

House Gaming Control Committee Testimony  
March 15<sup>th</sup>  
Presented By Jerry McArdle,  
Pennsylvania Licensee and Tavern Games Permit Holder  
Member of PA Licensed Beverage & Tavern Association

Thank you Chairman Payne, Chairman Kotik and members of the House Gaming Control Committee for hearing my testimony today. My name is Jerry McArdle; a lifelong resident of Pennsylvania, owner of three PLCB licensed establishments, an employer to Commonwealth residents for the past 32 years, a longtime member of the PA Licensed Beverage & Tavern Association and the Delaware County Tavern Association.

Our association lobbied for the Tavern Game bill. We were supportive of your House Bill 1098, Chairman Payne, creating Tavern Games and it was passed in 2013. We are very appreciative of your support, Mr. Chairman. Upon passage, applications were able to begin being accepted by the PLCB on January 27<sup>th</sup>, 2014. We lobbied for Tavern Games to enable our small businesses to be able to offer some kind of gaming entertainment to our patrons as private clubs and casinos are permitted. While the final product became a lot different than originally written, it did allow retail licensees to "get a foot in the door" for some type of legal gaming in our businesses. As you know, we have advocated for legalizing video gaming terminals for 40 years in our establishments, understood that it was not possible in 2013, so Tavern Games becoming law was a positive move in the right direction.

As I mentioned earlier, I own 3 licensed establishments in the Commonwealth. Two are in Delaware County and one is in Lancaster County. I am a Tavern Game permit holder at one of my locations in Delaware County, Jack's Tavern. Attached to your copy of this testimony is Exhibit 1 outlining the steps I was made to take in order to be approved for this permit after decades of being a PLCB Approved Retail Licensee serving alcohol to the adult general public. As daunting as the application process was and the \$11,000 up front capitol it cost me, I took the leap with 50 other licensees to implement Tavern Games and was approved in March of 2015. I have recently been able to mark the occasion of making back my initial investment of \$11,000. I have paid \$30,000.00 to the Commonwealth in projected profit taxes. I believe the state has collected several hundred thousand dollars from Tavern Game permit holders in 2015 as was in 2014 but we were unable to gain confirmation of the dollar amount before this hearing.

Representative Masser's proposed language will go a long way to cut a lot of red tape in the application process which took 11 hours to complete and weighed 2 pounds in just paper. The removal of \$1000 fee for an FBI background check to be reviewed by the PA Gaming Control Bureau, the lowering from \$2000 to \$1000 for the initial application fee to the PLCB, and the removal of the \$500 fee to the state after approval speaks for itself. The thousands of dollars it has taken to get this permit are very expensive for small business owners and I consider myself

fortunate to have been able to afford it. Representative Masser also gives the hard-working small business owners the same privilege of private clubs that protect our liquor licenses from suspension or revocation unless there are 4 citations issued for Tavern Game infractions. Considering we pay a high tax up front on potential profits per game, our licenses are our only key to maintaining our livelihood and should not be held over our heads for a clerical error.

Representative Masser's proposed language also includes the addition of a weekly drawing to be included in Tavern Games. Currently we are able to offer a monthly raffle, a daily drawing, and pull-tab tickets. The weekly drawing is designed in the same manner as the daily drawing but it will be a better game for my customers to enter. These particular drawings raise no money for my business or the state but do increase traffic in my business. I use the monthly raffle to generate revenue for local charitable organizations I support. As you can see in Exhibit 2, the running of a monthly raffle in Jack's Tavern has enabled me to support our local football team, Little League team, Rose Tree Fire Company, and our Upper Providence Township Police. Since I do not make any profit from the drawings or the raffle, I do not pay taxes on these game since all money raised is given to or charitable organizations.

I am appreciative of the proposed changes and I plan on renewing my Tavern Games permit in March of 2016. Tavern Games has resulted in some of my patrons who play to stay longer and in return I have seen a small increase in food and beverage sales. Although I have now made my initial \$11,000 investment back, I have also had to add more hours to my already demanding schedule. I believe that more of our members will be interested in attaining the permit with the changes but many shy away from adding more work for themselves as small business owners are already working 70 plus hours a week to stay operating. Video Gaming Terminals are most attractive to retail licensees because it produces much more revenue to the state and the licensee without countless hours of labor involved on the licensee's part. I would incorporate VGT's in all three of my establishments.

