



MEMORANDUM

Date: July 25, 2022
To: NCLGS Officers
From: Jon Ford, President
CC: NCLGS staff, General Counsel
Re: Unregulated gaming market

Several states – including, but not limited to Pennsylvania, Missouri, Virginia and Kentucky – are grappling with the issue of unregulated gaming machines in multiple locations.

These machines – found in fraternal organizations, convenience stores, bars and other locations – raise a number of issues that legislators need to be aware of:

- They are not regulated by gaming agencies, although they operate in states that offer gaming and lottery oversight.
- Their offerings are not tested by an authorized testing laboratory, nor are they subject to the requirements that licensed, regulated gaming operators must address, including:
 - Developing and maintaining strict internal-control procedures, in areas ranging from accounting controls to anti-money laundering and know-your-customer requirements
 - Developing and adhering to responsible-gaming policies, including preventing both underage gambling as well as restricting gambling by adults on a state’s exclusion list
- The growing presence of such games undermines the value of a gaming license, which is predicated on the universal recognition that such licenses are privileges granted to those who affirmatively demonstrate their good character, honesty and integrity

The major issue that legislators need to be aware of is that, as these games continue to proliferate, any statutory or regulatory decisions related to their potential removal will become increasingly challenging, as more small businesses and other organizations become increasingly dependent on such games.

These machines are generally characterized as “gray” machines in that they are neither specifically authorized by law, nor are they specifically outlawed. Many unregulated games rely on the premise that their machines simply pay out awards for skilled performance, and the outcomes are not random, thus they are not participating in gambling. However, experience has shown that these games rely on a significant degree of randomness, and cannot fairly be characterized as games of “skill.”

Casino operators have blamed unregulated skill games for diverting some players away from their licensed facilities. Litigation in Pennsylvania (see Appendix I) challenges the premise that these games are allowed,

and that they are games of chance. That litigation (in which Spectrum served as an expert witness) also notes that the machines cannibalize legal gaming revenue, and meet the generally accepted definition of slot machines.

Opponents of unregulated games include many operators who are fully regulated and licensed, including the members of the American Gaming Association (see Appendix II).

The core issue that legislators and regulators throughout the United States need to be aware of is that these games continue to proliferate outside the control of an orderly, approved licensing and regulatory process. The absence of any controls undermines the licensing process that so many states have carefully developed and nurtured.

Proponents of these unregulated machines now claim the premise of fulfilling a market need in an orderly, compliant way that would contribute greater tax revenue under a formal licensing system. However, as lawmakers and regulators in gaming jurisdictions understand, taxation does not equate to regulation. Adherence to regulation requires adherence to a broad set of principles and practices that are designed to advance public policy. These are the best practices that NCLGS promotes.

Games that are not authorized or tested, that are put forth by operators who have not demonstrated their good character, honesty and integrity and thus have not earned the privilege of licensure do not represent best practices, and should not be allowed to operate.

Appendix I



EXPERT WITNESS REPORT:

Impact of Distributed Gaming on Land-Based Casinos

Prepared for Ballard Spahr
January 8, 2021



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Introduction

A. Qualifications of Spectrum Gaming Group

This report was prepared by Spectrum Gaming Group (“Spectrum,” “we” or “our”), an independent research and professional services firm founded in 1993 that serves private-sector and public-sector clients worldwide. Our principals have backgrounds in gaming and lottery operations, economic analysis, gaming regulation, law enforcement, and journalism. We have provided our expertise in 40 US states and territories and in 48 countries on six continents. Our clients include 22 US state and territory governments, including six lotteries, six national governments, 22 Native American entities, national and international gaming companies of all sizes, suppliers, financial institutions, developers and other gaming-related entities.

Spectrum holds no beneficial interest in any casino operating companies or gaming equipment manufacturers or suppliers. We employ only senior-level executives and associates who have earned reputations for honesty, integrity and the highest standards of professional conduct. Our work is never influenced by the interests of past or potentially future clients. Spectrum serves as Executive Director of the National Council of Legislators from Gaming States, which, like Spectrum, is neither a gambling proponent nor gambling opponent. Each Spectrum project is customized to our client’s specific requirements and developed from the ground up. Our findings, conclusions and recommendations are based solely on our research, analysis and experience. We will not accept, and have never accepted, engagements that seek a preferred result.

Spectrum has been a leading consultant in the gaming industries for 27 years. The expert consultant involved in this report is Michael J. Pollock, Managing Director of Spectrum and former Public Information Officer for the New Jersey Casino Control Commission. His qualifications are detailed in Appendix A.

Spectrum principals have testified or presented before the following governmental bodies:

- Brazil Chamber of Deputies
- British Columbia Lottery Corporation
- California Assembly Governmental Organization Committee
- Connecticut Public Safety and Security Committee
- District of Columbia Lottery
- Florida House Select Committee on Gaming
- Florida Senate Gaming Committee
- Georgia House Study Committee on the Preservation of the HOPE Scholarship Program
- Georgia Joint Committee on Economic Development and Tourism
- Illinois Gaming Board
- Illinois House Executive Committee
- Indiana Gaming Study Commission
- Indiana Horse Racing Commission
- International Tribunal, The Hague
- Iowa Racing and Gaming Commission

- Louisiana House and Senate Joint Criminal Justice Committee
- Massachusetts Gaming Commission
- Massachusetts Joint Committee on Bonding, Capital Expenditures, and State Assets
- Michigan Senate Regulatory Reform Committee
- National Gambling Impact Study Commission
- New Hampshire Gaming Study Commission
- New Jersey Assembly Regulatory Oversight and Gaming Committee
- New Jersey Assembly Tourism and Gaming Committee
- New Jersey Senate Legislative Oversight Committee
- New Jersey Senate Wagering, Tourism & Historic Preservation Committee
- New York Senate Racing, Gaming and Wagering Committee
- New York State Economic Development Council
- North Dakota Taxation Committee
- Ohio House Economic Development Committee
- Ohio Senate Oversight Committee
- Pennsylvania Gaming Control Board
- Pennsylvania House Gaming Oversight Committee
- Puerto Rico Racing Board
- Resilient Louisiana Commission, Gaming Task Force
- Rhode Island Lottery
- US House Congressional Gaming Caucus
- US Senate Indian Affairs Committee
- US Senate Permanent Subcommittee on Investigations
- US Senate Select Committee on Indian Gaming
- US Senate Subcommittee on Organized Crime
- Washington State Gambling Commission
- West Virginia Joint Standing Committee on Finance
- World Bank, Washington, DC

B. Purpose of Engagement

Greenwood Gaming and Entertainment is the lead among a group of Pennsylvania casino operators (the “Casinos”) that seek to intervene in the Commonwealth Court of Pennsylvania in the matter of POM of Pennsylvania, LLC, v. Commonwealth of Pennsylvania, et al. The law firm of Ballard Spahr LLP, which represents the Casinos, retained Spectrum to offer the analysis contained herein regarding this matter.

In performing this engagement, the Casinos’ legal counsel provided information regarding the nature of the dispute. In addition, Spectrum reviewed pleadings, exhibits, information in the public domain, documents produced in this matter, and other materials cited in this report. Spectrum also relied upon its independent research and analysis, professional training, and decades of experience in the lottery and gaming industries.

C. Summary of Findings

The existence of at least 15,000 unregulated slot machines across Pennsylvania is in direct conflict with the following central principles that are the foundation of gaming licensure in Pennsylvania:

- No individual or corporate entity has an automatic right to a gaming license, which is considered a privilege to be earned; and
- Such licenses are granted to those who have affirmatively demonstrated their “good character, honesty and integrity.”

When applicants demonstrate that they meet those standards and are granted licensure by the Pennsylvania Gaming Control Board, they receive something of significant value in return: The ability to participate in a marketplace in which government limits direct competition.

Casino investments in Pennsylvania were determined based on these principles and the attendant rules. As these unregulated slot machines are not governed by the rules that licensed casino operators must abide by in order to maintain the privilege of licensure, they undermine public confidence in gaming and cause significant harm to licensed gaming because:

- There is no limit to their number or locations in the commonwealth.
- They harm the image of regulated gaming, and they undermine the regulated gaming industry’s extensive efforts to comply with the law, regulations and public policy.
- As they so closely resemble legal, regulated casino slot machines and are particularly convenient to residents in their surrounding communities, these unregulated slot machines cannibalize licensed slot machines, and are designed to compete against regulated offerings.
- They offer no controls over responsible-gaming practices, such as adherence to exclusion lists.
- They are not required to be certified by an approved testing laboratory to determine how they operate and whether they meet regulatory requirements.
- They have no requirements for surveillance camera coverage.
- They offer no apparent controls to prevent underage play.

