



SPECIAL REPORT:

**The American
Gaming Association**

IS MISLEADING THE PUBLIC

About Skill Games

According to its website, the American Gaming Association (AGA) exists to “advocate for casino operators, manufacturers, suppliers, and employees, speaking for the industry on a range of business, legislative, and regulatory issues.”

The AGA was established to be the national trade group for the U.S. casino industry. The industry has invested millions of dollars in markets across the nation targeting skill games. From misleading advocacy campaigns to outright advertising attacks, the big casino giants will stop at nothing to stamp out any perceived competition.

Therefore, it should be no surprise that the AGA would also openly and vigorously oppose Pace-O-Matic, the skill game industry leader. Regardless of fact or merit, the AGA has launched an all-out attack on skill games, lobbing false accusations and spreading blatant lies.

While the AGA makes false claims about skill games, it has made no attempts to hold the casino industry accountable for its misdeeds, including:

SPOTLIGHT ^{PA}

2/16/2023

Top gaming regulators in Pa. met with industry lobbyists before coming out against a casino competitor

BLOODHORSE

3/1/2024

Court: HHR Gaming Operating Unlawfully in Louisiana

THE WALL STREET JOURNAL

2/18/2024

A Psychiatrist Tried to Quit Gambling. Betting Apps Kept Her Hooked.

Not only is the AGA spreading misinformation to support the casino industry, but they don't hold their own members accountable when they break the law, ignore the illegal gambling market that is pervasive in many states, or blatantly disregard gambling addiction in favor of profits.



WHAT IS A SKILL GAME?

Skill Game – a game of skill is a game where the outcome is determined predominately by mental or physical skill, rather than chance.

All Pace-O-Matic games are skill-dominant doctrine games. This means the outcome of the game is determined by a player's skill, players have the opportunity to win the game every time they play.

The AGA falsely asserts that “for every dollar bet by customers, regulated machines in Pennsylvania keep 7.7 cents on average while unregulated machines [skill games] keep 25 cents.” This is an impossible metric to capture because there is no set payout ratio for Pace-O-Matic's skill games. A machine that is played by a more skillful player will pay out more. Conversely, a machine that is played by a less skillful player will pay out less.

Lastly, unlike slot machines, which pull money out of communities and into the pockets of casino giants, Pace-O-Matic skill games support small businesses and fraternal organizations. They provide these establishments with a way to make supplemental, sustainable income in tough economic times. In fact, 80-85% or more of the income generated by Pace-O-Matic skill games stays in the communities where they operate.

GAMING VS GAMBLING

The AGA uses intentionally misleading terminology. In an ironically named “Fact Sheet,” the association defines *regulated gaming* as gambling machines that, among other criteria, include “promised payback percentages.”

They define *unregulated gaming* as amusement games that fall into a legal gray area and “exploit a legal loophole.”

They fail to make the obvious distinction between gaming and gambling.

While all forms of gambling are gaming, not all forms of gaming are gambling. For example, popular family entertainment centers offer different types of gaming machines that are widely understood and accepted as non-gambling devices. Additionally, games like skeeball, darts, Pac-Man, and other arcade-style games are also forms of gaming that, by definition, are not gambling.

Pace-O-Matic’s skill games are games of dominant skill. The outcomes of these games rely on skill, not chance, and as such, there are no “promised payback percentages.” Therefore, Pace-O-Matic’s skill games are indeed gaming, but not gambling. As such, they cannot and should not be regulated the same way gambling devices are.

ADDRESSING MISLEADING RHETORIC

In doing the bidding of the casinos, notably at the expense of small businesses and fraternal clubs, the AGA has produced written reports with countless false claims and misinformation. At best, these claims are intentionally false, and at worst, they accuse Pace-O-Matic of illegal and unsavory conduct.

MYTH: The AGA states skill games have not been tested for “honesty, integrity, and fairness.”

FACT: Pace-O-Matic skill games are currently regulated in several states and the District of Columbia. Regulators in those states require independent testing reports to ensure the games meet the statutory definition of a skill game and are tested for compliance with the law. It is also worth noting that because a player can win a skill game every time, and there can be no underlying features to negate the factor of dominant skill, the need for testing is ultimately negated.

MYTH: The AGA wrongfully claims skill game operations are ripe for criminal activity.

