



PA House of Representatives
Republican Policy Committee

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Harrisburg, PA 17120
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Rep. Joshua D. Kail
Chairman

PA House Republican Policy Committee Hearing

“Regulating Skill Games”

March 26, 2024, at 9 a.m.

**Republican Caucus Room
Room 418, Main Capitol Building
Harrisburg, PA**

- 9:00 a.m. Welcome and Pledge of Allegiance
- 9:10 a.m. **Michael Barley**
Chief Public Affairs Officer, Pace-O-Matic, Inc.
- 9:15 a.m. **Jim DeLisio**
Vice President, Pennsylvania Licensed Beverage and Tavern Association
- 9:20 a.m. **Cmdr. Stephen Holmes**
Commander, American Legion Post 733
- 9:25 a.m. **Questions for the Testifiers**
- 9:55 a.m. **Closing Comments**



Testifier Biographies

PA House of Representatives Policy Committee Hearing *"Regulating Skill Games"*



Michael Barley
Chief Public Affairs Officer, Pace-O-Matic, Inc.

Serving as the Chief Public Affairs Officer since 2019, Michael Barley has played a pivotal role in positioning Pace-O-Matic as the nation's premier skill games developer.

Michael holds a Bachelor of Arts in English Literature from Millersville University.



Jim DeLisio
Vice President, Pennsylvania Licensed Beverage and Tavern Association

Jim DeLisio wears multiple hats as the Vice President of the Pennsylvania Licensed Beverage and Tavern Association and the proprietor of the Racehorse Tavern, a family-operated establishment in Thomasville, PA, for over three decades.

Originally from Brooklyn, NY, Jim brings over three decades of experience from his tenure at Harley Davidson, where he retired in 2010.



Cmdr. Stephen Holmes
Commander, American Legion Post 733

Cmdr. Stephen Holmes stands at the helm of American Legion Post 733, the Ephraim Slaughter American Legion, in Harrisburg, PA, overseeing a membership of 600+ individuals across various auxiliary groups.

The American Legion, founded in 1919, serves veterans, servicemembers, and communities nationwide, boasting a membership of nearly 2 million in over 13,000 posts worldwide.

Mike Barley, Chief Public Affairs Officer for Pace-O-Matic

(House GOP Policy Committee Hearing on March 26 at 9 a.m.)

Thank you chairmen and members of the committee. I'm Mike Barley, Chief Public Affairs Officer for Pace-O-Matic, the company that provides software for Pennsylvania Skill games.

I am happy to have the opportunity to speak to the committee today about skill games and why we support Senate Bill 706 and House Bill 2075.

With me is Stephen Holmes, Commander of American Legion Post 733, located just a few miles from the Capitol. He will share with you the perspective of a location that benefits from legal skill games.

Let me open by saying the proposed skill game legislation is good for Pennsylvania small businesses and will rid the state of the illegal games and mini-casinos blighting our communities. The legislation will also create \$300 million annually in additional tax revenue.

I could spend my entire time this morning telling you about the positive impact legal skill games have on the Commonwealth.

I could talk about the restaurant that keeps its hard-working staff by offering higher wages and a 401(k) through skill game revenue. Or the American Legion post that can stay open because of skill games. The bar, owned by the same family for 80 years, that would never have made it through COVID if not for skill games. And, the volunteer fire companies that purchase life-saving equipment with their skill game revenue.

Instead, I will tell you why regulating and taxing skill games makes sense for Pennsylvania.

First, a reminder: Pennsylvania Skill games are entirely legal. For 10 years we have been receiving positive court decisions highlighting this point. The first was in 2014 in the Beaver County Court of Common Pleas and the last was in November 2023 when a unanimous Commonwealth Court ruled our games were legal.

Second, a reminder about taxes: We already pay tens of millions of dollars in taxes -- from Pace-O-Matic, our manufacturer, our operators, our locations and our suppliers. We pay property, income and all other applicable taxes related to our industry.

We are the first to say regulation is necessary. We can all agree that a standard system and guardrails should be in place for operating skill games in Pennsylvania.

As I mentioned, the state is littered with illegal slot machines, many in mini-casinos, that require no skill yet they masquerade as skill games.

Pennsylvania Skill already imposes strict limits on the number of games per location. That's why we support the proposed legislation which states a small business can have up to five skill games, and veteran and other fraternal groups can have up to 10 games.

Regulation also means that, like the Pennsylvania Lottery, the games will be overseen by the Department of Revenue. The state will have a complete list of where the games are located and be able to track game systems and play -- something I know is important to lawmakers.

Also under regulation, we will see standardized enforcement. The state will have the means to shut down thousands of illegal games all over Pennsylvania and make sure everyone adheres to the same rules.