The negative impacts attributed to the distribution of such unregulated machines across the commonwealth are quite real, as demonstrated by the experience in Illinois, a state that has also seen distributed gaming devices cause severe cannibalization and financial harm to licensed casinos. In Illinois, such devices have, in one instance, led to a 41 percent decline in revenue for one licensed casino, and eroded the value of another casino by \$40 million, a decline of one-third of that property’s value.

Notably, such harm could be even greater in Pennsylvania, as the distributed Illinois machines are licensed, tested and are restricted in their distribution.

As there are no statutory or regulatory limits on the number of such unregulated slot machines in Pennsylvania, nor are there limitations on the number or type of establishment that can house them, these issues can only worsen over time, thus further eroding revenue and value for authorized casino licensees.

I. Electronic Gambling Devices in Context

“Electronic gambling device” (“EGD”) is a commonly used umbrella term for a gambling machine such as a slot machine, video gaming terminal, video lottery terminal, historical horse-racing machine, skill-based gambling machine, coin-operated amusement game, video poker machine, 8-liner machine, or myriad other gambling machines, whether regulated or unregulated. Each type of EGD – regardless of its name, look, player experience, or internal configuration – is a mechanized (or digitized) game of chance. Regardless of what the machines are called, all are, in essence, slot machines. Players insert money and play the game with the hope of winning more than they put in.

The proliferation of such EGDs – both regulated and unregulated – is widespread. For example:

- In Kentucky, four casino-like facilities each offer hundreds of regulated historical horse racing machines in the absence of state-regulated slot machines in that state.
- In North Carolina, tens of thousands of illegal slot machines of various types operate in retail establishments throughout the state in the absence of state-regulated slot machines in that state.¹
- In Pennsylvania, thousands of slot machines that claim to be based on skill operate in establishments that for numerous players are in more convenient locations than many of the state’s licensed casinos in that state.²
- In Virginia, thousands of unregulated slot machines operate in retail establishments throughout the state in the absence of state-regulated slot machines in that state.³

When placed in retail locations, slot machines are a form of gambling known as “distributed gaming.” Distributed gaming is defined as slot machines placed in non-casino venues such as bars, restaurants, and truckstops. Legal, regulated distributed gaming is authorized in eight states, as follows. We have used each state’s formal name for the types of gambling machines it offers:

- **Georgia:** Approximately 26,000 coin-operated amusement machines in approximately 5,200 locations are regulated by the Georgia Lottery.⁴ The machines are offered primarily in authorized convenience stores, which are restricted to five units apiece.

¹ Spectrum interview with Christopher Scott Poole, Special Agent in Charge of the Gaming Section of Alcohol Law Enforcement, a division of the North Carolina Department of Public Safety, February 2020.

² Marc Levy, “Fight over cash-paying video games hits crucial stretch,” *Pittsburgh Post-Gazette*, January 11, 2020. <https://www.post-gazette.com/news/state/2020/01/11/Fight-over-cash-paying-video-games-hits-crucial-stretch/stories/202001110044>

³ Kevin Hall, Executive Director Virginia Lottery: Briefing for House Appropriations and Senate Finance Committees, September 2019.

⁴ Paul Tash, “Pilot program for gift card to begin soon,” *Georgia Amusement Journal*, October 2020. https://assets.noviams.com/novi-file-uploads/gamoa/October_2020.pdf

- **Illinois:** Approximately 37,000 video gaming terminals (“VGTs”) in 7,200 locations are regulated by the Illinois Gaming Board.⁵ These slot machines are offered in cafes and other authorized locations, which are restricted to six units apiece.
- **Montana:** Approximately 16,000 video gambling machines in approximately 1,400 locations are regulated by the Montana Department of Justice, Gambling Control Division.⁶ The machines are offered in bars and other authorized locations, which are restricted to 20 units apiece.
- **Nevada:** Approximately 2,000 locations operate up to 15 slot machines apiece;⁷ they are regulated by the Nevada Gaming Control Board.
- **Oregon:** Approximately 11,700 video lottery terminals (“VLTs”) in 2,200 locations are regulated by the Oregon Lottery.⁸ The machines are restricted to authorized lottery retailers, which are restricted to six units apiece.
- **Pennsylvania:** Approximately 185 VGTs in approximately 37 locations are regulated by the Pennsylvania Gaming Control Board.⁹ The machines are restricted to qualifying truckstops, which are restricted to five units apiece.
- **South Dakota:** Approximately 9,000 VLTs in approximately 1,200 locations are regulated by the South Dakota Lottery.¹⁰ The machines are restricted to authorized lottery retailers, which are restricted to 10 units apiece.
- **West Virginia:** Approximately 6,700 VLTs in approximately 1,300 locations are regulated by the West Virginia Lottery.¹¹ The machines are restricted to licensed lottery retailers, which are restricted to seven units apiece.

Distributed gaming is also present in numerous other states by way of unregulated slot machines found in bars, restaurants, convenience stores, cafes, and other retail locations. It is impossible to know the precise extent or performance of unregulated gaming in any given state.

⁵ Illinois Gaming Board, “Video Gaming Revenue Reports.” <http://www.igb.illinois.gov/VideoReports.aspx> (accessed December 14, 2020)

⁶ Montana Gambling Control Division, “Statistics & Reports.” <https://dojmt.gov/gaming/statistics-reports/> (accessed December 14, 2020)

⁷ Nevada Resort Association, “Gaming Regulation.” <https://www.nevadaresorts.org/regulation/#:~:text=Notes%3A%20%5B1%5D%20%22Restricted,primary%20business%20of%20the%20establishment> (accessed December 14, 2020)

⁸ Oregon Lottery, “2018 Snapshot.” <https://www.oregonlottery.org/assets/wp-content/uploads/2020/05/snapshot-2018.pdf>

⁹ Pennsylvania Gaming Control Board, “Video Gaming Terminal Report,” through October 2020. https://gamingcontrolboard.pa.gov/files/revenue/Gaming_Revenue_Monthly_VGT_FY20202021.pdf

¹⁰ South Dakota Lottery, “Annual Report FY 2020.” https://boardsandcommissions.sd.gov/bcuploads/PublicDocs/FY2020_AnnualReport.pdf

¹¹ West Virginia Lottery, “Progress Report FY 2019.” <https://wvlottery.com/wp-content/uploads/2019/12/WVLPProgress2019.pdf?2b51344c4c>

II. Impact of Unregulated Slot Machines on Licensed Gaming

States that have legalized and authorized casino gaming over the past half century – including the Commonwealth of Pennsylvania – have followed certain principles that are largely universal, and timeless. The central principles underlying the issuance of casino licenses include:

- No individual or corporate entity has an automatic right to a gaming license.
- Such licenses are granted to those who have affirmatively demonstrated their “good character, honesty and integrity.”

