

# **The Pennsylvania Gaming Alliance**



**Testimony Presented to the Pa. House Gaming Oversight  
Committee**

**Pa. Small Games of Chance Act**

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Good morning.

Chairman Payne, Chairman Kotik, members of the committee, and staff, my name is Mike Philbin, and on behalf of the Pa. Gaming Alliance, I want to thank you for the opportunity to appear before you today to discuss the operation of small games of chance in Pennsylvania. I also appreciate the opportunity to share with you our ideas for changes to improve the small games act, and enhance these games as a revenue generator for eligible organizations and businesses.

As I indicated at the Bingo Public hearing several weeks ago, the Pa. Gaming Alliance is new trade association established in Pennsylvania in May of 2015 to represent the interests of the approximately 100 manufacturers and distributors licensed in Pennsylvania to manufacture and distribute bingo and small games of chance products. Over 90% of these companies are small, family-owned businesses located in Pennsylvania. We established our Association because we don't believe that manufacturers and distributors have ever been in a position to be a resource or an advocate for the industry. We believe that we can offer the General Assembly a new and unique perspective on charitable gaming issues, and be a solid informational source on the gaming environments in other states around the nation.

As I indicated at the last hearing, I am the owner of Keystone Bingo Supply, located in Muncy, PA. We are licensed in PA as a distributor of bingo supplies and a distributor/manufacturer of small games of chance. Over the 25 years of owning my own company, and 39 years as a volunteer firefighter, I have been heavily involved in all the facets of the operation of small games of chance in the Commonwealth.

The purpose of our testimony today is to provide the committee with our perspective on the small games of chance climate, suggest changes to the law to enhance these games, and offer input on the small games environment in other states that we serve.

As you know, charitable organizations play a very important role in communities around the Commonwealth. Yes, these clubs offer a valuable social outlet to their members, their families and guests, but they offer so much more. Whether it's community service programs or charitable contributions for such things as college scholarships or drug free kid programs, these clubs play a unique and purposeful role in their local areas. Their long term financial health is important.

Small games of chance have been and remain a core fundraising mechanism to allow these organizations to raise essential revenue to fund certain aspects of their operations. As we know, it is a critical tool for them. It is also a tool that produces a winning formula for all involved: the organization, the community, and the members.

The General Assembly has visited the small games act on many occasions over the years to improve its usefulness and to establish financial accountability provisions. Most recently, Acts 2 and 184 of 2012 and Acts 90 and 92 of 2013 have implemented various changes to improve the small games environment. However, from the perspective of our organization, which works with clubs on a routine basis, many clubs are still struggling financially. Like many volunteer fire companies, they face financial strains that threaten their future. Their need for further enhanced fundraising options and a more workable small games act is critical to their future; in many cases involving smaller clubs, critical to their survival.

Therefore, we believe that the small games act should be visited again to further improve the fundraising ability of charitable organizations and to make other common sense changes to the act. The Pa. Gaming Alliance would recommend the following improvements to the small games act:

- 1) **Elimination of the \$35,000 weekly payout limit:** While the increases in prize limits in Act 2 and Act 92 were certainly helpful, the current \$35,000 weekly limit still hinders larger clubs from fully utilizing small games to raise revenue. In addition, with 60% of proceeds going to charity, the current limit unnecessarily handcuffs organizations from maximizing their charitable service and contributions. A small sampling of states that have no weekly limits on prize payouts include West Virginia, Ohio, Virginia, New York and Kentucky
  
- 2) **Elimination of the 4000 pull-tab ticket count:** The 4,000 limit of tickets in a pull tab deal is an unnecessary restriction that serves no purpose. It is an arbitrary number that hinders the type of product available to Pa. organizations and the sizes of the games they want to offer. From a game integrity or accountability standpoint, there is no difference between a deal of 4,000 tickets or 12,000 ticket because the payout to the player would still be 65%. Regardless of the size of a game, all tickets would carry the same game serial number. The only other state that I am aware of that limits a ticket count is Illinois.
  
- 3) **Sub Set Games** A sub set game is a break of a deal of tickets into smaller bags. In the example of have here, there are 200 tickets in a bag and a total of 20 bags. So the total

tickets in this deal is 4000. The payout percentage is 75% when all the bags of 200 tickets are sold. When a bag is sold, the seal on the card in the bag directs the player to the big board which tells them how much they are going to win. The winning amount is between \$75 and \$500. If the player wins the \$75 winner the payout percentage is 44%. If the player wins the \$500 winner the percentage is 256%. When the game entire games is complete, the total payout is at 75%.

Presently, subset games are not legal in Pennsylvania. Under Subchapter F, section 901.601 of department regulations, it says “ A deal may not be segregated into sub-deals or portions so that a part of a deal may be distinguished or played separately from the rest of the deal.” There are a number of states that allow sub sets such as New Jersey, Ohio, Maryland, New York, Indiana, Kentucky, Florida, Colorado Sub sets will allow organizations to sell a game were the winner can win up to \$500 without the need to sell at least 1000 tickets at one time before they can award the winner.

- 4) **Allow Progressive Pull Tab Games:** A progressive game takes a portion of the prize from one game and adds it to an accumulating jackpot. The jackpot prize increases until it is won or until the game has paid out the jackpot limit printed on the flare. The benefits of progressive games is that it adds more interest to playing the game and, over a period of time, it allows *smaller* clubs to have larger payouts without having to sell a lot of tickets at one time. It allows them to compete with larger clubs. Presently, the states of Ohio, West



Virginia, Kentucky, Virginia, Indiana, Minnesota, among many others allow for the playing of progressive games

- 5) **Ticket Machines and POS Software:** These tools are used by some clubs to track their gaming. They are expensive to purchase, especially for smaller clubs. For instance, a ticket machine for pull-tabs cost between \$4,000 to \$6,000, and they need to be replaced or rebuilt every 3-4 years. POS software costs between \$10,000 and \$20,000 and has monthly costs of up to \$200. We would recommend allowing clubs to pay for these items out of their proceeds, prior to the split with charities. This is a win-win scenario. More clubs would invest in these items to improve efficiency and record keeping, and the Commonwealth would have greater accountability over the financials of the games.
  
- 6) **Change Proceed Split:** Right now, the law requires a proceeds split of 60% for charities and 40% for clubs. Considering the financial state of many clubs in Pa, allowing them to keep a higher percentage of proceeds would be very beneficial to their long term stability, while still allowing them to furnish a substantial contribution for charitable purposes.

**Mr. Chairman,** those are our suggestions. The Pa. Gaming Alliance believes that loosening the reigns on clubs and other organizations with these and other practical changes to the Small Games of Chance Act will bring Pa. more in line with the fundraising privileges enjoyed by organizations in many other states. They will give

eligible organizations more tools through which to raise the necessary revenue to bolster their operations and provide meaningful contributions to their selected charities. Again, we believe it is a winning formula for everyone involved.

I want to thank you for the opportunity to appear before you today, and at this point, I want to turn it over to my colleague, Tony Devitz, who will provide you with testimony from the perspective of a manufacturer in Pa. I will be happy to answer any questions that you may have at the end of our presentation.