

**TESTIMONY RE: “SKILL GAMES” IN THE COMMONWEALTH
AND HOW THEY AFFECT PENNSYLVANIANS
BEFORE THE SENATE DEMOCRATIC POLICY COMMITTEE
DEL GUERRINI, PRESIDENT, THE PENNSYLVANIA AMUSEMENT
AND MUSIC MACHINE ASSOCIATION (PAMMA)**

August 23, 2023

Thank you, Chair Muth and Senator Cappelliti for holding a hearing today to raise awareness about Skill Games and their impact on the Commonwealth and all Pennsylvanians. My name is Del Guerrini, and I am the current President of The Pennsylvania Amusement and Music Machine Association (PAMMA). In addition, I am the President of Frank Guerrini Vending Machines, Inc., a small family run business headquartered in Lewistown, Pennsylvania.

INTRODUCTION AND HISTORICAL OVERVIEW:

PAMMA was founded in 1980 as a non-profit organization with the mission of serving as a unified voice for Pennsylvania’s coin-operated machine companies. Its establishment was driven by the recognition of the important role the industry plays within local communities and regions throughout the Commonwealth.

PAMMA’s goals are multifaceted. It takes its responsibility to maintain high business and ethical standards seriously, ensuring that its members provide conscientious, courteous, and superior service to customers. The association also encourages its members to work openly and honestly with all groups of Pennsylvanians, including clients, customers, the Commonwealth Government, and its officials. Compliance with the laws and regulations of our Commonwealth is paramount, and PAMMA strives to conduct business in a manner that generates confidence and respect among fellow operators, distributors, manufacturers, and suppliers.

The members of PAMMA are diverse and include **operators** who own, place, and repair currency-activated equipment in various business locations. **Distributors** market and sell this equipment, while **consultants** represent manufacturers in designated market areas and provide support to owners. **Manufacturers** design and create the equipment, and suppliers provide ancillary parts, security, software programs, and aftermarket accessories.

Currency-activated or **coin-operated** equipment encompasses a wide range of items, such as **jukeboxes, video games, pinball machines, pool tables, ATM machines**, and more. These machines are placed in many types of business establishments, including restaurants, taverns, family entertainment centers, movie theaters, and shopping malls, among others.

In essence, PAMMA is a cohesive organization that brings together various stakeholders in the coin-operated machine industry in Pennsylvania. It emphasizes ethical conduct, community engagement, and legal compliance, fostering a collaborative environment that benefits both the industry and the communities it serves.

My testimony today is aimed at dispelling any misconceptions about Skill Games and to provide a summary of PAMMA's position regarding the legislation, and regulation of Skill Games and to dispel any questions or concerns that may have been raised.

PROPOSED LEGISLATION AND REGULATION OF SKILL GAMES

First, the proposed legislation sets clear guidelines for the number and location types where skill games may be played, including specific rules for Liquor and Lottery licensed locations up to 5 games and Fraternal Clubs up to 10 games. Additionally, skill game distributors, operators, and

locations will be licensed and regulated through the state Department of Revenue and the Pennsylvania State Police Bureau of Liquor Control & Enforcement will be responsible for the enforcement of the skill game industry.

The proposed regulations are stringent, requiring testing, registration, enforcement, and accountability. They also mandate the number of games allowed in different locations to prevent the emergence of “mini casino” like environments.

TAXATION AND REVENUE

On the tax front, the legislation imposes property, sales, income taxes, and an additional 16% skill game tax. That tax rate, 16%, is the same tax rate imposed upon Casino table games.

Separately from a revenue standpoint, the legislation ensures that at least 80% of revenues realized from Skill Games will remain within the Commonwealth. Estimates show that the 16% Skill Game tax will generate over **\$300 million in the first year**, with funds earmarked for enforcement against illegal gambling and the majority allocated to the general fund. In fact, we believe the numbers behind the taxation formula proposed by Senator Gene Yaw and Representative Danilo Burgos are fair and support the conclusion that the proposed Skill Game tax will generate \$300 million a year annually for the Commonwealth.

COMPARISON WITH CASINOS AND SLOT MACHINES

It is essential to recognize that skill games are not akin to casino games. The proposed tax structure is designed to be fair, considering that most skill machines are located in small businesses

and organizations that cannot bear higher taxes. In addition, unlike casinos, these small businesses are far from what anyone might call a “gambling destination.”

Skill games involve predominant skill rather than gambling, and over 90% of profits from these games stay within the Commonwealth. They should not be compared to casino slot machines. Playing games of skill is not gambling like VGTs or casino games. There is no compensating algorithm involved in playing like there is with gambling. Predominant skill is involved. The more you play, the more you learn about the game and increase your ability to win. Furthermore, Pennsylvania Skill Games are legal. The issue has been adjudicated in courts of common pleas across the state.

Casinos have had record sales. Some months they have hit new all-time highs in revenue. Clearly Skill Games are not impacting their revenue. Playing skill games and going to a casino are two completely different experiences for a player. A casino player is making a special trip to the casino for the purpose of gambling. A Skill Game customer plays the game casually, only if they happen upon a location that has a licensed Skill Game on their premises. And even then, since the number of Skill Game machines is limited, even if a customer happens upon a Skill Game machine, there is no guarantee that they will have the opportunity to play a Skill Game. Nevertheless, it is the rare case when a casino player is turned away because there are an insufficient number of machines or table games to play at the casino.

A comparison between Skill Games and casinos is like comparing apples and oranges.

COMPARISON WITH THE PENNSYLVANIA LOTTERY

As reported just last week, the Pennsylvania Lottery has enjoyed record profits. This year, for the 12th year in a row, the Pennsylvania Lottery's profit was reportedly \$1 Billion (*i.e.*, profits of \$12 Billion over the last 12 years). The Lottery's record sales in recent years and all years since Skill Games have been introduced in Pennsylvania. Some location owners will tell you their lottery sales have increased since they added skill games.

We fully support the Pennsylvania Lottery and the important financial support it provides to Pennsylvania's Seniors. And we know locations with both lottery and skill game machines see their lottery sales increase. However, the Lottery does not provide - and no entity really does - financial assistance to volunteer fire companies, veterans organizations and fraternal clubs the way Pennsylvania Skill does through our skill game supplemental revenue. The reason for that is simple: Most of Skill Game machines are in mom-and-pop restaurants, bars, and convenience stores, along with volunteer fire company halls, veterans' posts, and fraternal clubs. Furthermore, the proposed legislation and regulations put in place terms that ensure **at least** 80% of revenues stay in the Commonwealth, with 40% going to the establishment, 40% to the operator, and the remaining 20% going to the distributor who provides the software.

CONCLUSION

The proposed legislation and regulations offer a balanced approach to regulating and taxing Skill Games in Pennsylvania. It takes into consideration the unique nature and location of Skill Games, their contribution to local businesses and organizations, and the need for stringent regulation and fair taxation.

I respectfully submit this testimony for your consideration and stand ready to provide further information or clarification as needed.