That phrase – “good character, honesty and integrity” – was drafted into the New Jersey Casino Control Act in 1977 when that state became the first US jurisdiction outside of Nevada to authorize legally sanctioned casino gaming, and those words remain in that statute today, with language that even requires that suppliers to the industry “establish their good character, honesty and integrity by clear and convincing evidence and shall provide such financial information as may be required.”¹²

Pennsylvania’s licensing structure mirrors those principles, even using the language of the New Jersey statute in areas that extend beyond casino operators themselves to incorporate the licensure of slot machine providers, noting that the Pennsylvania Gaming Control Board (“PGCB”) will issue licenses upon consideration of factors that include “the financial fitness, good character, honesty, integrity and responsibility of the applicant.”¹³ That principle has emerged as a mainstay in multiple jurisdictions, all based on the premise that participation in authorized, regulated gaming is a privilege granted to those who affirmatively demonstrate that they meet these universal standards. The international law firm Paul Hastings LLP notes:

In the states where gambling is legalized, regulatory schemes are complex and comprehensive. As a result, state licensing regimes are typically intrusive and require deep scrutiny of the licensee applicant. The purpose of the suitability review is to ensure that licensees are *honest, and of good character and integrity*. [Emphasis added.] For example, in Nevada, casino licenses are not granted unless applicants show that they possess adequate business acumen, competence and experience, and that they have secured adequate and appropriate financing. See Nev Rev Stat section 463.170(3). In New Jersey, as another example, key employees, who include, inter alia, pit bosses, casino managers and casino operators, must undergo a rigorous license application process that shows the financial stability, integrity and responsibility of the person, and the good character and reputation of the person for honesty and integrity. See NJAC 19:41A-5.5.¹⁴

When applicants demonstrate that they meet those standards and are granted licensure, they receive something of significant value in return by states such as Pennsylvania: The ability to participate in a marketplace in which government limits direct competition. Limitations generally take the form of

¹² “Casino Control Act,” P.L.1977, c.110 (C.5:12-1 et seq.).
https://www.njleg.state.nj.us/2012/Bills/PL13/27_.HTM (accessed December 17, 2020)

¹³ Rules and Regulations. Title 58. Recreation. Part VII Gaming Control Board.
https://gamingcontrolboard.pa.gov/files/regulations/Final_Regulations_Master.pdf (accessed December 17, 2020)

¹⁴ “Land-based gambling in USA,” Paul Hastings LLP, August 1, 2019.
<https://www.lexology.com/library/detail.aspx?g=f6b68b4d-b1f0-4f59-9998-d256da2601f5>

either a fixed number of operator licenses and/or some form of geographic limitations or exclusivity. That trade-off – limiting participation to a relatively small number of operators who meet the highest standards of integrity – significantly enhances the financial value of a casino license:

- Operators have earned the privilege of some level of geographic exclusivity in a jurisdiction with a fixed number of licenses, thus limiting competitive pressures that could otherwise occur in an unregulated marketplace.
- Because licenses are granted as privileges to those individuals and entities that have demonstrated their good character, honesty and integrity, the public gains confidence that the games being offered are fair, trustworthy and address critical public interests such as adhering to responsible-gaming practices.

In Spectrum’s experience, that system works remarkably well. Operators invest billions of dollars to develop an industry that employs thousands of adults while purchasing goods and services and generating positive economic impacts, including fiscal benefits for state and local governments.

While the system can work as intended, it is also subject to great risk: When the aforementioned trade-off is undermined or weakened, the value of a casino license diminishes. This is true even when the authorizing jurisdiction itself undermines the compact by authorizing new forms of gaming.

However, this foundational underpinning of a successful gaming policy can be even further undermined when the expansion of gaming is unregulated. Such unregulated gaming can:

- Cannibalize regulated casino gaming revenue: This risk is acute when the unregulated form(s) of gaming have no limit on the number or location of the venues in which they operate.
- Undermine and undo public confidence in the integrity of gaming: The public cannot be reasonably expected to make distinctions between licensed, regulated slot machines and their unregulated counterparts.

These two factors, working in tandem, can add significant risk to gaming operators. Both of those risk factors are clearly apparent in Pennsylvania. The operators offering unregulated slot machines do not pay a state or local gaming tax and are not subject to the customary – and strict – gaming rules and regulations established by the Commonwealth of Pennsylvania and as executed by the PGCB.

Unregulated distributed gaming undermines regulated gaming and prevents regulated gaming from fully achieving stated policy goals. In Pennsylvania, this means that the unregulated slot machines operating throughout the state compete to a certain extent against – and on an unlevel playing field with – the regulated casinos for customers’ discretionary gambling dollars.

Indeed, Pace-O-Matic, which develops and licenses unregulated games in Pennsylvania, makes clear that it is targeting the regulated slot machine market, noting on its website:

Our products are designed for those who are looking to enjoy games that are more similar to what you would see in an arcade. Today’s gamers have grown up on video gaming consoles and now play games on their phones. We are looking to deliver products that appeal to this new generation of gamers. They aren’t

entertained by pressing a button and waiting to see if they win or lose. They want to play a game and use skill. That is the difference and how Pace-O-Matic is setting itself apart from the competition.¹⁵

Notably, Pace-O-Matic is not alone in viewing regulated, licensed slot machines as competition. Keystone Enterprise, LLC, a Pennsylvania-based Pace-O-Matic distributor, earlier this month (and since at least August 15, 2020, based on its Facebook posts¹⁶), was encouraging establishments that did not qualify for bona fide, regulated VGTs – which are the same devices as regulated Pennsylvania casino slot machines – to instead purchase or lease its Pennsylvania Skill machines. The following screenshots show an advertisement on the Facebook page of Keystone Enterprise promoting the Pennsylvania Skill games as substitutes for VGTs. (Keystone Enterprise does not appear to have its own website.)

Figure 1: Screenshot 1 showing Pace-O-Matic advertisement from Keystone Enterprise Facebook page



Source: Keystone Enterprise, LLC¹⁷

Pace-O-Matic distributor Keystone Enterprise has emphasized the use of its Pennsylvania Skill games as a substitute for regulated VGTs by using the image of this advertisement in both its cover photo and profile picture on its Facebook page, as shown in the following screenshot:

¹⁵ Michael Barley, "Pace-O-Matic CEO: Doing Things the Right Way," Paceomatic.com, December 29, 2020. <https://www.paceomatic.com/news/ceo-doing-things-the-right-way>

¹⁶ Keystone Enterprise, LLC, Facebook page. <https://www.facebook.com/Keystone-Enterprise-LLC-105637914284013> (accessed January 8, 2021)

¹⁷ Ibid.

Figure 2: Screenshot 2 showing Pace-O-Matic advertisement from Keystone Enterprise Facebook page



Source: Keystone Enterprise, LLC¹⁸

Pace-O-Matic is hardly alone in targeting an emerging demographic of adults who are accustomed to arcade games. Our experience shows that is a core goal of the licensed brick-and-mortar casino industry. For example, the stated goal of casinos embracing new games to attract a new demographic was the subject of a 2016 article titled: “Atlantic City casinos hope to find their future in a video arcade.”¹⁹

¹⁸ Keystone Enterprise, LLC, Facebook page. <https://www.facebook.com/Keystone-Enterprise-LLC-105637914284013> (accessed January 8, 2021)

¹⁹ John Brennan, “Atlantic City casinos hope to find their future in a video arcade,” northjersey.com, September 28, 2016. <https://www.cdcgamingreports.com/atlantic-city-casinos-hope-to-find-their-future-in-a-video-arcade/>

The ability of unregulated suppliers and local facilities to operate slot machines in Pennsylvania without being subjected to the strict PGCB regulation affords them a considerable competitive advantage in that they do not have the financial burden of requiring, among many other aspects, security, surveillance, responsible-gaming programs, and minimum internal control standards that are required of the state’s licensed casino operators. The absence of such regulatory requirements may allow the unregulated slot suppliers and operators to price their games – in the form of higher customer payout percentages – more attractively than those offered by the state’s licensed casino operators.²⁰

A. Playing an Unregulated Slot Machine in Pennsylvania

Spectrum’s examination of unregulated slot machines in Pennsylvania required viewing and playing a sample game. I did so on October 23, 2020, by visiting York County. I received no information beforehand as to whether any such machines were in York County and, if so, where they might be located.

When asking employees at local businesses for directions, I specifically asked for the nearest “skill-based slot machines.” The first directions received were to a nearby Rutter’s convenience store/truckstop in West York, but the machines there were regulated video gaming terminals, licensed by the Pennsylvania Gaming Control Board.

I left Rutter’s at approximately 12:30 p.m. on that Friday, and asked another nearby individual where I could find “skill slot machines” in the area. She provided directions to a Sunoco gas station, which she identified as “APlus,” on West Market Street (“past the Subway ... if you see Hardee’s, you went too far.”) The APlus Sunoco at 1947 W. Market St. in West York proved to be about 10 minutes away by car. Along the way, I stopped again at an Exxon Station on West Market Street and inquired about the “skill slot machines.” The attendant at Market Street Exxon recommended the same Sunoco Station, a few blocks away.