FACT: There is NO EVIDENCE to suggest that Pace-O-Matic skill games cause an increase in crime. Casinos, however, have a laundry list of criminal activities the AGA should address. In nearly every jurisdiction that hosts a casino or similar destination gambling location, that area is the highest crime area in that jurisdiction. Crimes vary from theft, to drugs, to child abuse, and even murder. For example: public crime statistics in the city of Philadelphia show twice as much crime at their two licensed casinos than at all of the convenience stores in the city combined.

ADDRESSING MISLEADING RHETORIC

MYTH: The AGA says weak or absent skill game laws burden law enforcement and deprive state and local governments of taxes.

FACT: Pace-O-Matic has advocated for industry-specific regulation and taxation for years, which would create a necessary framework to help law enforcement tackle illegal gambling and generate tax revenue. The AGA and its casino members consistently stand in the way.

SNAPSHOT: CASINOS INTENTIONALLY MISLEAD ON "LOSSES"

By: Brian Carr

I spent over twenty years in the casino gaming industry, working for some of the world's premier casino companies including Las Vegas Sands in five states (Illinois, New Jersey, Louisiana, Maryland, and Pennsylvania). In that time, I served in various finance roles including Property CFO and eventually President and COO of Sands Bethlehem Resort & Casino. I gained extensive experience with the ins and outs of casino gaming and intimate knowledge of what drives revenues and competitive pressures in the industry.

More recently, I have been an observer of the gaming industry and its expansion into sports betting, online casinos, and more. I was intrigued with skill gaming and what it could mean for the Commonwealth and small business owners. As I looked further into the industry, one company rose to the top time after time - Pace-O-Matic. Their Pennsylvania Skill games are legal, provide quality entertainment, and benefit local businesses. Additionally, they take compliance seriously and are leading the charge to be regulated and taxed.

In recent years, the AGA and many in the casino industry have made numerous misleading claims that skill games impact their profits, make future investments unattractive, and result in reductions in the number of slot machines they offer in their casinos. Even as they spread this misinformation, they continue to break revenue records month after month. One of the largest false claims made is the idea that skill games have caused a reduction in slot machines on casino floors. This is intentionally misleading. This isn't just my opinion.

In its own reports, the Pennsylvania Gaming Control Board (PGCB), the regulator for casinos in Pennsylvania, states that casino revenues are up significantly over just last year. In July, the PGCB reported a 7.22% increase in overall casino revenue during July 2024 over July 2023. The PGCB also reported that iGaming slot revenue increased by 32.2%. iGaming includes online slots, table games, and poker. Casino gamblers are opting to participate in many different avenues for their gambling enjoyment. Additionally, casino companies have ramped up advertising and incentives to drive casino play online as well as into sports betting. Online casino play is more readily accessible and far cheaper to operate.

Finally, slot machine reductions are driven by in-casino economics. Having more games on the floor requires capital, takes up floor space, costs money to maintain, and requires more employees to service both guests and the machines. Casinos rarely operate at slot utilization rates higher than 30%-40% of available machines at any one time. Reducing slot counts reduces costs and has little to no impact on slot revenues. Blaming the need to reduce these machines on skill games is the most misleading statement of all.

Skill games support the livelihoods of small businesses and fraternal organizations. These small businesses rely on skill game income to make ends meet. I am proud to stand with Pace-O-Matic and these small business owners as we work to dispel these misleading statements.

Brian Carr is the founder of BRC Consulting and has served in executive-level roles at premier casino companies including Las Vegas Sands and Caesars.

REGULATION

“Most legislative leaders understand how important skill games are to the small businesses and the state and many have been fighting to create a safe, regulated, taxed, and profitable skill game market. However, others are either ill-informed or don’t have the best interests of small businesses in mind. They trot out statistics from the American Gaming Association without revealing that this is a casino-run organization that gets paid to fight against skill games.”

Mike Barley, Chief Public Affairs Officer for Pace-O-Matic

Because there are significant and fundamental differences between games of dominant skill and slot machines, Pace-O-Matic skill games cannot be regulated like casino slots. That is why the company has led the charge in advocating for additional, commonsense regulation of the games. For years, Pace-O-Matic has asked for additional state oversight, licensing requirements, a fair tax rate, age restrictions, consumer protections, and more.