This is nothing new for Pennsylvania Skill. We have compliance agents, all former law enforcement officers, who make sure locations follow our rules and self-imposed code of conduct. We stop working with operators and locations that don't follow our mandates.

As for the taxes, it is projected that the state will receive \$300 million in new revenue in the first year of taxing skill games, which could increase as the market stabilizes and matures.

However, we believe that a lower tax than what the governor proposed will garner higher revenue. If the tax is too high, many locations will decide to remove their games instead of paying it, and some may even install illegal games, which will defeat the purpose of the legislation.

We also hear casinos when they claim skill games impede their markets.

Research shows that this is not the case. They are different player experiences. Second, the casino industry continues to break its revenue records, even as the legal skill game industry grows. I'd like to remind you that Pennsylvania is the second-leading state in the country for casino revenue.

I also want to specifically dispel another false talking point that is being bantered about. **SLOT MACHINE REVENUE IS NOT DOWN.** It is 4% higher year over year. Additionally, online gaming revenue is up over 40%. Casinos are actively incentivizing their brick-and-mortar slot machine players to play online. There is nothing wrong with that. It's smart business. The tax rate for online games is far lower than traditional slot machines.

But to assert skill games have any negative impact is just false.

The lottery also has broken records and our research shows lottery revenue increases in counties with more skill games.

The other positive outcome of skill games is that the games are manufactured in Pennsylvania. The company uses numerous Pennsylvania suppliers for wood, metal, screws, cardboard, shipping and more.

Ninety percent of the revenue from skill games stays right here in the Commonwealth.

We would all agree that manufacturing is crucial to a healthy state economy, and our games have enabled employment growth and increased demand for supply.

Finally, we encourage you to pass this legislation that will regulate the industry, apply additional taxes to skill games and implement strong enforcement measures.

Thank you. I am happy to take any questions.

Testimony: Gaming In Taverns

Presented to

Pennsylvania House of Representatives
Republican Policy Committee

On

March 26, 2024

By

Jim DeLisio, Owner, Race Horse Tavern
Vice President, Pennsylvania Licensed Beverage and Tavern Association
President, York County Tavern Association



PENNSYLVANIA
LICENSED BEVERAGE
& TAVERN ASSOCIATION

Chairman Kail, Representative Diamond, members of the Committee, good morning. I'm Jim DeLisio, owner of the Race Horse Tavern in Thomasville, York County. I'm also Vice President of the Pennsylvania Licensed Beverage and Tavern Association as well as President of the York County Tavern Association.

With me is Chuck Moran, executive director of the Pennsylvania Licensed Beverage and Tavern Association. Chuck will be available to help answer questions afterwards.

Let me begin by thanking you for inviting the Pennsylvania Licensed Beverage and Tavern Association to testify today. In the past I've enjoyed speaking with this committee on other issues so I'm humbled to be invited back.

Today, we'll be talking about gaming in taverns with an emphasis on skill games. Gaming in general is a topic that I've testified in front of other committees in recent years, and I want everyone here to know that my establishment is one of a few Pennsylvania bars that has an active tavern gaming license. In fact, a license search conducted on March 11, 2024, shows there are only 39 of us with one.

For the sake of comparison, the most recent annual report from the PLCB shows there are slightly more than 11,200 R and H licensees in the state that could be eligible for a tavern gaming license. If you do the math, that's about one-third of one percent that has one.

As background, the Pennsylvania Licensed Beverage and Tavern Association was established in 1941 and today represents small business bars, taverns, and licensed restaurants throughout the state. Our perspective comes from the so-called "mom-and-pop" businesses that own either an R, H, or E liquor license. For the most part, we are your local bars, taverns, pubs, and licensed restaurants. We do not actively recruit large chains, grocery stores, or convenience stores that have R licenses.

Based on past Membership studies, about 63 percent of our member's business is alcohol sales and 37% of sales are from food. Our average member employs about 16 individuals including the owner and family members. They serve less than 4,000 customers every month. If you count the chairs and barstools, throughout my Member establishments, you'll find less than 100 per establishment.

The Tavern Association has a general position on gaming. We believe our Members should be allowed to offer legal forms of gaming in their establishments to entertain their patrons. That extends from tavern gaming to any other forms of gambling, including VGTs and video skill games.

As you know, small business bars have been hit hard for about the past 8 years. Our financial struggles began in 2017 when Act 166 of 2016 officially went into effect. That act stole an exclusive right that bar owners had ... the right to sell six-packs and growlers to go. Act 166 gave beer distributors the right to sell to consumers any amount including amounts below a case down to a growler.

That in combination with other alcohol sale changes through Act 39 drove a stake through the heart of small business bars. Our membership studies show that during that time, 85 percent of our Members saw a decrease in beer sales. And, 30 percent of our Members saw a decrease between 11 and 20 percent. That adds up to thousands of dollars in lost revenue every month.