The lot at the small Sunoco station was tiny, with no available spaces, but parking was available nearby on Oxford Street. The small convenience store at the station had a double door, but only the left-side door, next to the cashier, was usable. As one enters the tiny store, the shelves – which are filled with snack foods and other goods that are typically found in such convenience stores – leave little room to maneuver. Three unregulated slot machines were on the right, against the wall. Two women were playing the machines and conversing, leaving only one available slot machine.

I inserted \$20 into a game labeled as “Pennsylvania Skill” and began to play. The selection of potential games on that unregulated slot machine looked quite similar to each other, so I settled on “House of Voodoo,” which offered players the opportunity to play a variation of tic-tac-toe. Arguably, the traditional tic-tac-toe requires a rudimentary level of skill: Players are required to develop a pattern of three X’s or O’s before their opponents can do so, and players endeavor to block each other in the process.

²⁰ The payout percentages of unregulated slot machines are not reported and therefore unknown, in contrast to the licensed casinos’ monthly payout percentages that are reported to, and published by, the Pennsylvania Gaming Control Board.

However, “House of Voodoo” is far more rudimentary than its tic-tac-toe progenitor for reasons that include:

- There are no opponents
- Players do not have to develop a pattern of three matching symbols, as the game already provides two
- The player simply has to click on the third symbol in the predetermined series to “win” that game
- Not every screen has a pair of adjacent symbols, which might mean that players would have to scour the nine-block pattern for a match, but the game eliminates that step: The button in the lower-right corner of the screen grays out if a pair is on that particular screen, significantly reducing the odds of bypassing an opportunity to complete a pattern.

The structure of the game meant that there was no opportunity to fail at completing the patterns as presented. After about 20 minutes of play, I cashed out for \$15 by presenting the bar-coded ticket to the convenience store cashier.

Figure 3: Photo of Pennsylvania Skill unregulated slot machine played at APlus Sunoco in West York, PA



Photo taken by Michael Pollock, October 23, 2020

The similarities between this “Pennsylvania Skill” game and a standard, regulated, legal slot machine are plainly evident:

- Both have digital displays of spinning reels
- Both have touch screens that allow players to select symbols
- Both have meters on the screen that show the number of remaining credits
- Both presumably operate with random number generators that govern what symbols appear on the screen

The contrasts between these unregulated slot machines and standard, regulated, legal slot machines are also quite apparent:

- There are no discernible controls over whether minors can play. The one attendant behind the cash register clearly had no interest in monitoring the games, and it was unclear if the games were even in his sight line, as the games were behind the door in this tightly packed store. One person, either playing a game or standing near them, would block any line of sight to his or her left.
- There were no signs of camera coverage, and if there were cameras, there would clearly be no controls over who would monitor them.
- No controls existed that would require, promote or pay any heed to responsible-gaming practices.
- Unlike the rules that govern most casinos, these slot machines were accompanied by movable stools. Many casinos prohibit non-fixed stools, largely because such stools can present obstacles in case of emergencies such as fires.
- The unregulated slot machines, and the stores that operate them, were clearly either in violation of COVID-19 guidelines that mandate social distancing or they elected to ignore such controls. Had such guidelines been adhered to, only one machine would be allowed to operate in such small locations.
- Although there was no way of knowing, such slot machines did not appear to have ever been tested by a state-run or private testing laboratory – as regulated slot machines are – to ensure their compliance with standards, nor was there any indication that any standards whatsoever exist.

The combined similarities and contrasts between regulated and unregulated slot machines create a problematic landscape for regulated casino gaming operators:

- As these unregulated slot machines so closely resemble legal, regulated slot machines and have the unfair competitive advantage of being particularly convenient to residents throughout Pennsylvania, they clearly cannibalize legal slot machines.
- As these slot machines are not governed by the rules that licensed casino operators must abide by in order to maintain the privilege of licensure, they undermine public confidence in gaming, as adults would clearly lump them into the same category as legal, regulated slot machines. That conclusion is supported, in part, by the very fact that the initial directions were to a Rutter’s truckstop, which houses legal, regulated slot machines.

- As there are no statutory or regulatory limits on the number of unregulated slot machines in Pennsylvania, nor are there limitations on the number or type of establishment that can house them, these issues can only worsen over time, thus further eroding revenue and value for authorized casino licensees.
- The growth of unregulated slot machines has been significant and has raised concerns with the Pennsylvania Lottery as well, as the percentage of lottery retailers with at least one such unregulated slot grew from 8 percent in 2019 to at least 25 percent in 2020, a trend that threatens hundreds of millions of dollars in lost Lottery revenue each year.²¹

III. Illinois Case Studies: Cannibalization, Loss of Value

Illinois became the second state in the nation to approve riverboat-based casino gaming with the passage of the Riverboat Gambling Act in 1990. This Act established the Illinois Gaming Board (“IGB”) and gave it authority to grant up to 10 casino licenses with up to 1,200 gaming positions²² each. The riverboat casino industry in Illinois was established as part of an effort to bring economic development to river towns in the state. Casinos opened in Alton, Joliet, East St. Louis, Rock Island, East Dubuque, the Peoria area, Metropolis, Aurora, and Elgin. The riverboat in East Dubuque failed in 1997 because of its inability to compete with stationary casinos in Iowa and slot machines at the Dubuque, IA, dog track. That license was eventually moved to Des Plaines, where Rivers casino opened in 2011.

In July 2009, the governor of Illinois signed a bill allowing placement of up to five VGTs at bars, restaurants and truckstops. In the fall of 2012, three years after the law was passed, the first VGTs began operating. The IGB records the revenue from VGTs as net terminal income. That is equivalent to casino gross gaming revenue (“GGR”), a common industry term. For the purposes of this analysis, we will refer to both casino GGR and VGT net terminal income as GGR.

While riverboat casinos continued to be limited in capacity at fixed locations, VGTs could be placed at more convenient locations. In December 2012, after the first three months of VGT implementation, the state had 2,290 VGTs at 549 locations, roughly the equivalent of adding the capacity of two additional casinos to the state.²³ By the end of 2019, there were 33,294 VGTs at 7,180 locations across the state,²⁴ the equivalent of adding the capacity of nearly 28 casinos to the market. This new, more accessible gambling option had severe implications for GGR at the state’s existing riverboat casinos.

The data portrayed below show the monthly revenue for Illinois casinos and VGT operations. As can clearly be seen, the annual casino GGR declined nearly \$200 million from 2013 through 2019. VGT

²¹ Jan Murphy, “Pennsylvania Lottery says growth of skill games could lead to \$200 million decline in profits,” *Morning Call*, February 19, 2020. <https://www.mcall.com/news/pennsylvania/mc-nws-pa-lottery-skill-games-20200219-5zr5ibzu7ffw7g4ifqa64ho4wm-story.html>

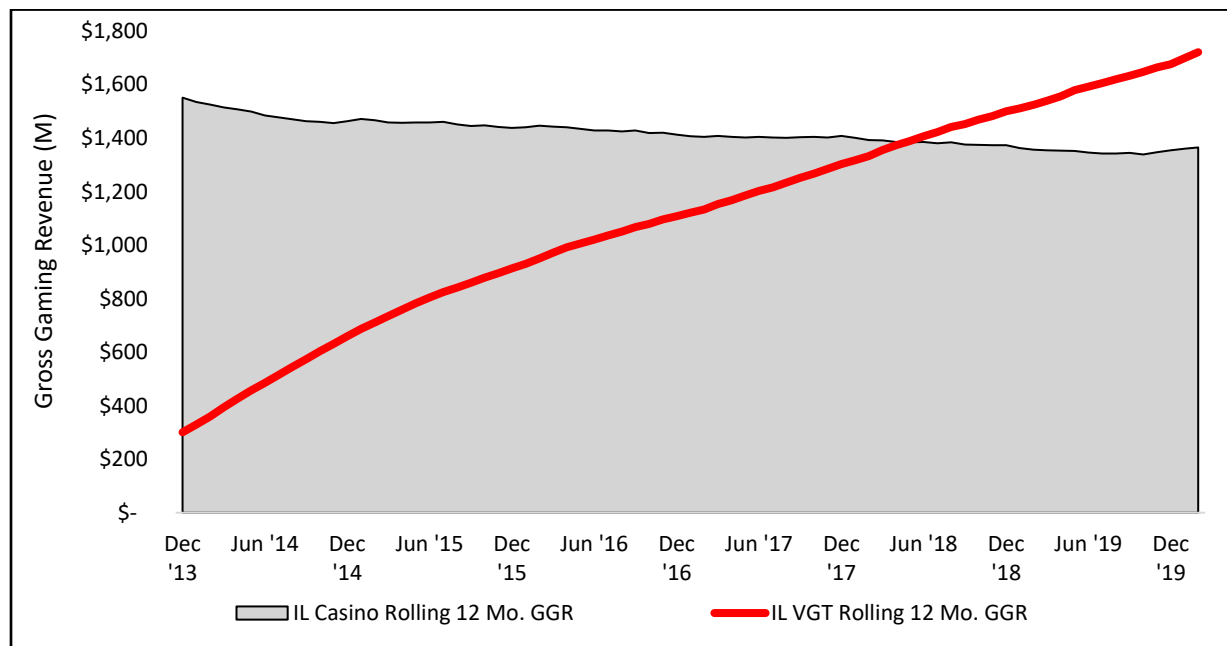
²² One “gaming position” equals one slot machine or one seat at a table game.

