

My name is Kelly Schaffer and my husband, Zane, and I are owners of Neff's Hotel located in Schnecksville right here in Lehigh County. We have worked at Neff's for 20 years. Nine years ago, we bought the restaurant/tavern from my mother-in-law when she decided to retire. We have worked hard to keep the business in the family.

We have always run a clean operation and we are constantly struggling to remain competitive with our industry counterparts that are able to offer gambling to their patrons. The recession has made that more difficult as our patrons' entertainment dollars have shrunk while our cost for our food and beverage inventory increases.

Zane and I were really excited when we heard Governor Rendell's announcement for Tuition Relief for college students funded through video-gaming revenue in taverns and clubs. This not only seemed like the perfect solution to help our business through the recession but also to help our oldest son, Zane Jr., who is 16 years old get through college as we were worrying how we could possibly afford it right now. And as a former teacher, I was happy to know that we would be a part of furthering education for Commonwealth kids. As we learned more about the proposal, however, we have grown increasingly uncertain about the bill's benefit to our family business or the help that our oldest son and others may receive for higher education.

Our uncertainty for the success of the Tuition Relief Program lays in the language currently in House Bill 1317. As a licensee, I understand far too well the daily struggles in maintaining and turning a profit in a small business and the bill seems to add to those burdens without much reward.

The Secretary of Revenue projects that each of the video lottery terminals would net about \$30,000.00 a year. Our business would retain roughly \$7500.00. This may seem like a nice boost but in doing simple math with everything that we have to take on to place the terminal in our establishment, the figure is quickly ate up in extra costs.

Right off the top of that \$7500.00 is the \$500.00 annual fee to the state for license fees. That brings me down to \$7000.00 and that is only if the Secretary doesn't decide to increase the fee to an undetermined amount with the freedom he has to do so in House Bill 1317. The city has a 10% amusement tax which would take another \$750.00. My city would most

likely impose a license fee like other cities in the neighborhood of around \$1000.00. At this point, I am left with \$5250.00 of the \$7500.00 figure that is the allotted 25% my establishment would receive from the net income of the machine.

My other increased costs for hosting the machine would come from a dramatic increase in my property and casualty insurance. The increase is to cover any loss of monies from the machine that would occur if there is a theft or burglary. Making a low estimate of \$250.00 annual increase in those insurances, that leaves me so far with \$5000.00. I also have to factor in the decreased income I will receive from my current amusement machines that I offer in my establishment- two Megatouch machines and a jukebox. That income will decrease by 30% because my patrons will want to split their entertainment dollars between them and the video lottery terminal. By that estimate, I will be down another \$240.00 a month or \$2880.00 a year on those machines. That brings my \$5000.00 down to \$2120.00 a year to host a video lottery terminal in my establishment.

According to House Bill 1317, I am also required to have available my own bank for prizes that I have to pay out to winners that play the video lottery terminal. That means I have to have thousands of dollars on hand at all times. There are times when you are running a small business that this would be nearly impossible. Plus, if the Secretary of Revenue decides that he wants to put more than one machine in my establishment, which he is allowed to do in the bill, I would have to get rid of a couple tables that would normally be filled with patrons for lunches and dinners so I would also lose that income.

Finally I will owe state and federal taxes on the income from the machine. That will be another \$500 minimum that I will lose from the \$7500.00. I am now down to \$1620.00 a year that I will bring in from hosting the video lottery terminal in my establishment. At that point, my husband and I just do not think that this program would be worth the extra headaches of participating.

We have been long-time members of the Pennsylvania Tavern Association and have read their testimony that was delivered to this committee last week in Westmoreland County. I strongly urge the committee to consider their suggestions. If they are implemented in the bill, licensees like me would be more apt to participate in the program. We would like to be able to offer

some form of gaming to our patrons just like the clubs and casinos already do. Plus, increasing our participation will only increase the number of Pennsylvania students that will be able to complete a higher education.