



**Testimony Before the Senate Community, Economic and Recreational Development Committee
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Chairman Yudichak, Chairwoman Cappelletti, and members of the committee, thank you for the opportunity to provide testimony on the issue of so-called “Games of Skill” and whether the General Assembly should contemplate legalizing these illegal gambling machines. As we have discussed with this committee and many other legislators in the past, these machines have a profoundly negative impact on the Pennsylvania Lottery — and by extension the older Pennsylvanians who rely upon the programs the Lottery funds.

To explain the impact, you should know that as of today the Lottery estimates that these machines, which have been operating illegally in the commonwealth for years, are located in roughly 29 percent of the Lottery’s network of more than 9,800 retailers. This shows that these games are rapidly spreading at bars, convenience stores and other locations across Pennsylvania. As a result, they are siphoning off millions of dollars in funding for the senior programs that older Pennsylvanians rely upon. That’s why we are urging the General Assembly to take action to address these illegal machines and ensure that Pennsylvania seniors will continue to receive property tax relief, meals on wheels, services at senior centers, low-cost prescription drugs and other critical support that the Lottery funds on an annual basis.

To further understand the issue, we have to consider what Games of Skill are and what they look like. At first glance, these machines may resemble Pennsylvania Lottery machines and give the impression they are sanctioned by the commonwealth, but neither is the case. Rather, they are video gambling machines that use various reel spins and graphical themes to interact with the user. Put simply, the machines are unsanctioned slot machines that have been operating in violation of Pennsylvania law, according to the Pennsylvania State Police. And though the Lottery recognizes that legislators have contemplated proposals to legalize these machines so that the commonwealth may benefit from increased gaming revenue, approving this kind of legislative proposal would undoubtedly give greater strength to a significant threat the Lottery has faced for years. By extension, that would directly harm the older Pennsylvanians who annually benefit from the programs the Lottery funds.

So how is this happening? As I touched on earlier in my testimony, as of today more than one in five lottery retailers are offering at least one Games of Skill machine. To make the matter worse, these machines are often deliberately placed near our products, confusing players who may think they’re playing a Pennsylvania Lottery game. In reality, they’re playing an illegal Games of Skill machine without knowing the difference.

To provide further context, one must also consider that Games of Skill have made it difficult to recruit Pennsylvania Lottery retailers to offer the Lottery’s monitor games, which include Keno and Xpress Sports. Retailers that operate Games of Skill often tell our Lottery sales representatives that they receive a

larger commission from these illegal gambling machines. As a result, Lottery retailers are opting against adding Keno and Xpress Sports.

Here's why that's important: After being authorized by Act 42 of 2017, Keno and Xpress Sports were launched in 2018 to help the Lottery expand its products portfolio and remain competitive in an increasingly competitive business environment. Our goal is to stay vigilant in launching new products that our players want so that we can continue to generate funds for vital senior programs. Games of Skill are undoubtedly proving to be a significant source of competition when it comes to ensuring these new products are successful. Furthermore, if legislators were to authorize legislation that legalizes Games of Skill, it is absolutely a fact that the Lottery would have a much more difficult path forward in fulfilling its mission of responsibly generating profits for the programs that benefit older Pennsylvanians.

Impact of Pennsylvania Lottery

I would also like to take this opportunity to stress the importance of the Pennsylvania Lottery and its mission. We remain the only state lottery to direct all proceeds to programs that benefit older Pennsylvanians. Since ticket sales began in 1972, our Lottery has contributed more than \$31 billion to fund property tax and rent rebates, transportation, care services, prescription assistance, and local services including senior centers and meals. In the 2019-20 Fiscal Year, the Lottery generated more than \$1 billion to support older Pennsylvanians for the ninth consecutive year. Here are some other important facts to consider (data comes from the 2019-20 fiscal year, the most recent data available):

- The Lottery contributed more than \$293.8 million to Area Agencies on Aging in Pennsylvania. Among other services, these funds helped to provide 9.3 million meals served at senior centers and delivered to homes. Lottery funds helped to provide more than 25,400 meals for older Pennsylvanians, every day.
- More than \$145.5 million in Lottery funds provided for over 27.5 million free transit rides and 2.6 million shared rides. On average, Lottery funds helped to provide more than 82,000 free and reduced-fare shared rides for older Pennsylvanians, every day.
- The Lottery provided more than \$334 million for care services delivered to more than 36,515 residents. On average, the Lottery funded more than \$915,000 in care services, every day.
- Lottery support for the prescription programs totaled more than \$128.3 million. Enrollees received more than 4.8 million prescriptions, and Lottery funding helped to fill nearly 13,300 prescriptions for older Pennsylvanians, every day.
- Lottery and slots revenue provided more than \$242.3 million in property tax and rent rebates to more than 508,200 households.

Please know that funding for these important programs and services are being threatened every day by illegal Games of Skill. We also know that there is the potential for hundreds of millions of dollars in future harm if these machines are legalized and Games of Skill remain a competitor to the Lottery in the retail environment.

That's why we need to take action to protect the Lottery and prevent further damage to older Pennsylvanians. We can do that by supporting proposed legislation, such as House Bill 1113, proposed by Representative Ed Neilson, and Senate Bill 212, proposed Senator Tommy Tomlinson. Both bills would

address illegal Games of Skill and protect funding for senior programs. House Bill 1113 strengthens the Crimes Code for law enforcement to confiscate illegal gambling devices and skill machines, while Senate Bill 212 further strengthens the existing law by making it a criminal offense for anyone to knowingly make, assemble, maintain, lease or sell Games of Skill. We feel strongly that Senator Tomlinson's and Rep. Neilson's respective legislative proposals will crack down on these illegal machines and preserve hundreds of millions of dollars that help seniors afford prescriptions, transportation, meals and more.

Thank you for the opportunity to provide testimony on behalf of the Pennsylvania Lottery.