²³ Based on the state’s limitation of 1,200 gaming positions at any one casino.

²⁴ Illinois State Gaming Board, Video Gaming Report, December 2012, December 2019. <https://www.igb.illinois.gov/VideoReports.aspx>

revenue, on the other hand, grew from about \$300 million to \$1.699 million in the same period. The proliferation of distributed gaming grew overall revenue, at the expense of the casinos.

Figure 4: Illinois rolling 12-months casino GGR and VGT GGR, December 2013 – February 2020



Source: Illinois Gaming Board

The State of Illinois has recognized the negative impact of distributed gaming VGTs on casino GGR. The Illinois Commission on Government Forecasting and Accountability noted in September 2020:

Over 36,000 video gaming terminals were in operation at the end of FY 2020, which is the equivalent of adding over 30 full-size (1,200 position) casinos across the State. The emergence of video gaming has created more competition for the casino industry, thereby causing a falloff in the casino’s attendance and revenue figures.²⁵

VGTs are spread across the entire state with the notable exception of the City of Chicago. The widespread distribution of machines makes it possible to analyze the impact of distributed gaming on the riverboat casinos. The prime example to review distributed GGR and casino GGR is the Peoria market.

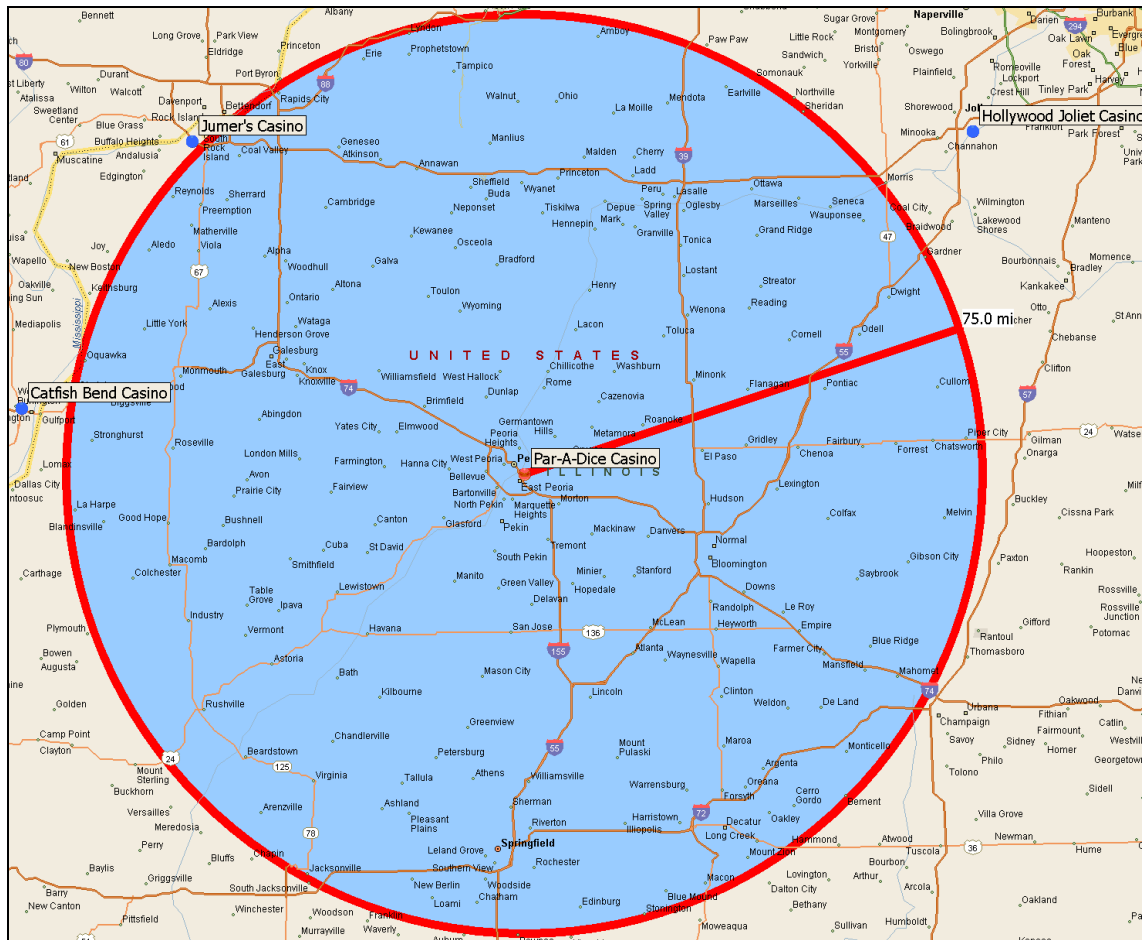
A. Peoria as a Case Study of Cannibalization

Peoria is unique among the gaming markets in Illinois. The Par-A-Dice casino there has been in the market since 1992, with no new casino entrants in the area. Other Illinois gaming markets, such as the Chicago area, the St. Louis area, Metropolis, and the Quad Cities straddle state lines and have had more changes to their respective markets. However, the closest casino competition to Peoria are three casinos located in the Quad Cities of Illinois and Iowa – approximately 75 miles northwest of Peoria – and a casino

²⁵ “Monthly Briefing for the Month Ended: September 2020,” Commission on Government Forecasting and Accountability, September 2020, p. 2. <https://cgfa.ilga.gov/Upload/0920revenue.pdf>

in Burlington, IA. For these reasons, it is easier to isolate the changes in gaming revenue in Peoria after the introduction of VGTs than in other gaming markets.

Figure 5: Map showing 75-mile radius from Par-A-Dice casino and closest casinos



Source: Microsoft MapPoint, Illinois Gaming Board, Iowa Racing and Gaming Commission

