

Good morning Senator Earll, Senator LaValle and members of the Committee. Thank you for the opportunity to be here today to discuss the impact of a budget impasse on the Gaming Industry in Pennsylvania.

As you know, Gaming has been a rousing success since the first casino was opened in Pennsylvania on November 14, 2006. This past weekend the amount of gaming dollars placed into slot machines passed \$5 billion since that first opening. As a result, each day, the five casinos that are now open generate gross revenues of \$3.1 million and, most importantly, taxes and assessments to the Commonwealth of almost \$1.7 million. Overall, gaming has now generated \$473.7 million in gross revenues and \$553.8 million in revenues for the commonwealth of Pennsylvania (includes \$300 million in license fees). Already \$100 million has been provided to fund enhanced property tax relief for senior citizens. Those checks were sent out Monday and are being received in mailboxes and bank accounts across Pennsylvania as we speak. Another \$157 million has been set aside for general property tax relief.

Funding has also been provided for grants to volunteer firefighter associations and payments in lieu of taxes to areas with significant forest reserves. Additionally, \$10.5 million has been delivered to local and county governments through gaming generated assessments. Another \$9.8 million will be distributed to municipal and county governments this month.

Gaming has also generated \$23.1 million for Economic Development and Tourism projects. As you know, legislation is now pending that would dedicate monies from this Fund to build an arena in Pittsburgh where the

Penguins will play and to support an expansion of the Pennsylvania Convention Center in Philadelphia as well as other projects.

Slot machine gaming has also provided significant support for the horse racing industry in PA. To date, \$44.3 million has been generated through slot machines for purses at Pennsylvania racetracks. Another \$8.9 million has been provided to state-funded breeders programs and \$2.2 million has been set aside for pension and health care benefits for jockeys.

Unfortunately, these benefits may shortly be interrupted. We have been advised that, should a budget not be passed, Department of Revenue employees that monitor the Commonwealth's central control computer system which provides the accounting record of all slot machine transactions will be furloughed at 7:00 am on Monday July 9, 2007 making the central control computer system unavailable. Section 1323 of Act 71 requires that, to facilitate auditing and security programs critical to the integrity of slot machine gaming, the Department of Revenue has control of all slot machine terminals which are required to be linked to a central control computer under the control of the Department of Revenue. The Department of Revenue staffs the central control computer system with individuals who have been notified of the impending furlough and, without whom the Department cannot operate and monitor, or control, the system without employees to do so. As such, the Department of Revenue has indicated that absent those employees, the central control computer system will have to be shut down. If the central control computer system is unavailable, slot machines cannot be legally operated under the terms of the Act.

Under these circumstances, the PGCB will have to require its licensees to cease slot machine operations when and if the Department of Revenue advises us that the central control system is unavailable. Shut down of slot operations by our licensees will be a several day process at each casino. It may take as much as 3 days per location to clear all machines. Likewise, to reopen a casino after a shut down, will be a several day process. These efforts will have to be coordinated between the Department of Revenue, the PGCB and the PSP.

PGCB staff will continue to work during this shutdown period as long as we are able to meet our expenses. In addition to our agents supervising the shutdown at the licensed locations, our investigations and licensing staff will continue to work on the vendor applications and manufacturer renewals we have on hand as well as the four Category 3 license applications just received. Our hearings and appeals staff will continue to hear and adjudicate appeals including employee license denial appeals.

We will pay our staff during this period from the \$2.8 million carryover funds that were included in the funding for our 07-08 budget in HB 1287.

Because the requirement that funds be appropriated to PGCB takes effect with the signing of an 07-08 budget for our agency, and no budget has yet been enacted, we do not require legislative action to continue meeting our expenses from the combination of fees, reimbursements and drawdowns that we currently have on hand. We estimated our year end balance at \$2.8 million. It is currently \$2.9 million. We expect our July expenses to

amount to \$2.4 million, so we will be able to meet expenses through July out of the carryover funds.

We certainly hope that none of this will come to pass and that the legislature and the Governor will come to agreement on the budget before a shutdown is begun. In addition to losing \$1.7 million in taxes and other revenues each DAY that the casinos are closed, there are other impacts that will ripple through the economy from this action. Last year Atlantic City's casinos were closed for three days in July when New Jersey's Governor and legislature could not agree on a budget. The shutdown in New Jersey was estimated to have reduced that state's revenue by \$1.3 million per day. In addition to state revenues losses, stock prices of the five companies that own Atlantic City casinos fell during the shutdown. Employees were laid off and tour companies cancelled bus trips and stopped taking reservations. The dislocation and uncertainty of vacation plans and day trips that a shutdown will engender will not help this young and vigorous industry continue its remarkable success and growth in Pennsylvania.