Trying to regulate skill games like slot machines would be the equivalent of trying to fit a square peg into a round hole. Not only would it be a disservice to the small businesses that rely on supplemental income from skill games, but improper regulation would also mean less tax dollars for the state. New, industry-specific regulation is required.

Ironically, the AGA, which claims to “represent every corner of the gaming industry,” is one of the loudest opponents against reasonable skill game regulation. While the AGA laments that skill games are unregulated, they continually remain the largest barrier to achieving a regulated skill game market.

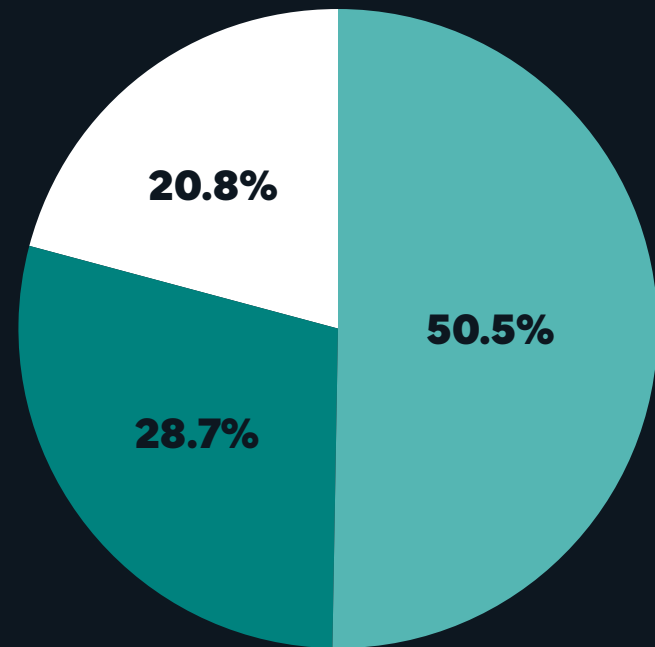
THE PUBLIC SUPPORTS SKILL GAMES

The AGA has also misled the public by cherry-picking data and manipulating polling to support their arguments. Legitimate polling shows that most people support skill games. The public understands that skill games are not slot machines and do not pose an inherent risk to the public. They also recognize the benefit skill games bring to small businesses and fraternal organizations (including VFW halls and American Legion posts) and the tax dollars they bring into local economies.

In Pennsylvania, a recent poll found that most people (50.5%) oppose a ban on skill games and over 50% (50.1%) support state lawmakers working on a compromise proposal that would regulate and tax skill games. Additionally, by a margin of 49.7% to 25.7%, a majority of people also understand that skill games require a player's skills to win and are not slot machines.

Similarly, in Virginia, a recent poll found that 54% of Virginians support skill games. Furthermore, Virginians are prepared to vote against politicians who favor casino interests over small businesses, and the majority are less likely to support their legislators for re-election.

PENNSYLVANIA VOTERS SUPPORT SKILL GAMES¹



- Oppose Banning Skill Games
- In Favor of Banning Skill Games
- Unsure

¹) Cygnal polling conducted July 15, 2024.

STICK TO THE FACTS

While the AGA continues to knowingly spread false information about Pace-O-Matic, we prefer to stick to the FACTS. In addition to polling that demonstrates that the public supports skill games, economic studies prove that skill games support local economies, communities, and even – casinos.

A Pennsylvania-based economic research firm led by Villanova University economics professor, Peter Zaleski, found that legal skill games help, not harm, the Pennsylvania Lottery and casinos. Dr. Zaleski has studied the relationship between skill games, the state lottery, and casinos for six years. The research indicated:

- The growth rate in lottery sales since skill games entered the Pennsylvania market has increased. In fact, lottery sales have been record-setting.
- Casino revenue growth in Pennsylvania exceeds the national average.
- In states where skill games are operating, casino revenue growth far exceeds the national average.
- The impact of skill games on state tax revenue is estimated to exceed \$220 million annually. If regulated and taxed, over time, tax revenue from skill games could reach \$628 million annually without injuring any existing state revenue sources.



CONCLUSION

The AGA is a casino-funded mouthpiece for their industry. Although they routinely release materials and reports with fabricated information on skill games, their inherent conflict of interest makes them untrustworthy as a legitimate source of information on the subject. Furthermore, if they are truly concerned about unregulated skill games, they would join Pace-O-Matic in support of commonsense skill game regulation and taxation.

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