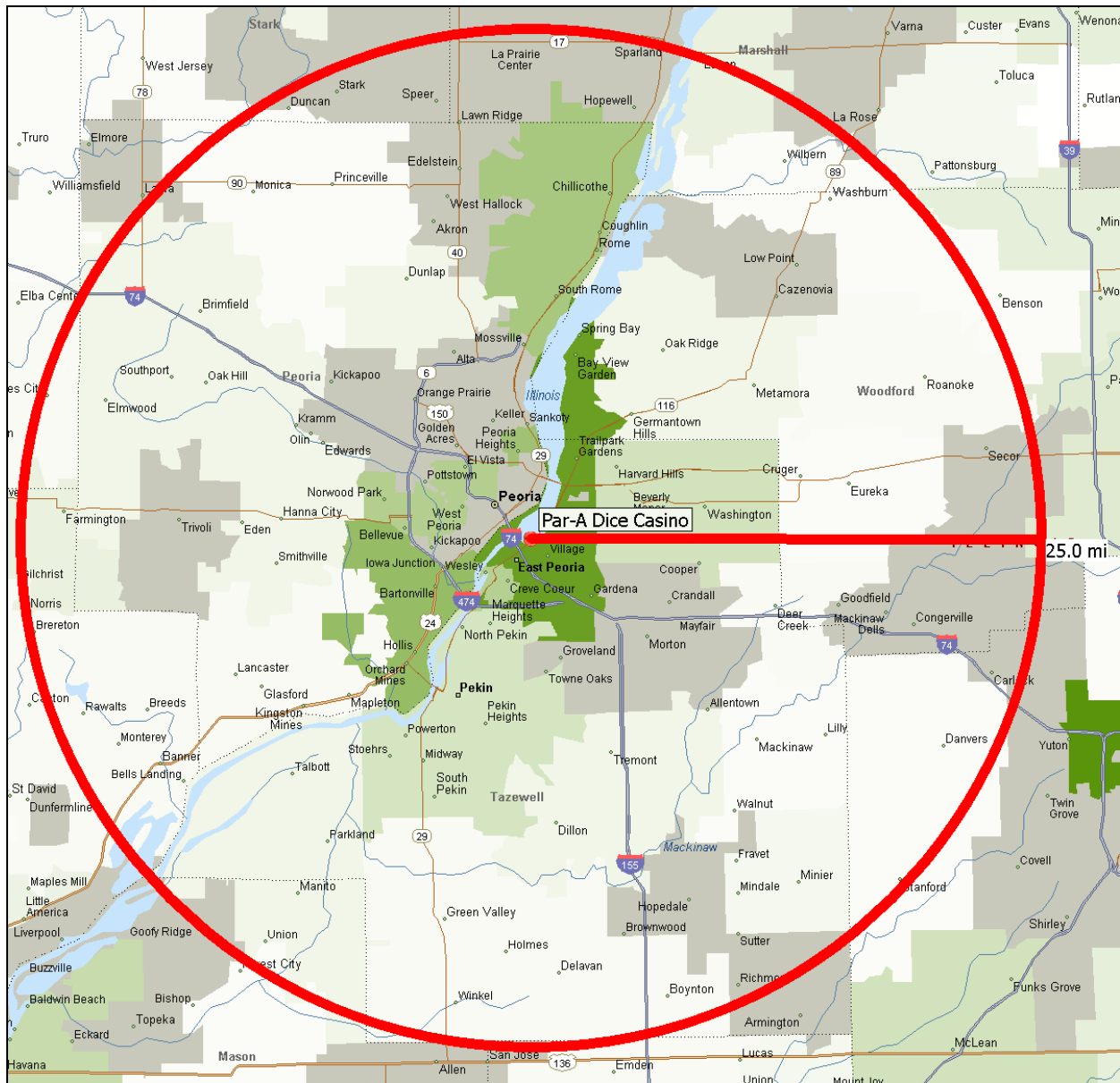
Because people who play VGTs tend to be local to the VGT operator, we analyzed the performance of the Par-A-Dice casino and VGTs within a 25-mile radius of the casino. We correlated the VGT locations from the Illinois Gaming Board with the ZIP Codes associated with the host community, and then mapped the VGT GGR to the ZIP Code.

Par-A-Dice slot GGR declined 41 percent, from \$102 million in 2011, prior to VGT rollout, to just under \$60 million in 2019. VGT revenue in this market grew from \$13.45 million in 2013 to \$51.63 million in 2019. Total slot GGR in the market grew by \$9.62 million in the period. It appears that \$42 million of the \$51.63 million in VGT revenue was cannibalized from the Par-A-Dice casino.

Our analysis shows that the introduction of VGTs into the Peoria market was the primary driver of the significant decline in slot GGR at Par-A-Dice. Indeed, no other catalyst could be identified that would have led to a drop of 41 percent in an eight-year span, particularly because slot GGR for the market grew by \$9.62 million during precisely the same time span.

The slide below illustrates the 25-mile radius from Par-A-Dice Casino. The green shading represents the amount of VGT GGR in each ZIP Code. Deeper shades of green indicate higher VGT GGR.

Figure 6: Map showing 25-mile radius from Par-A-Dice casino and 2019 VGT GGR concentrations



Source: Microsoft MapPoint, Spectrum Gaming Group. (Deeper shades of green represent higher concentrations of VGT GGR.)

Our analysis began using 2011 as a base year, because there were no VGTs installed at that time. We analyzed the VGT GGR and the Par-A-Dice GGR 2011 to 2019 to show the trend over time.

Figure 7: Peoria-area casino slot machine GGR and VGT GGR, 2011-2019

Calendar Year	VGT Locations	Installed VGTs	VGT GGR (M)	Par-A-Dice Slot GGR (M)	Total Market GGR (M)
2011	-	-	\$-	\$102.0	\$102.0
2012	30	135	\$0.4	\$102.2	\$102.6
2013	185	780	\$13.5	\$92.1	\$105.6
2014	248	981	\$24.4	\$80.3	\$104.8
2015	260	1,050	\$32.6	\$76.2	\$108.8
2016	294	1,336	\$39.1	\$68.4	\$107.5
2017	317	1,313	\$45.1	\$64.1	\$109.2
2018	326	1,397	\$49.9	\$62.6	\$112.5
2019	297	1,336	\$51.6	\$60.0	\$111.6

Source: Illinois Gaming Board, Spectrum Gaming Group

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The finding is clear and indisputable: Distributed gaming in that market materially cannibalized casino revenue, and we fundamentally expect that this same phenomenon is occurring in Pennsylvania.

B. Casino License Valuation

To evaluate a second impact from the introduction of VGTs in the Illinois market, it is instructive to examine the Quad Cities market, which straddles Illinois and Iowa. The Quad Cities are Bettendorf and Davenport in Iowa and Moline and Rock Island in Illinois.

The Quad Cities market, like the Peoria gaming market, is constrained by casinos to the north, south and west, creating a restricted market that is relatively ideal for studying the impact of differing state regulations and tax policies.

For many years, this market was stable and supported three casinos: The Isle of Capri and Rhythm City in Iowa and Casino Rock Island in Illinois. As seen in Figure 8 below, Casino Rock Island was third in the market in 2007 and 2008, in part due to a smoking ban at Illinois casinos, while Iowa casinos allowed smoking. In 2009, Casino Rock Island, now known as Jumer's Casino & Hotel, opened a new casino and hotel complex, leading to a surge in revenue at the property. The *Quad-Cities Times* noted at the time:

Illinois casinos, hit with a double whammy of a national recession and a smoking ban, saw revenues dip more than 20 percent in the past year.

Jumer's Casino & Hotel in Rock Island, thanks to its new land-based facility that opened near Interstate 280 and Illinois 92, was the lone bright spot in a grim 2008-09 for Illinois' gaming industry.

Jumer's saw its admissions increase from 40,000 to more than 100,000 in every month of 2009, with adjusted gross revenues swelling to a robust \$5.84 million this April, compared to \$2.62 million in April 2008, according to data from the Illinois Gaming Board.²⁶

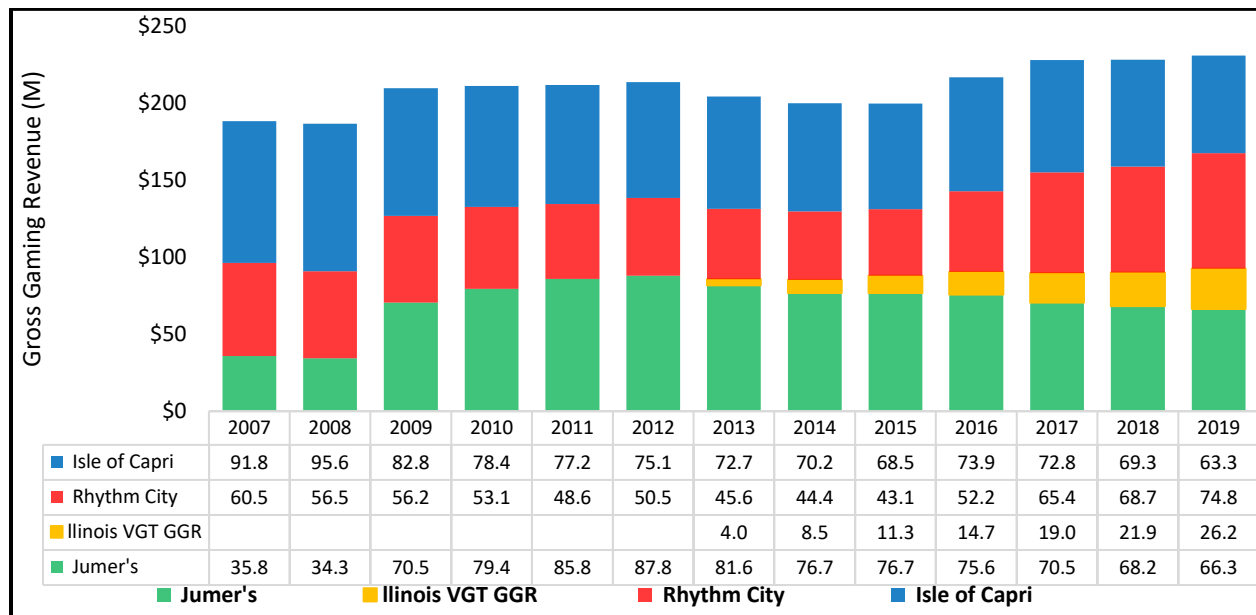
Subsequently, several significant events took place in the Quad Cities market, including:

- On April 13, 2011, the Illinois Board approved the purchase of Jumer's to DNC Gaming & Entertainment, a unit of Delaware North Companies Inc., a global food service and hospitality company.²⁷
- In 2013, the Iowa Racing and Gaming Commission approved the asset purchase of Rhythm City Casino by Scott County Casino LLC.²⁸ The sale closed in 2014.
- In 2017, Isle of Capri and Rhythm City had their first full year of operations after moving into new, land-based facilities.

