



STATE SENATOR *Vincent J.* **FUMO**

NEWS RELEASE

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SLOTS BILL PASSES SENATE -- WILL PROVIDE MAJOR BENEFITS TO PENNSYLVANIA

HARRISBURG, July 2, 2004 – The state Senate early this morning passed one of the most far-reaching pieces of legislation it has considered in several decades when it voted to legalize slot machine gambling at 14 locations in Pennsylvania, said Senator Vincent Fumo (D-Philadelphia).

Fumo, who was the principle architect of the slots bill, compared the action to the early 1970s, when Pennsylvania instituted a state lottery to provide help for senior citizens, and a personal income tax.

"In the past 30 years, I don't believe we have done anything that will change Pennsylvania economically and culturally as much as the process we have set in motion here," Fumo said.

The legislation, which was drafted by Fumo's office and modified during negotiations with the other three legislative caucuses and the Rendell administration, was offered as an amendment on the Senate floor to House Bill 2330. The amendment was approved by a vote of 30-20. The bill now goes to the House of Representatives, where passage is expected, then to the Governor for his signature.

When fully implemented, the bill will allow 12 full-scale slot parlors with up to 3,000 machines each (increasing to a maximum of 5,000 each after six month.) Seven of those must be at horse racing tracks. It will allow two resort licenses, limited to 500 machines each that will be available only to patrons of the resort.

Slot machines play is expected to provide \$1 billion annually for tax relief to Pennsylvanians – property tax reductions for homeowners in most of the state and wage tax cuts in Philadelphia.

The bill will also establish an economic development fund supporting about \$2 billion worth of capital projects throughout the state, will provide help for the horse racing industry, will create thousands of construction jobs, and will create thousands of permanent jobs at the slot machine gaming facilities.

"This is about more than having slot machines as part of our entertainment options in Pennsylvania. It will provide tremendous benefits to the citizens of the Commonwealth," Fumo said. "I know there are potential social costs to gambling, but when you weigh those costs against the benefits, I think our state comes out a big winner."

That is especially true, Fumo said, because Pennsylvanians are already playing slot machines at many of our surrounding states that have legalized gambling. Many Pennsylvanians visit Atlantic City casinos, or slot parlors at race tracks in West Virginia and Delaware.

"If people had to go to Las Vegas to gamble the way they did 20 or 30 years ago, I wouldn't be in favor of this. But our people are already gambling on slot machines. What we're doing now is acting to keep a major portion of that money in Pennsylvania, to give the proceeds to our own citizens," he said.

Recognizing that some people do suffer from compulsive gambling, Fumo insisted on including several provisions in the bill to address such problems. A fund of \$2.5 million annually will be established for treatment of gambling addiction. The bill includes tight restrictions on the use of credit cards, debit cards, checks and ATM machines in the proximity of slot locations, and it provides for a self-exclusion list by which addictive gamblers can bar themselves from slot parlors and avoid gambling marketing and advertising.

Fumo was also the primary advocate for a host of public interest provisions that are included in the bill. Pennsylvania will become the first state to collect a fee for granting slot licenses – \$50 million per location (\$5 million for resort licences.) The state will also retain ownership of the licenses, meaning that if a slot operator sells the business, the new owner must apply for the license and pay the license fee again.

The bill bans political campaign contributions from gambling operators to any state or local candidate or political action committee in Pennsylvania.

The bill calls for a central control system, whereby the state Department of Revenue can electronically monitor every slot machine in the state and shut it down electronically from a remote location if it detects an anomaly.

Among its other anti-corruption measures, the legislation requires strict background checks for slot operators, prohibits a public official from having more than a 1 percent interest in a gambling operation, and prohibits members of the

Gaming Board from going to work for a gambling enterprise for one year after leaving office.

"We have adopted the best practices from all other jurisdictions that have gambling and we have produced a legal framework that will make us a model among states for strict control," Fumo said.

Last year, after an earlier version of a slots bill was bogged down by differences between the Senate and House provisions, Fumo decided to conduct a thorough market analysis to determine how Pennsylvania could achieve Gov. Ed Rendell's stated goal of generating \$1 billion annually for tax relief. He hired the industry leader in gaming market analysis, the Innovation Group from New Orleans, which returned with a study showing that at least 12 venues, some of which had to be in urban centers and at non-track locations, would be necessary to generate \$1 billion in state revenue.

Fumo then crafted a bill that would allocate slot licenses in a manner that would maximize the return to the state.

He also fought to direct a significant share of slot proceeds to the horse racing industry. Horsemen will receive an amount equal to 18 percent of the slot machine revenue from their tracks. Because non-track locations will also contribute, that figure will amount to about 9 percent of the statewide total of all slot venues. Upon full deployment, horsemen are expected to receive \$566,630 per day for increased purses, breeding programs, health benefits and backside improvements.

In addition to the share for horsemen, the rest of the slots proceeds will be divided as follows: 48 percent to the slot operators, 34 percent to the state for tax relief, 5 percent to an economic development fund for capital projects, and 4 percent to the local counties and municipalities where the facilities are located. The total amount of money to be so divided is expected to hit about \$3 billion annually when all facilities are up and running.

A newly created State Gaming Control Board will oversee the licensing and operation of slot parlors. It will have seven members – three appointed by the governor and one each by the leaders of the four legislative caucuses. Decisions on granting licenses require the vote of five members, including all four legislative appointees.

The Board will establish procedures for applying for licenses, and will have the final decision about where and to whom licenses are granted. Six of the 14 slot licenses, however, are designated to go to the six already-licensed horse racing tracks in the commonwealth, provided their operators can pass the background check and other requirements to demonstrate financial fitness. At least two slot parlors must be located in Philadelphia and one in Pittsburgh.

The bill also requires that operators purchase slot machines through distributors headquartered in Pennsylvania.

The \$2 billion in capital project will include several major items in Allegheny County and Philadelphia, but about half the money will be spent in the other 65 counties. The money will be raised by bond financing, and paid for with about \$150 million generated by slot proceeds each year for debt service, representing the 5 percent dedicated to economic development.

"This has been a long, hard road. But we are bringing change of great magnitude to the commonwealth, and I think it's appropriate that we spent a year researching, negotiating, and crafting this legislation. I think it is a better bill because of the tough, lengthy process that we took to get here," Fumo said.

Provisions for the property tax and wage tax relief are contained in a separate piece of legislation that is expected to be considered by the the General Assembly soon.

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