

Testimony of John P. Milliron, Esquire
Housing Gaming Oversight Committee
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Harrisburg Pennsylvania

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. .

I began working on video poker legislation in 1987 with Representative Fred Trello. A bill legalizing pokers passed both the House and Senate in 1990 but was vetoed by Governor Casey. Similar legislation passed the House in the late 1990's and again 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 legislature. Both the Tavern Association and PAMMA fully supported the measures because everybody was involved 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 it 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. A rigorous background check was required before the vendor could be licensed to do business.

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 licensees 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 then never be able to live up to its promises.

I would like to specifically address the issue of vendors since this has created the most discussions about HB 1317. This legislation is not about whether companies that are currently putting pokers on the street stay in business. It is about whether decent, honest people who today place legal amusement machines such as pinball, darts, pool tables, jukeboxes and trivia games in Pennsylvania's taverns and clubs will exist in three years.

It is about Smith Amusements in Camp Hill, Guerrini Vending in Lewistown and Shay Vending Service of Lebanon – all second generation owners running businesses started by their fathers and who don't own or operate poker machines. It is about whether they will be put out of business by the Commonwealth and if their 12 to 15 employees will be put on the unemployment rolls.

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. If you legalize video gaming and have the state chose one statewide vendor, you will not only shut down illegal poker machines, you will shut down hundreds of honest people in the process.