The biggest change in the market, however, was the introduction of VGTs to the market beginning in 2013, as that increased the supply of gaming positions and competition within the market.

As we did above with the Peoria market for VGTs, we evaluated the GGR for the VGTs within a 25-mile radius of Jumer's. GGR for the VGTs grew from \$4.0 million in 2013 to \$26.2 million in 2019. GGR at Casino Rock Island in the same period declined from \$87.8 million to \$66.3 million.

Figure 8: Quad Cities gaming GGR, 2007-2019



Source: H2 Gaming Capital, Illinois Gaming Board, Spectrum Gaming Group

²⁶ Tory Brecht, "Jumer's Casino shines in troubled industry," *Quad-City Times*, May 19, 2009. https://qctimes.com/news/local/jumer-s-casino-shines-in-troubled-industry/article_ddb4ef84-44de-11de-b3ec-001cc4c03286.html

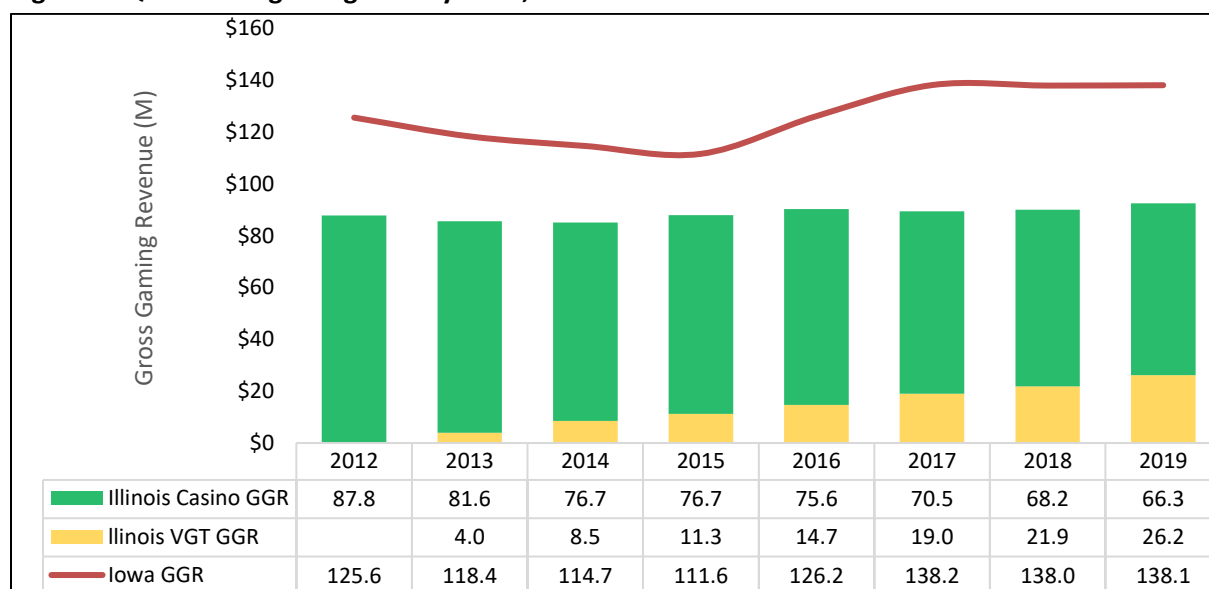
²⁷ Illinois Gaming Board 2011 Annual Report. <https://www.igb.illinois.gov/AnnualReport.aspx>

²⁸ Iowa Racing and Gaming Commission 2013 Annual Report. https://irgc.iowa.gov/sites/default/files/documents/2015/09/annual20report202013_0.pdf

It is instructive to evaluate the GGR by state. Improvements to the Iowa casinos, including the two new, land-based casinos that opened in June 2016, fueled growth in Iowa. Figure 9 below shows that the GGR in Iowa held steady at about \$140 million after the new properties opened. There are no VGTs in Iowa, only in Illinois. At Jumer's, GGR declined by more than \$10 million in that period, or 14.8 percent.

Illinois gaming held its own during this period of growth in Iowa, as shown in the below chart. The key difference: Illinois revenue shifted markedly away from Jumer's and toward VGTs.

Figure 9: Quad Cities gaming GGR by state, 2012-2019



Source: H2 Gaming Capital, Illinois Gaming Board, Spectrum Gaming Group

Casinos are high-fixed-cost businesses. Whether 50 or 500 players are on the casino floor, the entire facility needs to be vacuumed, air conditioned, and monitored by surveillance personnel, among other fixed costs incurred by the operator. Money from slot machines needs to be collected regardless as to whether there is \$20 or \$2,000 in the machine. Operating margins increase as revenue grows, as the fixed costs are covered more quickly. This is among the reasons many states, including Illinois, have a graduated gaming tax rate, allowing the operator to pay the bills with the early money.

The reality that gaming properties have high fixed costs and margins that grow substantially once those fixed costs are covered means that if Jumer's did not have to share the Illinois revenue with distributed VGTs, it would have enjoyed higher profit margins and a higher valuation.

As noted earlier, Jumer's was purchased in 2011 for \$180 million. In October 2020, Delaware North reached an agreement to sell Jumer's to Bally's Corporation for \$120 million. The deal is expected to close in the second quarter of 2021.²⁹ This rather steep decline – equating to a loss of one-third of the

²⁹ Matt Glynn, "Delaware North to sell Illinois casino for \$120 million," *The Buffalo News*, October 3, 2020. https://buffalonews.com/news/local/delaware-north-to-sell-illinois-casino-for-120-million/article_840b7a14-05b8-11eb-a89e-7b03d818d1f5.html

property's value in less than a decade – can be attributed to two factors that appeared to feed on each other:

- A decline in earnings, and
- A decline in investor confidence in that property's future earnings prospects

Gaming properties are generally valued as a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA"). In 2020, Bally's, a public company, disclosed that the \$120 million valuation was approximately 7.4 times the 2019 EBITDA, meaning the EBITDA in 2019 was about \$16.2 million.³⁰ Looking back at the 2011 transaction in which Delaware North purchased Jumer's, the transaction was private, so neither party disclosed the EBITDA multiple of the sale. The 2015 Bank of America Merrill Lynch Gaming Primer includes a table of gaming transactions from 1998 to 2015.³¹ This report includes a note that the 2011 sale to Delaware North was at a 7.8 times multiple of 2010 EBITDA; the \$180 valuation means an EBITDA of approximately \$23.1 million in 2010.

A higher multiple of EBITDA reflects investor confidence in the prospects for the business. In the case of Jumer's, the EBITDA multiple declined from 7.8 to 7.4. Had the multiple not fallen, despite the decline in EBITDA, the value of the property would have been \$126.7 million, or \$6.7 million higher than the 2020 sale price. It is difficult to separate decreased EBITDA and a reduced multiple, as the two are interrelated.

The revenue decline coincided with the implementation of the VGTs in Illinois, a decline in EBITDA from \$23.1 million to \$16.2 million, and a decline in the value of Jumer's by approximately \$60 million, or 33 percent.