Clearly, small business bars became collateral damage of Acts 39 and 166.

We know that was not the intent of the legislature when it passed those bills and Governor Wolf signed them into law. But, you need to know that past legislative actions seriously damaged many small business bars across the state and we hope to work with you to correct the situation.

With revenue dropping as a result of those Acts, bar owners began to look at other options to fill their income void and stay profitable. Bars were locked out of the opportunity to have VGTs in their establishments when truck stops got them. So VGTs were not a legal option, although we wish they were.

That's when video skill gaming entered the picture – and at least for now, court decisions have declared them not to be slot machines.

I can't tell you how many skill games are in Pennsylvania bars at this time. That data is not something we collect. Businesses that sell and distribute skill games should have data on how many they've put into Pennsylvania.

But I can tell you based upon conversations I've had with colleagues at other establishments and across the state, skill games filled at least part of the void. Those with skill games are using the profits to pay bills, upgrade establishments to compete with newer license types, or offer benefits to employees.

We certainly hope this legislature will take action soon to finally put to bed the debate on whether or not skill games are legal, and whether skill games and VGTs should be in Pennsylvania bars. We do, however, need to remember lessons from the past including those from tavern gaming and the current situation with skill games.

First, tavern gaming did not take off and the state did not generate the revenue that it had projected. As mentioned earlier a shockingly low number of licensed establishments chose to offer tavern gaming. Why? There's little profit after taxes and payment of supplies. I can talk more about that during the Q&A.

Any legislation that you would write to allow skill games and VGTs in bars would need to be careful not to carry a high tax. Also there can't be a small cut for the bars.

Second, the current distribution of skill games is questionable. Unlike VGTs in truck stops that are regulated and monitored, skill game distributors have put their machines in locations that are easily accessible to anyone including minors.

There are also issues related to security and safety of some locations where these machines have been placed. You probably saw recent news articles out of Philadelphia that indicate the city has taken initial steps to ban skill games. Apparently, players have been robbed after winning.

I'll conclude by thanking you for the opportunity to represent small business bars, taverns and licensed restaurants today. Chuck and I will be happy to answer any questions you may have at this time and in the future.

Stephen Holmes, Commander, Ephraim Slaughter American Legion Post 733 in Harrisburg

Testimony for GOP Policy Committee Hearing on March 26, 2024 at 9 a.m.

Committee members, it is my pleasure to be here today and speak to all of you about legal skill games.

I am Stephen Holmes, commander of the Ephraim Slaughter American Legion Post 733 in Harrisburg. As Mike mentioned, we are located just a few short miles from this committee room.

I want you to know that skill games have made a huge difference for my post. I don't know what we would do without them.

First, let me tell you a little about my organization. I am honored to command our American Legion post, located on State Street. Our members are dedicated to the community. We take pride in the work we do. For example, we keep our doors open every single day of the year. We don't ever, ever want a veteran in distress not to have a place to go. Not that long ago, a homeless veteran showed up at our doorstep and we made sure he received food and assistance. Another time, a member became ill and couldn't pay her bills. We helped her out.

Our goal is to try and take care of veterans in any way we can.

American Legions and VFWs provide a sort of "watering hole" for the veteran community, a safe space where they can go and enjoy comradery and support among other veterans. They can share their experiences and sometimes have difficult conversations with other veterans about the demons they face.

Veterans have been through a lot. I don't think I have to tell you that. They have seen and experienced things most civilians will never have to – and thank goodness for that. So having a place where they can be with their peers and unwind is important.

As you know, it's not just the post and our services we must consider. We also worry about making ends meet financially. Like a lot of organizations, we struggle to find new members and face growing costs. It is hard for many American Legions and VFWs to keep our doors open.

That's why I am so thankful for Pennsylvania Skill games. I know a lot of people tell you what they do with the revenue they receive from the skill games. And I will too. But I first want to ask you something. Where do you think organizations like mine would be today without skill games?

How would Post 733 bring in the revenue we need to pay bills and do what our community needs without skill games? I can tell you the answer: Not nearly as much.

There are veterans groups across the state that would have closed their doors if it weren't for skill games. They never would have made it out of COVID. Our post took a huge financial hit because of the pandemic. Thankfully we had skill games to fall back on. They make a tremendous difference for us. We would definitely scale back on what we do without them.

Skill games allow us to provide a Toys for Tots program, and community activities, along with funding for upkeep and improvements to our post. We added an outside patio to our building and can hire kitchen staff.

As for the games themselves, many members and guests at the post enjoy playing them. They have become a popular fixture at our place. An extra thing to do while they are there.

Many VFWs and American Legions count on skill games. They give us the ability and resources to help our organizations, help our veterans. We need to make sure that doesn't go away. The impact would be devastating.

Thank you for your time.