



**Statement of the Pennsylvania Federation of Fraternal and Social Organizations on
SB 1256
Presented to the Senate Community and Economic Development Committee by
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Good morning. Chairman Killion, Chair Williams, and members of the Senate Community and Economic Development Committee, I would like to thank you for the opportunity to present testimony today on SB 1256, which authorizes and regulates “Games of Skill,” and video gaming terminals in clubs and bars.

The Pennsylvania Federation of Fraternal and Social Organizations (PFFSO) is a statewide association of nearly 500 social clubs, veterans clubs, fire companies and other non-profit service organizations, most of whom hold liquor licenses. Our clubs provide numerous charitable works in the local communities, funded largely, by law, by small games of chance. Particularly in these times of budgetary constraints on state and local governments, our organizations are counted on increasingly to help, but the sources of revenue have not kept up with the need. Further, as our members age, the clubs are constantly struggling to find ways to attract younger members, who will take over the essential community activities of the clubs and fire companies. Our members have in the past few years supported the updating of the Local Option Small Games of Chance Act, as a way of supporting club activities, and continue to work with this Committee to that end today.

PFFSO has tried to follow closely the legal and legislative developments in the areas of skill games and VGTs, over the past decade or longer. Our member clubs have considered these games, and some have placed them in their bar areas, to help enhance current club revenues. For many clubs, dues revenues have not been able to keep pace with the structural and other overhead needs of aging facilities, and clubs have been forced to find other ways to attract new members, and to keep existing members coming into the club. Clearly some clubs, and taverns as well as other small businesses, have taken advantage of the popularity of the so-called “skill” games over the past several years, in addition to the advancements in SGOC. These games have far exceeded expectations. Our member clubs have heard for years that enforcement would be stepped up on these machines, which the PA State Police believe to be illegal, as they search for a “friendly” jurisdiction to plead a case to overturn the Beaver County ruling.

We have done some informal surveys of our member clubs on this issue, and we have had some lively and informative discussion on it at our annual conventions over the past few years. The opinions vary widely on a regional basis, for a number of reasons, primarily the lack of clear guidance outside of the Beaver County case, as to whether these machines are in fact legal in the other 66 counties. Clubs all over the state report that although the PSP/LCE profess the machines are illegal, they have not confiscated them when they come for a “visit” for other reasons. This, along with presentations from the Skill game manufacturers and vendors, has added to the mixed messages being received in our clubs.

Further, many of our club members are legitimately concerned that adding these machines at the VFW or Moose Lodge impact on the SGOC ticket sales that lead to their charitable giving, which is a central part of the mission of many clubs. Other clubs have indicated that the presence of a limited number of machines have actually increased strip ticket and pull tab play, as folks wait their turn to play the skill games. These clubs consider it a “win-win” – literally. The revenue generated by the skill games, along with the 40% retained from SGOC, contribute greatly to the maintenance of many clubs.

Therefore reaching a consensus among club folks in this diverse state on whether to support skill games, and VGT's as well, has been difficult. Our Board met by Zoom earlier this year to discuss the issue, and the general consensus is that if these machines are in fact legal, clubs would like to have the right to have them in their bar areas. We agree, though, that the lack of a regulatory structure, which allows the games to be placed in a wide variety of establishments, with sometimes questionable supervision and rules, not to mention rules for use of the proceeds of the machines, is not tenable, and should be addressed. We are aware of the pending Commonwealth Court case that may further inform this issue in the near future, but in the interim we would like to work with the committee and the other stakeholders, including the PSP, on legislation that makes sense for clubs and bars, for the lottery, casinos, and for the state coffers.

So in general, we do support there being clear legislative language allowing clubs to choose to place these games in their clubs, with appropriate government oversight, making them safe and legal under the law.

We understand the Commonwealth faces some looming fiscal difficulties, due to the impact of the COVID-19 pandemic, and must make difficult decisions to find needed revenues to fund vital government programs. Many of our clubs have been closed, or have significantly curtailed operations, during the course of the pandemic, so we feel your pain. This bill does provide needed revenue, while allowing clubs to supplement their income from dues and SGOC proceeds. Others can testify to what the projected costs and benefits of legalizing these machines may be to the budget. That, of course, is not our responsibility, and we don't envy those of you who do have that task.

We do like the idea of the revenue, at least partly, going towards local tax relief and the other funds which benefit from slots revenue, and alleviate any perceived harm to those funds, though we don't believe there is a direct affect at this time. Although we claim no authorship of this bill, as we were not consulted in the process of introduction, we are aware that this legislation is a "work in progress," and look forward to participating in future discussions as the issue moves along the process.

We appreciate this opportunity to comment at this early stage, and will certainly be interested in seeing how it plays out.

Thank you again for this opportunity, and I would welcome any questions.