



Senate Democratic Policy Committee Hearing on Skill Games

Testimony of Jeff Morris, PENN Entertainment, Inc.

Good Morning Chairwoman Muth, Senator Cappalletti, and members of the Senate Democratic Policy Committee. My name is Jeff Morris, and I am the Vice President of Public Affairs and Government Relations for PENN Entertainment, Inc., the nation's largest regional gaming operator with 43 properties in 20 states, including four here in the Commonwealth. Our company was founded and incorporated here in Pennsylvania over 50 years ago, in 1972. Our corporate offices remain located less than an hour from here in the Borough of Wyomissing, Berks County.

In Pennsylvania, we currently employ 2,298 team members at our Hollywood properties in Grantville, Morgantown, Washington County just outside of Pittsburgh, and York, and at our Wyomissing corporate office and interactive office – focusing on online gaming and sports wagering – in downtown Philadelphia. Our company has invested well over \$1 billion in our gaming facilities in the Commonwealth and paid over \$1.5 billion in taxes and local share disbursements over the last 15 years.

I'm here today to speak to the issue of gray and skill game machines or, in my opinion, what I contend to be the illegal slot machines that are saturating our communities around Pennsylvania. This has been an issue that both our CEO Jay Snowden and I have spoken on at various hearings and industry conferences over the last few years, where we have highlighted the ills of these operations across the country, calling them an unregulated, unmitigated disaster.

I must report that not much has changed, and in fact it seems to only be getting worse.

Numerous companies continue to push these machines onto street corners and Main Streets across Pennsylvania, next to schools, houses of worship, and day care centers. Nearly all these companies are involved in legal proceedings regarding the legality of their devices. Regardless, I think it is appropriate to show some of the photos you've likely seen of children playing these gaming machines in Pennsylvania over the last few years.

Unfortunately, this type of underage activity continues, and I say this with confidence due to the photo behind me that was taken this past week in downtown Reading, and because it nearly happened to my family. I recently took my daughter, age 11, to meet up with her grandparents at a gas station adjacent to the Pennsylvania Renaissance Fairgrounds in Rapho Township,

the halfway point between my home in Spring Township and theirs in Mechanicsburg. We arrived early so we stepped inside to get a soda and bag of chips. I left my daughter for a brief moment to go over to the drinks cooler. When I returned to where my daughter was, I realized that she had seen the skill game machines in the establishment and wandered over to them. There were no employees around to see that a child was inspecting what looked to me like the slot machines I see on our casino floors – just a wall of machines enticing anyone to try their luck.

This story is a microcosm of what is probably happening throughout Pennsylvania. Whereas the legal casino gaming industry takes responsible gaming and consumer protection very seriously, I see these machines' operators doing the opposite.

These operators and their machines provide zero protections for anyone. There are no Responsible Gaming protocols. There are zero Know Your Customer guardrails to prevent money laundering. There are no Self-Excluded-Patron or compulsive gaming policies. There is no regulatory testing and consumer protection. And there are clearly no underage protections – I can confirm that with my own two eyes. Even more alarming is the criminal activity that these machine draw into the communities in which they are placed.

Predictably, with the absence of the controls, monitoring and regulatory oversight present at licensed casinos, a “wild west” / lawless environment has followed, and these unsanctioned gambling devices have routinely attracted the sort of serious criminal and other negative activity that the General Assembly specifically sought to avoid through passage of the Gaming Act and the carefully designed amendments.

News websites across the Commonwealth are replete with headlines describing the regular occurrence of criminal mayhem, including violent robberies, and in a tragic case occurring in Hazelton, a cold-blooded murder. We have provided the Committee with written documentation about the crime wave across the Commonwealth that skill games have irrefutably caused.

Without focused action by legislatures, law enforcement and the courts, operators are getting more brazen in their efforts to expand. Just look at this video from the Keystone Klub in Mechanicsburg, Cumberland County, just across the Susquehanna River from the State Capitol.

Yes, this former frozen yogurt store is publicly being dubbed as a mini casino on this business' Facebook page. Even worse, this company has now expanded, having opened a second mini casino in Dauphin County.

With no action being taken, the problem will continue to get worse. But how can we stop it?

A coordinated effort to end the proliferation of these games is essential. Importantly, this does not include licensing and regulating these companies. *Bad actors should not be rewarded.*

The plain facts are that these businesses and their so-called skill machines cost Pennsylvania millions in gaming and lottery revenues annually, and simply cannot provide the appropriate oversight that is necessary for a properly regulated and safe gaming industry. I draw the Committee's attention to the editorial appearing in the July 29, 2023, edition of the Harrisburg Patriot News (aka PennLive), where the Editorial Board reached the same conclusion. The editorial was titled: "Gambling in Pennsylvania Needs the Strong Oversight only Casinos Can Guarantee."

Lawmakers, law enforcement, and the courts must step up **to explicitly ban** these operations before it is too late.

Fortunately, lawmakers in Kentucky have provided a roadmap for others to follow. Earlier this year, Governor Beshear signed into law a ban on these machines, and any business that has these machines in place will be subject to a fine of \$25K for each such device. We applaud the leadership of Kentucky's legislature for taking this important stand against illegal slot machine operators.

Importantly, lawmakers should also take note that public sentiment is on our side. A poll in Missouri earlier this year showed astounding numbers: 58% of primary voters oppose them, and over 70% of 65+ voters do not want these machines on their street corners.

That should be a wake up a call – if these machines continue to proliferate without government action to rid them from communities – candidates and incumbents could end up paying for it at the ballot box.

They may also start feeling the heat from ancillary events. Also in Missouri, a class action lawsuit was recently filed claiming racketeering activity and violations of various other laws in that state. Notably, the complaint also highlights the exorbitant political contributions made by skill game companies and their proponents to elected officials. As you can see on this slide, the media has noticed, and I suspect the public won't be far behind.

On the regulatory front, it is important to conduct hearings such as the one you are holding here today to educate lawmakers and the general public about the grave risks illegal slot machines pose to compulsive gamblers, underage individuals, public safety and the integrity of regulated gaming. The American Gaming Association continues to lead the way to show the vast disparity between our industry and the gray market/illegal operators, and this effort must continue full speed ahead.

Finally, law enforcement needs to have the necessary tools in place to continue to crack down on illegal activity. Ideally, they would be proactive, as this Platte County Missouri Prosecutor is in this video.

Unfortunately, this has not been the case here in Pennsylvania – yet. Hopefully, legislation like that in Kentucky can be implemented that provides a financial incentive for all interested parties to work together to get rid of or destroy these dangerous machines once and for all.

Thank you for your time today. I would be happy to answer any questions you may have.