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Pennsylvania Gaming Control Board**

Testimony to the
House Gaming Oversight & Senate CERD
Joint Committee Hearing
March 7, 2017

Good afternoon Chairman Petri, Chairman Harkins, Chairman Scavello, Chairman Farnese, and members of both Committees present today.

I am Kevin O'Toole, Executive Director of the Pennsylvania Gaming Control Board. With me this afternoon is our Chief Counsel Doug Sherman. It is a pleasure for Doug and I to be with you this afternoon to discuss changes to the Gaming Act as well as potential expansion of the activities covered under the Gaming Act.

Since the Board provided testimony at a series of hearings held last session, I will highlight a limited number of areas thereby keeping my remarks brief. I would like to note, however, that we are eager to serve as a resource for the committees on any specific issue area in which the committees should ask.

As the Board has regulated gaming for over 10 years now, we bring a high degree of knowledge and experience to the regulation

of gaming. As such, the Board has the expertise to recommend that any expansion of casino-style gaming, including Internet gaming (both casino games and poker) and fantasy sports, be placed under the purview of the Board if enacted by the General Assembly and the Governor. We believe that efficiencies can be achieved by using the experience of our employees and that we can adequately protect the public and the integrity of gaming in these areas.

Therefore, the Board is supportive of the legislative language embodied in House Bill 392 which places the oversight of Internet gaming and fantasy contests under the regulatory oversight of the Board.

Relative to additional changes to Title 4 which are incorporated within House Bill 392, I offer the following:

- The Board supports increasing the license renewal period from 3 years to 5 years. Because the Gaming Act requires licensees to provide notice to the Board of changes relative to their suitability, the change to the renewal period does not impact regulation in a negative manner.

- The Board also supports allowing Pennsylvania casinos to provide skill-based slot machines as well as hybrid slot machines to its gaming patrons. New Jersey casinos have begun to offer skill-based slot machine games to their patrons and this represents a competitive issue for Pennsylvania casinos. It is important to note that a change to the Gaming Act is required in order to accomplish this. The Act does not currently permit this type of slot machine and it cannot be offered without amendment to the Gaming Act.
- The Board supports requiring testing and certification standards for internet gaming operations. The use of independent private labs to assist in the testing of internet based games will facilitate the approval process. While the Board has an in-house gaming lab which achieves the mandates of the Gaming Act in an efficient and timely manner, a year and a half ago we modified our testing protocols to incorporate relying upon the test results from private independent labs. This has resulted in an increase of production for our lab from 300 approvals annually to approximately 500 last year. This efficiency has been found

while maintaining the integrity of the approval process for all slot machines and can be applied effectively to internet gaming operations.

- The Board supports allowing a greater reliance on a notification process for non-gaming service providers at the Board's discretion. The Board is mandated under the Gaming Act to develop systems to review and approve businesses that seek to provide a product or service to a casino. Under this provision, the Board developed a system based upon the monetary amount of the good or service provided. At this time, it seems appropriate to delineate this further by recognizing a system of notification for businesses which seek to provide a good or service which would not involve access to the gaming floor or a restricted area, provided the Board is granted discretion to require more of non-gaming service providers if it is determined by the Board that facts or circumstances require additional vetting.
- A change that is not included in House Bill 392 is the removal of the slot machine license ownership restriction currently in the Gaming Act. Ownership is currently restricted to 1 and 1/3 licenses. This was appropriate in the initial licensing stage of

gaming as it assured that no one licensee would dominate. As the Board testified in a previous legislative hearing, with a limited number of licenses yet to be considered by the Board, it is probably best to allow the market to determine the ownership of licenses and not unduly limit the ownership with restrictions not found in other gaming jurisdictions.

We understand that the legislative process is fluid in nature and we look forward to providing our insight as the process continues. And, if you are interested I can provide a link to or a hard copy of the Board's prior testimony.

I appreciate the opportunity to speak with you today and Chief Counsel Sherman and I are available to answer any questions you may have.