Currently, there are licensees not incorporating Tavern Games because of the process and the labor involved so they are looking for options to increase revenue to match the increased costs of goods needed for their businesses. Right now licensees are incorporating "skill games" designed a lot like a slot machine because they don't have to spend more time working to see profits. Our association has conversed with PLCE on these machines per members' requests and was informed on Friday, March 11<sup>th</sup> that the Keystone Holdem and the Red White and Blue machines are legal. The PA Superior Court defined these particular games as being games of skill in their recent ruling. Please see Exhibit 3. Included in Exhibit 3 is a standard FAQ list for licensees to stay within the laws of the liquor code. Besides these now legal skill games that are showing up everywhere, there are also the 40,000 illegal poker machines that the casinos say are in Pennsylvania licensed establishments. Unlike pre-paid taxes on profits for Tavern Games or state computer regulated Video Gaming Terminals, the state doesn't collect or monitor any revenue on the types of

games that have proven very popular in our industry. Our small businesses need a new source of revenue to remain employing over 100,000 PA citizens annually and the state needs to increase revenue for the budget to avoid broad based tax increases. In my experienced opinion, video gaming terminals seem to be the best option in terms of profit, accountability, and labor costs for already struggling Pennsylvania small businesses, our taxpayers, and our state budget.

We'd like to thank Representative Masser for putting forward a proposal to improve the Tavern Game experience and entice others to get in the game. I'd like to take this opportunity to thank the Chairmen and committee members for hearing our testimony.

# Exhibit 1

**Tavern Game Testimony to House Gaming Control  
Committee**

**Presented by Jerry McArdle**

**March 15<sup>th</sup>, 2016**

**Re: Tavern Game Application Process for PLCB Licensed  
Small Business Owners**

There was a tavern application, individual application and an entity application.

Step 1. The individual application was 21 pages. It required a copy of the applicant's social security card, driver's license, a 1.5 inch square and UNMOUNTED photo with a MATTE finish that was taken within 60 days of the date the application was submitted AND it needed to bear the name of the individual, the liquor license and LID numbers and the address of the licensed premise...ALL on an UNMOUNTED 1.5 inch square photo. A U.S. Passport requires a 2x2 photo and this application wants a 1.5x1.5. I called at least 3 places to see if I could get a 1.5x1.5 and received negative answers so I sent in a 2x2 photo with each of our license applications and hoped we wouldn't get rejected.

Step 2. I needed to obtain an original criminal history summary from the FBI for the applicant. In the packet I had printed off there were Fingerprint Packet Instructions including a list of FBI-approved channelers. I had my fingerprints taken for an additional \$50.00.

Step 3. The individual application needs notarized in 2 places.

Step 4. The tavern application was 12 pages. The appendices needed were a current ownership and management table with ownership percentages, IRS Form 4506T and a copy of the most recent Federal Tax Return. I also needed the Tavern's Certificate of Incorporation, the date the corporation was formed, the Federal EIN, PA Department of Revenue Corporate Box Number, PA Worker's Compensation Policy Number, PA Unemployment Compensation Account Number, PLCB License and LID Numbers, PA Department of State Entity and our workman's comp policy number.

Step 5. This application now needs to be notarized in 2 places.

Here's the thing about the information that's requested:

- 1) PLCB has the manager's photo. It's required at the time the manager is appointed.
- 2) PCLB has already done a background check on the principles of the licensee and the manager. That's required in order to obtain a license.
- 3) A tax certification from the Department of Revenue is required and the PCLB obtains that. HOWEVER, a business has to be clear with the Department of Revenue in order to renew their license. So, if you have a valid liquor license...doesn't that imply you are clear with the Department of Revenue?

- 4) Anyone who has ever served on the board for a non-profit organization that had a fundraiser and used small games of chance has NEVER had to go through this type of background check for the same type of games. This is a contradictory license process.
- 5) On the FBI website, they charge \$18.00 for a background check. Yet, we were charged \$1,000 for an investigation fee.

Everyone who has interviewed me asks about how much money we are making. Let me tell you, I am not getting rich off of this. For example, on the game Pockets Full of Cash which is a pull tab game with 4 \$100 holders, the flare says our ideal profit is \$150. From that number I need to deduct sales tax, the cost of the game, the 65% tax and that leaves the business with \$26.90 which I then pay income tax on that figure.

As you know our weekly payout is capped at \$35,000 per week. For a tavern to pay out \$35,000 per week that means we are selling 87 games of Pockets Full of Cash each week. The 65% upfront tax would result in just one of our taverns paying \$45,522.75 PER WEEK at the time games were purchased which works out to \$2,367,183.00.

