

**House Appropriations Committee
Pennsylvania Gaming Control Board
Chairman William H. Ryan, Jr.
March 12, 2015**

Good morning, Chairman Adolph, Chairman Markosek and members of the Committee. I am Bill Ryan, Chairman of the Gaming Control Board. Joining me today is Kevin O'Toole, our Executive Director, and Commissioners John McNally, Keith McCall, Annmarie Kaiser, and Dave Woods who are seated behind us.

For Fiscal Year 2015-16, the Board's budget request for administration, as recommended by the Governor, is \$39,900,000. This represents an increase of \$1.91 million, or 5%, over our current fiscal year appropriation with the largest cost drivers being increases in pension rates, which are up 24.6%, and employee health benefits, which are increasing 10.6%.

The Board's budget request includes \$34.5 million for personnel and benefits and \$5.4 million for operating and fixed asset expenses. The PGCB has not budgeted specifically for new salary increases to occur during FY 2015-16. However, the PGCB has budgeted an additional 1.125% plus associated benefits to cover the full year cost of the 2.25% increase for union employees implemented in January 2015 pursuant to the Commonwealth's collective bargaining agreement.

The full year cost of this increase is approximately \$400,000 however; only \$200,000 was budgeted in FY2014-15 because the increase took effect at mid-year. So, an additional \$200,000 is requested in FY2015-16 to pay the full year impact of this bargained for increase.

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The personnel budget supports 310 positions, down from 326 positions at the end of 2011 despite the opening of two casinos since that time. In spite of this reduction in staff, the Board anticipates benefit costs being \$6.2 million higher compared to Fiscal Year 2010-11.

While reducing complement has played a very important role in keeping our budget increases to a minimum, lower operating costs have also helped achieve this goal. In fact, the Board anticipates that operating costs for Fiscal Year 2015-16 will be at their lowest levels since Fiscal Year 2005-06.

As you know, the operations of the Board are not funded by general tax revenue. In fact, the Board's budget is funded from assessments on the casino industry required to be made pursuant to §1401 of the Gaming Act and from fees and expenses billed to applicants, licensees and slot machine manufacturers.

That being said, the Board is very cognizant of the need to regulate strictly but efficiently, and our Fiscal Year 2015-16 budget request reflects that commitment.

We have provided the Committee with a handout containing additional information on our budget request, how Pennsylvania has benefitted from the gaming industry, and historical casino gaming revenue and tax revenue on a fiscal year basis.

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Finally, as I realize the Committee may be interested in how Pennsylvania fared on a calendar year over year basis. Looking at calendar year 2014, combined gaming revenue dropped 1.44% from 2013, but still marked the 4th straight year in which the revenue figure topped \$3 billion (\$3.07 billion from \$3.11 billion).

Slot machine gaming revenue for the 2014 calendar year remained above \$2.3 billion, but dropped to \$2.319 billion or 2.8% below calendar year 2013 when gross revenue totaled \$2.384 billion. In 2014, gross table games revenue continued to increase and reported a gain of 2.7% above 2013 revenues, finishing at \$749.5 million compared to \$729.8 million.

Tax revenue in 2014 from the combined play of slot machines and table games was over \$1.3 Billion. Pennsylvania continues to bring in more tax revenue than any other state, annually funding important items such as property tax relief and the Pennsylvania Volunteer Fire Company Grant Program.

Thank you for allowing me to provide this testimony. We appreciate the Committee's consideration of our budget request, Kevin and I would be happy to answer any questions you have.