



Commonwealth Gaming Testimony on SB 1256

October 6, 2020

Presented to Senate Community, Economic and
Recreational Development Committee

Mr. Chairman and Members of the Committee,

I'm Rob Miller, Founder of Commonwealth Gaming a video gaming terminal operator here in Pennsylvania. I've owned companies in the regulated VGT industry for almost 20 years. I currently operate VGT in Pennsylvania and Louisiana, and was one of the largest VGT operators in Illinois. Thank you for the opportunity to testify in support of Senator Corman's SB1256.

The pilot VGT program initiated by the Legislature in 2017 has proven that both small businesses and state tax revenue can benefit from VGT. While the number of eligible locations is highly limited, VGT has brought significant new revenue to participating small businesses. Our current customers range from independent business owners to corporate companies employing over 5000 Commonwealth citizens. Participants in the program have witnessed increased customer traffic resulting in higher sales. For example, one of our family-owned truck stop customers was able to use increased revenue to purchase a second store.

Senate Bill 1256, introduced by Senator Corman, would legalize and regulate VGT in private clubs and liquor licensed taverns. Most of these establishments are independently owned small businesses that have historically employed over 100,000 Pennsylvania citizens. There has never been a time when these businesses need a lifeline more than today. Numerous industry reports show that COVID-19 has been devastating to the same locally owned small businesses that would participate in a VGT program. In our regular conversations with licensees across the state, owners express VGT could be a light at the end of the tunnel, allowing them to survive.

A trip to your local convenience store will convince you that this bill is not an expansion of gaming. Charles Moran, the Executive Director of the PA Licensed Beverage & Tavern Association and my company estimate 3,000 to 4,000 licensed tavern and private clubs would participate, resulting in roughly 12,000 to 14,000 VGT machines. In June 2019 Major Miller of the Pennsylvania State Police testified in a House hearing that at least 13,500 unregulated machines were in operation in licensed bars and clubs. This number does not include potentially tens of thousands more machines that have found their way to local convenience stores across the Commonwealth. Any purported revenue impact on casinos has already happened. This is not an expansion, its taxation and regulation of an existing industry.

With this legislation, the machines would only be located in age appropriate businesses, offer complete transparency, enforcement, accountability, and bring hundreds of millions of dollars to the state that is currently going uncollected from unregulated machines operating right now. Twelve thousand regulated machines at a 30% tax rate could bring in \$200 million or more in state tax revenue annually.

My company was subject to a thorough application and background check conducted by the Pennsylvania Gaming Control Board. Our employees, owners, our building, security system, and our internal controls were all vetted and approved by the Board. We are regularly audited by the PA Department of Revenue. At the same time, manufacturers of VGTs, the same manufacturers that create slot machines for PA casinos, submitted VGT game software to the Board for testing and approvals to ensure the capability to communicate with the central system and all regulation. VGT host establishments applied and cooperated with investigations of their finances, business history, and associates. Accountability to consumers, the Board, and the state is key to maintain the integrity of the industry including safeguards to prevent minors from gambling, problem gaming prevention and education tools, and ensuring the minimum of 85% payout. This bill will extend those stringent standards to the rest of the industry.

As an Army veteran and member of both the VFW and the American Legion, I am happy to see the bill provides the opportunity for these organizations to carry out their charitable missions. I've seen veterans' clubs in Illinois significantly increase their outreach to fellow veterans and their communities using video gaming revenue. The positive impact on fraternal and veterans club community service is a little mentioned, but extremely important, positive result achieved by video gaming.

Illinois and Pennsylvania have similar population and income characteristics, so I thought it would be interesting to highlight the Illinois experience with VGT. Since its beginning in 2012, VGT became the largest segment of gaming revenue in Illinois. According to official data, overall Illinois gaming revenue increased from \$1.6 billion in 2012 to \$2.9 billion in 2019, an increase of \$1.3 billion. This increase is entirely attributed to the arrival of VGT. Video Gaming significantly increased the overall size of the gaming market in Illinois, it did not redistribute existing revenue, it grew new revenue.

Like other midwestern states, Illinois casinos have been on a decade-long revenue decline starting long before VGT arrived in 2012. This can be attributed in part to the 2008 recession, a ban on smoking, and their lack of investment over that time period. While Star Wars is a great movie, a theater can't expect to remain profitable if it shows Star Wars for a decade. Similarly, underinvestment in new games and facilities improvements relative to other casino markets led to a revenue decline in casinos. Fortunately for taxpayers in Illinois, VGT more than made up for the declining taxes paid by casinos. In 2017 the VGT industry became larger than the casino industry, providing almost \$300 million in new state tax revenue. By 2019 VGT's contribution grew to \$395 million. Casino and lottery revenue remained flat between 2017 and 2019, despite the presence of thousands of VGT's. A Union Gaming Analytics report indicated the industry in Illinois created 10,000 direct and indirect new jobs, far in excess of any jobs lost from corporate casino cost cutting. VGT truly grew the gaming market and more than made up the tax shortfalls of the casinos.

VGT has provided a reliable source of tax revenue and job creation in the seven states where it's permitted. Legal VGT has been tested and is operational right here in PA. This bill gives the legislature a rare opportunity to tax and regulate an existing

industry, create jobs, and create opportunities for small businesses across the Commonwealth. There's no such thing as a free lunch, but this is about as close as you'll ever see.