I give you this example so you can see how ridiculous the paperwork worrying about us going over our weekly payout amount really is.

The consensus among most licensees is that this process was made as difficult as possible to discourage licensees from applying.

# Exhibit 2

**Tavern Game Testimony to House Gaming Control  
Committee**

**Presented by Jerry McArdle**

**March 15<sup>th</sup>, 2016**

**Re: Charitable Donations**

February 24, 2016

To Whom It May Concern:

Over the past months Jack's Tavern, 18 State Road, Media, PA has donated \$1,300.00 to Rose Tree Colts Youth Football. These donations came from the proceeds of Tavern Charity Raffles. We look forward to more donations in the future.

Sincerely,

A handwritten signature in black ink that reads "S Resnick". The signature is written in a cursive style with a large initial "S" and a clear "Resnick" following.

Steven Resnick  
President Rose Tree Colts Youth Football



February 24, 2016

To Whom It May Concern:

Over the past months Jack's Tavern, 18 State Road, Media, PA has donated \$1,290.00 to Rose Tree Company. These donations came from the proceeds of Tavern Charity Raffles. We look forward to more donations in the future.

Sincerely,

*Matthew Poissant*

Matthew Poissant  
President Rose Tree Fire Company

February 24, 2016

To Whom It May Concern:

Over the past months Jack's Tavern, 18 State Road, Media, PA has donated \$1,290.00 to Media Little League. These donations came from the proceeds of Tavern Charity Raffles. We look forward to more donations in the future.

Sincerely,

A handwritten signature in cursive script that reads "Dell Bittle".

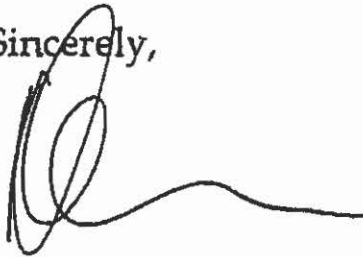
Dell Bittle  
President Media Little League

February 24, 2016

To Whom It May Concern:

Over the past months Jack's Tavern, 18 State Road, Media, PA has donated \$890.00 to the Upper Providence Elves. The Upper Providence Elves is a charitable organization that provides food baskets and gifts to needy families at holiday times. These donations came from the proceeds of Tavern Charity Raffles. We look forward to more donations in the future.

Sincerely,

A handwritten signature in black ink, appearing to be "David Montella", with a long horizontal flourish extending to the right.

Chief David Montella  
Upper Providence Township Police

# Exhibit 3

**Tavern Game Testimony to House Gaming Control  
Committee**

**Presented by Jerry McArdle**

**March 15<sup>th</sup>, 2016**

**Re: Skill Gaming Machines**

## THE FACTS:

1. No Special Licensing is required / Tavern Gaming or Small Games Of Chance
2. Bucks County & PA Superior Court decisions establish legality in Pennsylvania.
3. ██████████ has acknowledgement in writing from the PLCB that the use of games of skill in licensed establishments is "not prohibited".
4. PLCB Regulations DO prohibit gambling on licensed premises.
5. Video poker has been ruled a game of chance & thus gambling.
6. PLCB Licensees are permitted to hold self sponsored "tournaments, events or contests" subject to Subchapter C. Amusement and Entertainment, Section 5.32, Sub-Section (5) Regulations.
7. You must follow the Regulations to avoid a citation or violation.
8. You are permitted to award cash or merchandise prizes with NO Limit for each single tournament, event or contest.
9. You are permitted to award up to \$25,000.00 in prizes weekly.
10. Awards can be in cash or merchandise; no alcoholic products as prizes or awards.
11. It is strongly suggested you refrain from using tobacco products, firearms or weapons of any type as awards or prizes.
12. You must record the name and address of all persons who receive awards in excess of \$600.00 on an "approved form".
13. Records of all game proceeds and awards paid in excess of \$600.00 must be kept on premises for a period of 2 years.
14. There are no restrictions or time limits on the use of proceeds / profits derived from the usage and operation of games of skill.
15. It is strongly recommended you do not allow minors to play







Symbol	500	1000	2000	Symbol
777	500	1000	2000	777
777	300	600	900	777
777	150	300	450	777
777	75	150	225	777
777	20	100	150	777
777	22	20	75	777
777	9	6	9	777
777	2	4	6	777
777	1	2	3	777

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