By any reasonable measure, the precipitous decline in the value of Jumer's is inextricably linked to the implementation of distributed gaming in Illinois. That new level of in-state competition cannibalized revenue and dampened future prospects for growth. Those two decisive factors, in turn, translate respectively into lower earnings and a reduced multiple, the two inputs that determined the 2020 value of that property.

Gaming properties in Pennsylvania, as in any jurisdiction, are valued based on the same concept of a multiple of EBITDA. Most significant, gaming properties in Pennsylvania are subject to the same two forces that would be at play in reducing the value of a property:

- If the markets believe that future earnings will not grow at a level previously expected, the assigned multiple will be lower.
- If present earnings are reduced because of this in-state competition, the reduced multiple would be applied to a lower EBITDA amount.

³⁰ Doug Schorpp, Delaware North Completes Jumer's Acquisition," *Quad-City Times*, April 8, 2011. https://qctimes.com/news/local/delaware-north-completes-jumer-s-acquisition/article_9c5691e4-711b-11e0-8e4f-001cc4c03286.html

³¹ Bank of America Merrill Lynch, "BofAML Gaming Primer 2015: How to play the game," Table 67, p. 171, Equity Analysts, September 4, 2015.

Thus, the unregulated slot machines in Pennsylvania are threatening the revenue, the earnings and the value of the Casinos' collective multibillion-dollar investment in their properties and operations.

IV. Certification of Opinion

It is my opinion to a reasonable degree of professional certainty that this report is accurate and reflective of my findings and opinions, as well as those of Spectrum Gaming Group.

Respectfully submitted,



Michael Pollock
Managing Director
Spectrum Gaming Group

January 8, 2021

Appendix A: Biography of Michael J. Pollock

Michael Pollock oversees a broad portfolio of Spectrum services, including policy and impact studies for country, state and local governments, and financial and market studies for private-sector clients. He is also a principal in Spectrum eSports Advisors and the Spectrum Gaming Sports Group.

Pollock began analyzing the casino industry in 1978 and served as spokesman for the New Jersey Casino Control Commission from 1991 through 1996. He was a close advisor to the chairman, and he oversaw the Office of Legislative Liaison. During this period of rapid deregulation, his charge was to maintain public confidence in the integrity of the regulatory system.

Pollock is the author of the award-winning book *Hostage to Fortune: Atlantic City and Casino Gambling*, published in 1987 by the Center for Analysis of Public Issues in Princeton, NJ. The book examines the impact of casinos on Atlantic City and New Jersey. He has testified before the International Tribunal at The Hague; the World Bank in Washington, DC; the US Senate Indian Affairs Committee and the US Senate Select Committee on Indian Gaming, and he has been a featured speaker at the Congressional Gaming Caucus, a group of US House of Representatives members from gaming jurisdictions. He also has testified before numerous legislative committees throughout the United States.

He has led Spectrum economic analyses in markets throughout North America, as well as in Latin America, Guam and Korea.

Pollock is the former editorial page editor of *The Press of Atlantic City* and has won 20 journalism awards. Pollock is often cited by local, regional and national media outlets, including *The Philadelphia Inquirer*, *Harrisburg Patriot-News*, *Pittsburgh Tribune-Review*, *Allentown Morning Call*, *Pocono Record*, *Scranton Times-Tribune*, *The New York Times*, *Star-Ledger*, *Wall Street Journal*, BBC, MSNBC, ABC News, CNN and National Public Radio. He has been a speaker at the National Press Club and other forums.

Pollock earned his MBA, with high honors, from Rutgers University, and he has served as a member of the adjunct faculty of New York University, Rutgers University and Stockton University.

Appendix II

July 14, 2022

Dear Members of the National Council of Legislators from Gaming States:

On behalf of the American Gaming Association (AGA), I want to thank you for your participation in the National Council of Legislators from Gaming States. Your steadfast leadership and engagement with our industry is critical to ensuring we can provide a legal, regulated environment for gaming that protects customers and drives economic benefits within the communities we operate.

AGA's membership consists of more than 70 commercial and tribal casino operators, sports wagering operators, gaming suppliers and equipment manufacturers, as well as financial institutions and other critical partners in the gaming industry. As you know, the legal gaming industry is one of the most heavily regulated in the country at every level of government, and our members constantly work to provide consumers with a safe gaming environment and to give back to their communities.

As reflected by AGA's 2022 State of the States [report](#) and our [survey](#) of gaming industry CEOs, the economic outlook for the legal gaming industry is strong. While economic issues like inflation, supply chain disruptions and labor shortages have created uncertainty for our industry and the country looking forward, we believe it is critical to prioritize policy areas that can have a meaningful, positive impact as we adapt to macro-economic conditions that are beyond our control.

That is why I am asking for your leadership to take bold action to combat the illegal and unregulated gaming market. As discussed below, the prevalence and accessibility of illegal gaming is a significant threat to the consumer protections we provide and the economic benefits the legal gaming industry generates for communities across the country.

Offshore Sportsbooks and Casinos

Legal gaming and sports betting generates tax revenue to states, promotes game integrity and market transparency, fosters economic growth, and provides a safe, regulated environment for consumer entertainment. All these policy goals are jeopardized by the enormous illegal market that continues to exist in the U.S. through offshore websites.

These platforms are accessible to every American with an internet connection and have a competitive advantage on odds and promotions since they do not pay state or federal taxes and have no regulatory oversight. In addition to violating the law, the games offered by these sites do not meet testing or regulatory standards to ensure fair play and payouts, financial data security standards to ensure personal information is safe, regulations to prevent money laundering, or age verification to protect minors. They also have no social, business or regulatory obligation to implement the rigorous responsible gaming protections only provided by the legal, regulated market. Their prevalence in the marketplace creates substantial confusion among the public, leading millions of Americans to patronize these nefarious websites every day.

As I stated in my April [letter](#) to U.S. Attorney General Merrick Garland, the Justice Department is the only law enforcement entity that has the jurisdiction and resources to effectively investigate and prosecute illicit offshore gambling activity. Twenty-eight Members of Congress also recently wrote a [letter](#) to Attorney General Garland urging the Justice Department to investigate and take action against illegal operators. We need the Justice Department to act forcefully, and your voices are critical to helping prompt the federal attention this issue deserves. Informing members of Congress from your state about the illegal

offshore market and urging the Justice Department to prioritize cracking down on these illegal operators will ensure Americans are not taken advantage of by these bad actors.

Unregulated “Skill Game” Machines

The proliferation of so-called “skill-based” gaming machines puts consumers at significant risk and undermines the benefits, integrity and reputation established through a regulated gaming environment. A growing number of companies manufacture and sell machines, which imitate slot machines, using reels or drums that players “spin” to win prizes, including cash. The manufacturers claim that the games require “skill” to operate, and thus do not fall under the legal definition of gambling. As a result, the machines are currently unlicensed and unregulated with no oversight to ensure fairness and integrity. Even worse, without any oversight, the most vulnerable populations—including children and individuals with a gambling problem—have unfettered access to these unregulated gambling devices.

The AGA released a [report](#) that details the danger of allowing these machines to spread unchecked. Not only are states losing hundreds of millions of dollars in tax revenue that could be funding education programs, infrastructure projects and other important priorities, but the lack of transparency and regulatory oversight significantly increases the risks of supporting other forms of crime including money laundering, drug trafficking and gang violence.

These machines are getting more pervasive, and we are at a pivotal time for legislative leaders across the country to act. By working together to clarify state gaming laws and address gray areas that unregulated machines exploit, you will empower law enforcement to take action and provide a strong legal foundation to pursue successful prosecutions in court. The Virginia General Assembly recently enacted a more comprehensive definition to outlaw “skill-based” machines, providing a model of leadership that proves this important issue can be addressed, and law enforcement in Pennsylvania, Missouri, Michigan and others have taken direct action to remove unregulated machines from establishments to protect the public.

The legal gaming industry values our partnerships with legislators, regulators and law enforcement which ensure consumer safety and bolster support for our communities across the country. Eliminating the illegal gambling marketplace in the United States requires active engagement at all levels of government and the AGA welcomes your participation. If you would like to learn more or take steps to protect your constituents, I encourage you to please reach out to me at BMiller@americangaming.org.

Thank you for your leadership and consideration.

Sincerely,



William C. Miller, Jr.
President & CEO