board's budget does not require legislative approval. The Governor's Budget Office has established a restricted account dedicated to tavern gaming, which is separate from the Board's annually appropriated funds and is funded through investigative fees and costs paid by tavern gaming applicants. The Board's budget estimate for tavern gaming assumes 1,500 applications processed.

## **Local Law Enforcement Grant Program**

Every year pursuant to the Gaming Act, \$2 million is transferred from the State Gaming Fund to the Board for the purpose of issuing grants under the Local Law Enforcement Grant Program. Under this program, local law enforcement agencies may apply for grant funding which may be used to attend or conduct education and training events, defray costs associated with the investigation, prevention, deterrence or enforcement of laws related to illegal gambling, or prosecute crimes involving illegal gambling.

A maximum award of \$250,000 may be sought by any single local law enforcement agency.

More information about the Local Law Enforcement Grant Program, including grant guidelines and application forms, can be found by visiting [www.gamingcontrolboard.pa.gov/?p=48](http://www.gamingcontrolboard.pa.gov/?p=48).

## *Benefits for Pennsylvanians*

Since the inception of legalized casino gaming in Pennsylvania, the Commonwealth has received over \$9 billion in revenue from taxes and license fees, and continues to bring in more tax revenue from its casinos than any other state in the country. Below are some highlights of how Pennsylvanians benefit.

### *Property Tax Reduction*

Through 2013, over \$4.7 billion has been distributed throughout the Commonwealth for property tax relief, and the Governor's budget estimates that nearly \$772 million will be made available for property tax relief in 2014. These amounts include funding for statewide general property tax relief, the expanded senior citizen Property Tax/Rent Rebate Program and a reduction in the Philadelphia wage tax.

### *Other Revenue Distributions*

Through 2013:

- Nearly \$1.45 billion has benefitted the horse racing industry;
- Over \$800 million has been distributed to counties and municipalities that host casinos;
- Over \$700 million has been generated for the PA Economic Development and Tourism Fund;
- Over \$675 million has been generated for the Commonwealth's General Fund;
- \$235 million has been generated for the Volunteer Fire Company Grant Program;
- Nearly \$28 million generated for the Compulsive and Problem Gambling Treatment Fund;
- \$15 million has been generated for drug and alcohol addiction treatment;
- \$10.5 million has been generated for the Local Law Enforcement Grant Program.

### *Jobs*

At the end of 2013, Pennsylvania casinos employed 16,565 employees. Of this number, 91% are Pennsylvania residents, while 31% are minorities.

<b>CASINO (thru 4th Quarter 2013)</b>	<b>EMPLOYEES</b>
<i>Sands Casino Resort Bethlehem</i>	2,157
<i>Mohegan Sun at Pocono Downs</i>	1,951
<i>Parx Casino</i>	1,852
<i>The Rivers Casino</i>	1,793
<i>Harrah's Philadelphia Casino and Racetrack</i>	1,596
<i>Meadows Racetrack and Casino</i>	1,349
<i>Mount Airy Casino Resort</i>	1,222
<i>Valley Forge Casino Resort</i>	1,185
<i>Hollywood Casino at Penn National Race Course</i>	1,150
<i>SugarHouse Casino</i>	1,097
<i>Presque Isle Downs and Casino</i>	876
<i>Lady Luck Casino Nemacolin</i>	337
<b>Total</b>	<b>16,565</b>

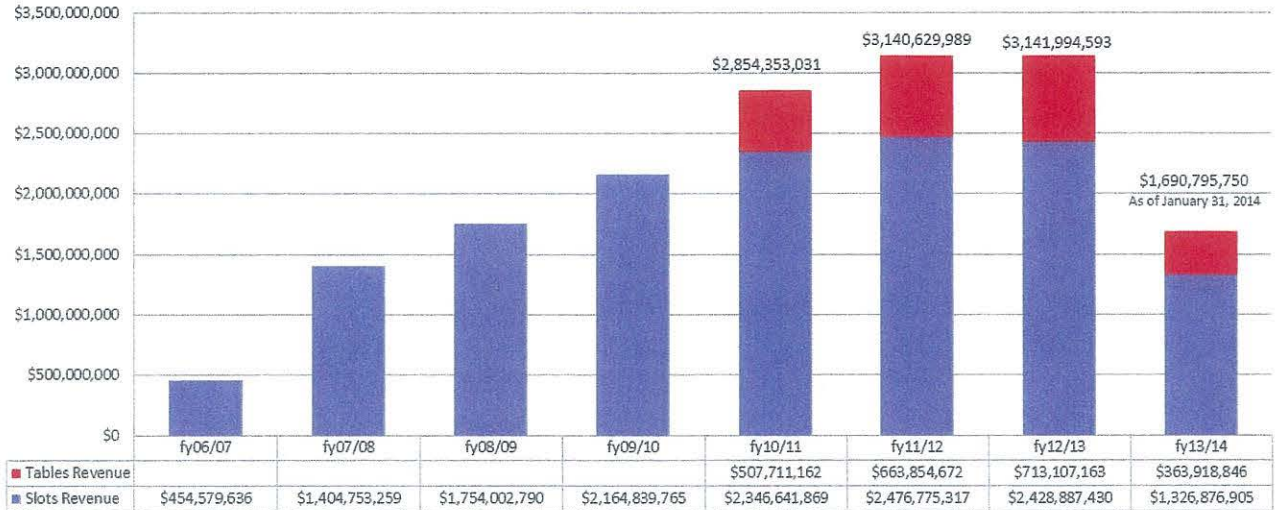
In addition, the casino industry has created nearly 14,000 construction jobs since the outset of gaming.



## Revenue Update

While 2013 marked the 1<sup>st</sup> calendar year in which Pennsylvania casino revenue decreased, revenue did slightly increase on a fiscal year basis in 2012-13. Specifically, while slot machine revenue was down 1.9%, a 6.9% increase in table game revenue ultimately led to an overall revenue increase of \$1.36 million.

### Casino Gaming Revenue by Fiscal Year



Despite this slight increase, tax revenue from casino gaming was down approximately \$41 million, or 2.8%, in Fiscal Year 2012-13. This was primarily due to the decline in slot revenue, though the scheduled 2% table games tax rate reduction for most casinos also contributed to the decrease.

### Casino Gaming Tax Revenue by Fiscal Year

