



Senate Community, Economic & Recreational Development Committee

June 22, 2021

Chairman Yudichak, Chair Cappelletti, and members of the committee, thank you for this opportunity to offer feedback on video gaming terminals at truck stop establishments and associated legislation.

My name is Christopher Reed and I am General Counsel for the Rutter's Companies. Rutter's is an 11<sup>th</sup> Generation family-owned company that traces its operations in central Pennsylvania to 1747. Rutter's owns and operates 79 convenience stores with 77 being in Pennsylvania. In addition to its convenience stores, Rutter's operates a beverage company, including a fluid dairy, and a real estate company. Rutter's employs approximately 2,300 Pennsylvanians. All Rutter's companies are Pennsylvania C-corporations and pay their full share of Pennsylvania corporate taxes.

Video gaming terminals, or "VGTs", were authorized in 2017 to be placed in qualifying truck stop establishments. In 2019, Rutter's was the first location in the Commonwealth offering VGTs. Rutter's currently operates 17 locations in Pennsylvania that are licensed establishments hosting VGTs. Introduction of VGTs has been a positive for the Commonwealth, licensed establishments and operators, and Pennsylvania citizens. There are, however, changes to the law that would improve the VGT industry.

As you are aware, the gaming industry is a highly-regulated one and VGT is not an exception. Rutter's corporate structure, owners, officers, and key employees are subject to extensive regulation and licensing by the Pennsylvania Gaming Control Board ("PGCB"). Corporate structure, ownership interests, and financials must be disclosed to and reviewed by the PGCB. Owners, officers, and key employees are subject to an extensive background check, including fingerprinting and personal disclosures.

Additionally, each Rutter's VGT location is subject to separate regulation and licensing both on an operations side, as well as a personnel side. VGT locations must meet and maintain certain minimum requirements in order to be approved as a qualifying establishment. Such criteria include acreage, parking spaces, and diesel volumes. On the personnel-side, VGT locations must have a PGCB credentialed employee on site at all times that the gaming room is open. This requirement is particularly challenging. Front-line employees are subject to an in-depth application process requiring personal information ranging from residence and work history, to bank account and other financial disclosure for themselves and a spouse, if applicable. Further, the employee must be fingerprinted for an FBI background check.

Rutter's is very familiar with offering age restricted products, including alcohol, tobacco, and lottery. Rutter's takes the sale of age restricted products seriously and has safeguards in place to prevent sales to unauthorized individuals. Likewise, Rutter's takes its obligations with offering VGT equally seriously. In addition to the PGCB's training, Rutter's employees go through additional training to ensure the safety and security of gaming rooms. Rutter's maintains a secure on-line portal with the PGCB issued exclusion-list to prevent excluded individuals from playing a VGT machine. The list is updated the same day that Rutter's receives any updates from the PGCB. Rutter's also has methods for preventing minors from playing a VGT machine. These include requesting identification for any individual that appears under 30 years of age that enters the gaming room. Further, Rutter's VGT rooms are secured by 40" pony walls surrounding the room with clear glass above and a single entrance point. All rooms are well lit and have clear line of sight from Rutter's checkout and kitchen area. Rooms are also under dual surveillance; one set of surveillance cameras feeds to Rutter's terminal operator, and the other is Rutter's own surveillance system.

The Commonwealth receives 52% of the revenue generated by VGT operations. Based upon PGCB disclosures, it is forecasted that the Commonwealth will receive over \$20 million in revenue in 2021 from 47 VGT locations. The revenue generated is distributed to the general fund as well as a percentage being dedicated to the Commonwealth Financing Authority. Promoting a robust VGT industry in turn benefits the Commonwealth with increased tax revenue. Further, the Pennsylvania lottery is not negatively affected by VGT. In fact, it is the exact opposite. At Rutter's VGT locations, there has been a positive growth rate of lottery sales, which results in increased revenue to the Pennsylvania Lottery.

Pennsylvania citizens also benefit from VGT by having enhanced available entertainment and consumer choice. Many VGT locations offer entertainment for individuals that would otherwise have to travel a significant distance, including out of state. This travel is either a barrier to an individual partaking in legal gambling activity or, in the case of travel out of state, results in lost revenue for the Commonwealth. Additionally, VGT offers commuters through Pennsylvania an option for entertainment during a travel break.

There are certain fixes to the law that would improve the VGT industry. These include store employee licensing, qualifying criteria for truck stop establishments, and local municipal revenue share.

As detailed above, front-line employees undergo a significant application and investigation process. While this process is understandable for a casino employee, it makes little sense in the VGT sector. Store employees are not permitted to touch the VGT machines or handle money relative to VGT play. Alternatively, a state police background check and mandated PGCB training is a more practical approach to licensing VGT employees.

With regard to criteria for truck stop establishments, Pennsylvania has some of the most restrictive standards in the truck stop gaming industry. Specifically, Pennsylvania requires 3 acres of land and 50,000 gallons of diesel sales per month where other states have no acreage requirement and only require 10,000 gallons of diesel sales per month. Rutter's and other companies in the VGT

industry have suggested a reduction in acreage and diesel sales to 2 acres and 15,000 gallons per month. These reductions would still maintain a barrier to wide-spread VGT truck stop expansion, but allow for a more robust industry. Finally, Rutter's and other companies in the VGT industry have consistently requested that host municipalities receive some portion of revenue generated by VGT operations. It has been suggested that a portion of the Commonwealth's 52% be directed to the host municipality.

Rutter's is excited about the opportunity to work with the legislature on language to improve the VGT industry in a safe and efficient manner.