

Kevin O'Toole, Executive Director
Pennsylvania Gaming Control Board
House Gaming Oversight & Senate Community, Economic & Recreational
Development Joint Committee Hearing
May 17, 2016

Good morning Chairwoman Ward, Chairman Farnese, Chairman Payne, Chairman Kotik and members of the House and Senate Committees. My name is Kevin O'Toole and I serve as the Executive Director of the Pennsylvania Gaming Control Board. I appreciate the opportunity to testify today on behalf of the Gaming Control Board in regard to the costs of our operations. This matter is being discussed at this Joint Committee Hearing in light of the Department of Revenue's recent communication to each casino licensee that the fee assessment mandated by § 1401 of the Gaming Act is being raised from 1.5% to 2.0% effective July 1, 2016. The § 1401 fee assessment is determined and administered by the Department of Revenue for the sole purpose of paying the costs of regulatory and law enforcement oversight of the casino industry.

As you know, our budget is legislatively appropriated. Chairman David Barasch and I testified before the House Appropriations Committee earlier this year regarding our requested operating budget of \$40,619,000 for Fiscal Year 2016-17. Pursuant to Preferred Appropriation Bill SB820, our budget request was approved.

The Gaming Control Board's budget amount includes approximately \$34.9 million to be funded from the § 1401 fee assessments. The remainder is derived from applicants, licensees and table game and slot manufacturers. In fact, our receipt of funds disbursed from the § 1401 accounts is lower than our total approved budget. Every year we fund approximately 15% of our budget through funds deposited in our restricted revenue account at Treasury. For the upcoming fiscal year, we anticipate about \$5.7 million in payments to be received from application fees, reimbursements

of background investigation costs, and payments from table game and slot machine manufacturers for work performed by our Gaming Lab.

I want to emphasize that the Gaming Control Board takes its burden of fiscal responsibility seriously. We make every effort to regulate in a cost effective manner that ensures proper regulatory oversight of the 12 operating casinos in Pennsylvania and we have continued to reassess our operations and practices to be as efficient as we can be within the statutory and regulatory scheme and within applicable Commonwealth employment mandates.

The Gaming Control Board budget for FY 2016-17 reflects our efforts to keep expenses down. Our personnel complement is down and our operating expenses are down. While our complement of full-time employees peaked in 2011 at 325 employees, we are under 300 employees at the present time. Whenever a position opens due to a resignation or retirement, the Board engages in a thoughtful evaluation of that position to determine if filling it is necessary. Oftentimes we conclude that filling a vacancy is not necessary as duties can be absorbed in other existing positions.

Additionally, our estimated operating expenses of \$5.1M for FY 2016-17 are at the lowest level since FY 2005-06. We have reduced most of our expense line items, including telecommunications expenses, expenses for online investigative services, we have renegotiated or changed office leases for our regional offices to lower our lease expense and we have significantly reduced travel and vehicle expenses.

In fact, our approved budget for FY 2016-17 shows an increase of only \$719,000 over the current Fiscal Year. This was caused by a 20.2% increase to our SERS contribution for pension and health benefits which amounts to \$950,000. Absent that increase, the Board's budget would have decreased \$231,000 year over year.

As these numbers show, we are serious about pursuing responsible budgeting while at the same time fulfilling our mission within the funding that is appropriated. In fact, we have also traditionally saved money through the course of each year by our continued internal assessment of operations, and funds not used are lapsed back to the 1401 accounts rather than simply spending to the level of our appropriation.

I hope this information has been useful to the committees and I would be happy to answer any questions you may have.