

***Pennsylvania Association
Of
Nationally Chartered
Organizations***

PANCO

**Testimony provided to the
PA House Gaming Oversight Committee
Consolidation of Regulatory Oversight of Gaming
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Good morning Chairman Payne, Chairman Kotik and members of the House Gaming Oversight Committee. Once again it is a pleasure to be able to present the following testimony before this Committee. My name is Tom Helsel and I am the secretary of the Pennsylvania Association of Nationally Chartered Organizations. PANCO is comprised of individual lodges, posts and aeries of the Benevolent and Protective Order of Elks, the Loyal Order of Moose, the American Legion, the Veterans of Foreign Wars and the Fraternal Order of Eagles.

With House Bill 1891, Chairman Payne is offering the concept of consolidating the regulatory oversight of small games of chance to the PA Gaming Control Board. This would entail moving the legislatively enacted regulatory oversight given to the Department of Revenue under the Local Option of Small Games of Chance to the PGCB. PANCO believes that this proposal has merit yet with some reservations. We believe this a great opportunity to look into the pros and cons of shifting the oversight from Revenue and to address a few issues regardless of agency oversight.

A major concern to PANCO and its membership is the inability to obtain a binding legal opinion or for that matter, any legal opinion with regard to Small Games. Over the years there have been questions asked by our members on the operation and conduct of Small Games in which a binding legal opinion would have been beneficial. Unlike Act 61 of 1993 which requires the PA Liquor Control Board to provide binding legal opinions upon written request, Small Games is devoid of that opportunity. We would like to see a similar provision enacted with whomever the oversight agency is.

Act 2 of 2012 established a semi-annual reporting requirement for Club Licensees which was amended to an annual report by Act 90 of 2013. Due to various issues the first filling date did not occur until July of 2015. The biggest complaint we have received has been the amount of time and energy required to file the report. Act 2 requires the reporting of weekly income by type of game. For some larger organizations that alone could amount to well over 400 entries while for smaller clubs it amounts to over 150 entries. And that represents just the income reporting requirement. The Committee may recall the testimony from Colleen Freeman on April 23, 2015 on the trials and tribulations associated with Small Games record keeping and reporting.

It may be presumed one of the major reasons requiring a weekly tabulation on the annual report is the \$35,000 weekly payout limit and that a cursory review of those weekly payouts could potentially identify a possible violation. Should the weekly limit be removed, as being considered in HB1313, this reasoning is no longer relevant as no violation would have occurred. We would suggest that the annual report be simplified to require only annual totals for income and would agree that those totals could be delineated by type of game.

The current law and regulations require licensees to maintain small games records on a daily, weekly, monthly and annual basis. It is our belief that simplifying the annual report would not diminish transparency and since licensees would still be required to maintain those mandated records, any audit done by the oversight agency would pick up potential violations. Requiring licensees to file the extensive income information is akin to asking the personal taxpayer to report his income on a weekly basis on their PA-40. We are not suggesting that the requirement to list the proceeds be altered.

PANCO believes that HB1891 would be an ideal vehicle to make several necessary changes to the Small Games Act. Such changes would include the concepts included in Rep. Dan Moul's bill, HB1313 as well as the aforementioned changes. Several seemingly innocuous changes have been brought to my attention; 1) amending the definition of costs being able to be deducted from gross revenue to include costs associated with operating a raffle and 2) to allow a Club Licensee to operate small games off premises on limited occasions.

In defining proceeds, the money available either for charitable or club purposes, only the cost of purchasing the game as well as the prize payouts are permitted to be deducted before determining the proceeds. This may work well for most types of small games, but when it concerns raffles, there are numerous occasions when the organization provides other amenities within the price of the raffle ticket. In most of these occasions we are talking about providing some type of food, whether it is a sit-down affair or a buffet style. Where the costs of providing those amenities may be deducted is not clearly defined. Should they be deducted as a cost of the game, prior to determining proceeds, or as part of the club portion (40%) of the proceeds. We would argue that it represents a legitimate cost of the game and should be deducted prior to determining proceeds.

Many of our more rural members had historically operated small games of chance at community fairs. Act 2 eliminated the historical provision that had previously allowed club licensees to participate in that style of fundraising at those events. We would suggest either restoring the historical provision or the creation of a special occasion permit that would allow the same.

I appreciate the opportunity that you have provided and would like to commend the Chairmen and the Committee on the extensive time and energy that has been put forth for gaming in Pennsylvania and in particular Small Games of Chance.