

**BEFORE THE HOUSE GAMING OVERSIGHT COMMITTEE**  
**TESTIMONY OF PENNSYLVANIA CASINO INDUSTRY**  
**REPRESENTATIVES REGARDING SO-CALLED GAMES OF “SKILL”**

Chairman Marshal, Chairman Conklin, and Members of the Committee, good morning. My name is Adrian King, and I am an attorney at the law firm of Ballard Spahr. I appear before you today on behalf of my client, Penn National Gaming, Inc., and its two Pennsylvania casinos: Hollywood Casino at Penn National Race Course (located in Grantville, Dauphin County), and Meadows Racetrack and Casino (located in North Strabane Township, Washington County). With me here today are my colleagues Mark Stewart from the law firm of Eckert Seamans – representing Parx Casino in Bensalem Township, Bucks County, Mohegan Sun Pocono Casino Resort, in Plains Township, Luzerne County, and Live! Casino Hotel, in Philadelphia – and Bill Downey from the law firm of Brownstein Hyatt Farber Schreck – representing Harrah’s Philadelphia Casino & Racetrack in Chester, Delaware County.

As many of you may know, on May 2, 2019 all of Pennsylvania’s thirteen (13) casinos joined together in an “Industry Letter” to House and Senate Leadership urging the General Assembly to enact legislation expressly declaring that so-called “skill” games are unlawful. Through your staff, we provided the Committee with copies of the letter, and I will not go through all of the topics and information addressed therein. But I will provide you with a summary of the letter’s key points:

**1. Skill Games are Illegal When Operated Outside a Licensed Gaming Facility**

Through Act 42 of 2017, the General Assembly specifically defined skill games as slot machines. There can be no dispute that the only legal place to operate a slot machine is in a licensed casino. As a result of Act 42, the trial court decision upon which skill games

proponents rely is no longer relevant or of any legal effect – just like any other court decision that is effectively reversed after the Legislature changes the law.

## **2. Skill Games are an Illegal Expansion of Gaming**

The rampant proliferation of skill games throughout the Commonwealth constitutes an illegal expansion of gaming and is fundamentally inconsistent with the express intent of the General Assembly. Specifically, in connection with the passage of Act 42, the General Assembly considered many options and proposals for expanded gaming, including some that would have led to gambling machines on every Main Street in every town across Pennsylvania (i.e. a full Illinois-style roll out of VGTs). The Legislature, however, rejected that approach, specifically declining to allow gambling devices in a limitless number of locations, irrespective of whether the games are determined by chance, skill or both.

## **3. Illegal Skill Games Siphon Revenue from the Commonwealth**

Illegal skill games do not generate any gaming tax revenue for the Commonwealth and, in fact, quite literally steal revenue from the General Assembly's top priorities of property tax relief and support for senior citizens. The proliferation of skill games cannibalizes existing legal gaming revenue of the Commonwealth's licensed casinos and, as you are already well aware, has undermined the financial condition of the Pennsylvania Lottery. The significant harm caused by skill games is widespread:

- Since 2006, legalized casino gaming has contributed more than \$12 billion in gaming tax revenues to the State Treasury. As the Commonwealth is the 54% stakeholder in casino slot machine revenues, it risks the biggest loss from the decline in gaming revenue caused by illegal skill games.
- In addition, gaming facilities in the Commonwealth directly employ nearly 18,000 people, approximately 90% of whom are Pennsylvanians and many of whom are union members. Every measure should be taken to shut down illegal gambling, like skill games, which threaten these employees and their family-sustaining jobs.

- Local companies and small businesses, which typically sell approximately \$230 million of goods and services to Pennsylvania casinos each year, will have a vital source of business put at risk, and senior citizens and homeowners will feel the pain of reductions in gaming revenue that would otherwise have gone toward property tax relief and rent rebate programs.
- Finally, county and local governments will also feel the ripple effects from decreased local share revenue as a result of illegal skill games, diminishing funds for first responders, human services programs, transportation and infrastructure improvements, and other economic development projects.

#### **4. Illegal SGs Provide None of the Public Protections of Legalized Gaming**

Beyond the damage done to the Commonwealth and its programs, skill games pose substantial risk of harm to the public. When the General Assembly authorized limited gaming in the Commonwealth, it did so with the primary objective of protecting the public. Skill games, however, afford the public none of the protections of legalized gaming contemplated by the General Assembly and imposed on all other forms of legalized gaming.

- No responsible gaming safeguards are in place to protect the public, such as a self-excluded list available to compulsive and problem gamblers.
- No precautions or restrictions are in place to prevent underage gambling on skill games by minors. Indeed, the placement of some skill games appear designed to encourage underage gambling, and I can attest to some of these machines being placed in convenience stores located in close proximity to schools.
- Businesses that manufacture and sell skill games, and those that host and offer them for play to the public, are not regulated in any way or required to complete a background investigation and demonstrate that they, and their principals, are of good character, honesty and integrity. No investigation is conducted to ensure their prior activities, criminal record, reputation, and associations do not pose a threat to the public interest.
- Skill games operations do not comply with anti-money laundering regulations, designed to protect against organized crime and efforts by terrorist groups.
- Skill game devices are not independently tested or verified, like slot machines are, nor are patrons assured of any quantum of fairness with respect to the play of the game or the payout odds.

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- Skill games deceptively resemble Lottery machines and traditional slot machines, often confusing customers into believing the games are legitimate and regulated machines.
- Skill games are placed in locations without the presence of police, security officers or regulators to oversee operations, resulting in a heightened risk of crime and public safety issues. The illegal skill games promise of “Play Here, We Pay Here” is an enticing invitation to criminals looking to make a quick score – a scenario that just occurred this April when three (3) men stole money from illegal skill game machines in a Hamburg convenience store.

In conclusion, skill games are bad for Pennsylvania, bad for senior citizens, bad for problem gamblers and most significantly, bad for children. They represent a bold repudiation of existing law, are out-of-control and must be removed from the Commonwealth. While under Act 42 skill games are already deemed illegal, proposed legislation such as Representative Hahn’s HB 1407, Representative Neilson’s HB 931, or Senator Tomlinson’s SB 710, should be approved since the provisions contained therein will strengthen existing law by making it a criminal offense for anyone to knowingly make, assemble, maintain, lease or sell skill games.

We appreciate the opportunity to appear before you today and are happy to answer any questions that you may have.