

**Testimony of John P. Milliron, Esquire
Housing Gaming Oversight Committee
Public Hearing- May 7, 2009
Westmoreland County Community College**

Good morning Chairman Santoni and members of the House Gaming Oversight Committee. My name is John Milliron and I am legislative counsel to both the Pennsylvania Tavern Association and the Pennsylvania Amusement and Music Machine Association. This is only the second time in my 28 years of lobbying that I have testified before a legislative committee. I am doing it because of my deep involvement and commitment to the issue before you today.

I started working on video poker legislation in 1987 with Representative Fred Trello. A bill legalizing pokers passed both the House and Senate in 1990 but Governor Casey vetoed it after sine die. A similar bill passed the House in the late 1990's and another in early 2000, but neither passed the Senate. Representatives Paul Costa and Frank Dermody also introduced bills in the past 4 to 5 years that would legalize video gaming in Pennsylvania's taverns and clubs.

Every one of these bills was a joint effort of all parties – taverns, clubs, vendors, distributors, and of course, the Commonwealth. Both the Tavern Association and PAMMA fully supported the bills because everybody was included in their drafting. You have just heard how the current proposal, HB 1317, would impact the typical tavern. I will now try to explain how they will impact amusement machine vendors.

All of the earlier versions of these bills were vendor based. That is, a private company would own, install, repair and maintain the games, collect the funds from the machines and be responsible for providing the taverns and clubs with sufficient funds to pay out anticipated prizes. This was done because vendor based is the most efficient for gaming and the state and the least harmful to the non-gaming coin operated amusement game industry.

Currently five states have video gaming in their bars and clubs: South Dakota, Montana, Louisiana, West Virginia and Oregon. The first four are vendor based. Only Oregon is not. It is run by the state through a sole source contract/manufacturer. The first four states have between 78% and 85% of their eligible liquor licenses participate. Oregon has only 36%. In the first full year of operation, South Dakota generated \$107 million, West Virginia generated \$172 million and Oregon generated \$178 million. Oregon is twice the size of West Virginia and over five times the size of South Dakota. These statistics are important for you to know and understand because if video gaming does pass the legislature, you want it to be successful so parents can send their children to college. It would be a cruel hoax on hardworking parents for this to pass and never be able to live up to its promises.

As for the vendors, a little more narrow view – whether they survive as an industry. People have a limited amount of discretionary amusement dollars. In many of today's bars and clubs patrons spend some of these bucks in jukeboxes, pool, darts, trivia games and pinball. When poker machines are legalized this income drops in half! Video gaming siphons approximately 50% of the dollars that are normally spent in other coin operated amusement machines. When you own the poker machines you can absorb the drop in revenues – when you don't you go out of business!

There are not any firm statistics from Oregon when video gaming was legalized in 1992, but I can tell you these numbers: There were 100 members of the Oregon Amusement Machine Association in 1992 and in 1995 there were only 40. That is a 60% failure rate! In Pennsylvania we estimate that there are between 350 and 400 coin operated amusement machine companies and that as many as 240 could be forced out of business by the state and putting close to 2,000 people on the unemployment rolls.

You have heard media reports that the Governor wants Pennsylvania to pattern its gaming after Oregon because our amusement companies are “controlled by the mob”. Nothing could be further from the truth. Are there bad guys in this business – you bet there are. But there are bad people in every trade, industry and profession and you don’t put all of the honest ones out of business because of the transgressions of the few.

But don’t take my word for it. You will now hear from two typical Pennsylvania amusement company vendors, one small, and one large. You decide if you feel these people should run Pennsylvania’s video gaming industry or should the Commonwealth do it?

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