

Testimony on House Bill 2743
Submitted by J&J Ventures, PGCB Licensed VGT Terminal Operator

Presented to:

House Gaming Oversight Committee
Majority Chairwoman Helm
Minority Chairman Harkins
September 21st, 2022

Dear Chairwoman Helm and Chairman Harkins, members of the committee, thank you for having J&J Ventures here today to speak on House Bill 2743 sponsored by Representative Grove. My name is Amy Christie, and I am the Pennsylvania Director of Compliance and Business for J&J Ventures. Seated with me is Keith Johnson, Manager of Government Affairs.

J&J Ventures began as an amusement supplier for businesses in 1929 in Illinois. The company has grown exponentially with their selection of amusement games, ATMs, and regulated Video Gaming Terminals (VGTs) to now serving thousands of locations. J&J Ventures continues their path of growth in Pennsylvania with the recent acquiring of two PGCB licensed Terminal Operators, Second State Gaming and Commonwealth Gaming.

Our gaming partner locations in Pennsylvania range from independently owned businesses to corporate companies employing thousands of Commonwealth citizens. Each one of our clients chose to enter regulated gaming with the passage of the Expanded Gaming Act of 2017 allowing 5 Video Gaming Terminals in qualifying truck stops. VGT locations applied and cooperated with an extensive investigation of their finances, business history, and associates. Their accountability to consumers, the Board, and the state maintains the integrity of the VGT program including safeguards to prevent minors from gambling, and problem gaming prevention and education tools.

House Bill 2743 would remove the requirement of a truck stop to sell an average of 50,000 gallons of diesel each month over a 12-month period to qualify or maintain a license to operate Video Gaming Terminals (VGTs). All other property requirements would remain intact. As one of only a few operating licensed Terminal Operators in Pennsylvania, we'd like to offer our full support of this legislation for all VGT Truck Stop locations across the state. These locations continue to cooperate fully with PGCB regulations and generate notable tax dollars to benefit the Commonwealth taxpayer. There are now 66 VGT Truck stops totaling 330 machines as of the end of July 2022. These 66 locations have had staggered openings beginning in August of 2019 thru the latest opening of a location in June of '22. The state has collected over \$43M in VGT taxes from these 330 machines thru the end of July 2022.

While stringent regulations and laws are expected with a pilot program in a regulated gaming environment, we are hopeful the Legislature sees the program is working and would be amenable to moderate changes to support this industry created by the General Assembly's passing of the Expanded Gaming Act. On the high volume gallonage issue, we'd like to point to Illinois where we are also licensed which has a robust VGT program and specifically categorizes truck stop VGT locations differently from taverns or fraternal clubs. Qualifying Illinois truck stops pumping 10,000 gallons of diesel monthly are permitted to operate 10 VGTs. This has been a great program for those truck stop locations, especially in the current climate of inflation and high fuel prices. Comparatively, Louisiana also has a specific truck stop VGT category and allows 35 machines per location based on 50,000 gallons of diesel sold monthly, 40 VGTS if diesel sales are 75,000 monthly, and 50 VGTs if monthly sales are 100,000 gallons of diesel.

Pennsylvania truck stop owners that have chosen to adhere to the taxation and regulations to maintain their VGT license for 5 machines are facing the highest prices of diesel they have seen in their lifetimes. The average return for them on diesel sales is about .10 cents a gallon. Operating in the Commonwealth that currently has the highest gas tax in the nation along with the rise in gas/diesel prices has cost them sales at the pump. One of our clients explained that he is down a minimum of 10,000 gallons of diesel sales a month. He explained the decline as his truck customers fill up before entering Pennsylvania, drive as far as they can within the Commonwealth, and then only fill up as much as needed to make it to the next state.

While there may be some that express concern that removing or lowering diesel requirements will enable every local corner convenience store to implement a VGT room, we'd like to present some numbers provided by one of our corporate clients with 65 locations. Out of 65 stores in Pennsylvania, 51 of those offer diesel fuel. Only 14 of their locations meet the 3-acre land requirement for a VGT Truck Stop. The land requirement of 3 acres ensures that a typical neighborhood convenience store would not qualify for regulated VGT.

Our locations are concerned that they may not hit the required average of 50,000 gallons of diesel sales over a 12-month period if diesel prices continue to hover at such high rates. If that would occur, according to the law, they would need to remove the VGTs and turn in their VGT Location license. We encourage the Legislature to adjust the current diesel requirement to help these responsible owners and companies that want to host regulated and secure gaming producing millions of dollars in taxes for the Commonwealth.

We would be remiss to not take this opportunity to point to the licensed gaming employee requirement for truck stop owners that we hope the Legislature addresses soon. Pre-Covid the employee turnover rate at these locations were very high. Since Covid, our truck stop locations are having an even more difficult time in filling employee positions. Under the current law, truck stop owners who have chosen to be regulated in Pennsylvania are required to have a gaming licensed employee on premises to maintain the operation of the heavily camera surveilled VGT area. There have been more instances of VGT room closures due to the current labor shortage which does cost the location owner, likewise the Pennsylvania taxpayer, important revenue.

To receive this license, the employee must complete an arduous background investigation including disclosure of bank account information, family members information, a 15-year employment history, 10-year residential history, IRS paperwork, and fingerprinting. Currently, a truck stop employee with 5 VGTs is licensed the same as a casino employee surrounded with hundreds of slot machines, additional table games, and sports betting. It's important to note that truck stop employees are unable to manipulate the software within a VGT, alter denominations, or reach the cash inside of a VGT or the redemption centers. Some viable options to consider decreasing this burden may be the Illinois requirement of one gaming licensed employee per truck stop or classifying a VGT truck stop employee to a PGCB non-gaming license which requires a state police background check. Another component that could

be utilized is the prevention by VGT Customer Assistance Program which discusses prevention of minors and recognizing problem gaming. Options and tried methods are available to help these owners and help the industry.

Thank you for your time to learn more about the nuances of the Video Gaming Terminal industry in Pennsylvania and more importantly, the small businesses that support this initiative for the betterment of the Commonwealth. We look forward to discussing how to best help the industry as a whole and lending our expert advice on regulated gaming in truck stops.