

# Regulating Skill Games: Worth the Gamble?



## The Scenario

Audrey Chaiya is the executive director of the Pennsylvania Gaming Control Board, an independent agency tasked with protecting the public interest through gambling regulation in Pennsylvania, USA. Audrey oversees the board's strategy in Pennsylvania's gaming industry. The board was deliberating its official position for whether "games of skill"—machines that closely resemble slot machines, but for which the outcome depends partially on the player's skill rather than solely on chance—should remain unregulated and untaxed, or be regulated like casinos and internet-based gambling. The board's stance may influence a ruling by the Pennsylvania Supreme Court that is expected within weeks. Some of these games are created and owned by a company based in Audrey's hometown.

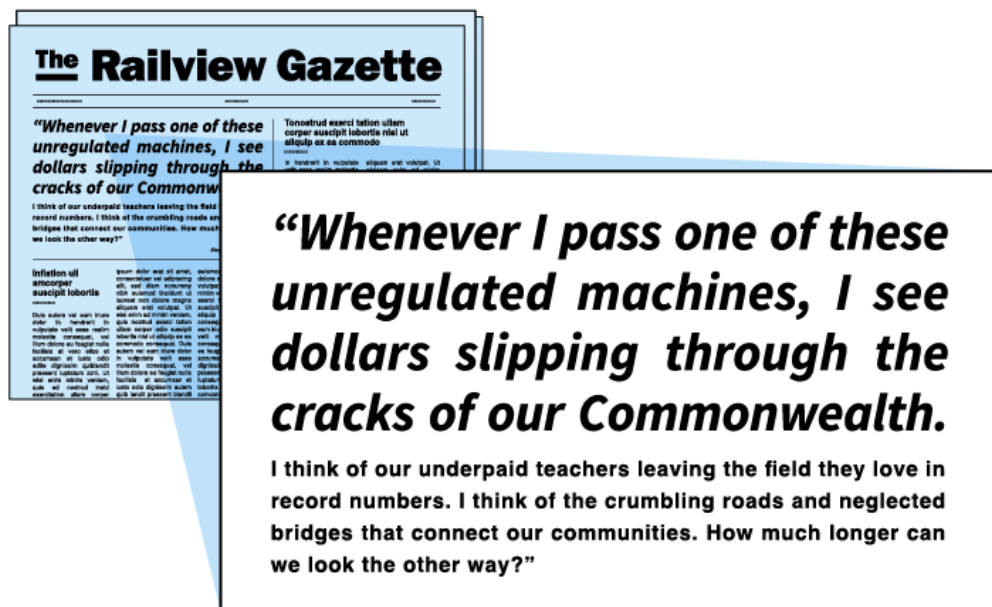
Audrey grew up in the small town of Railview, Pennsylvania. Once a bustling railroad hub, Railview has endured decades of decline due to deindustrialization and population loss. It was also adversely affected by the opioid crisis. Several years ago, however, Game-O-Skill, a company that manufactures skill-based gaming machines, made Railview its headquarters.

The company pays homage to Railview's history by repurposing decommissioned rail steel for the external frame of its arcade-style machines. Game-O-Skill's devices now appear in hundreds of restaurants and gas stations across the state—and it is now Railview's largest employer outside the regional hospital and the university branch campus. Game-O-Skill offers salaries and benefits that rival those of major companies in Pittsburgh and Philadelphia, and it recently donated generously to construct a new cancer center at the hospital. Its success has sparked growth throughout Railview: new dry cleaners, real estate firms, coffee shops, and daycare centers are emerging. For the first time in decades, some students are staying in Railview after graduating from college.

## The Buzz

A coalition of casinos argues the machines made by Game-O-Skill (and other similar companies) constitute gambling, provide an unfair advantage for the manufacturers, and lead to significant losses of state taxes due to Pennsylvanians playing these games rather than traveling to the nearest casino. A state senator recently penned an op-ed in the local paper supporting the casino coalition's view on taxes (see Exhibit 1).

### Exhibit 1: *The Railview Gazette* Op-Ed

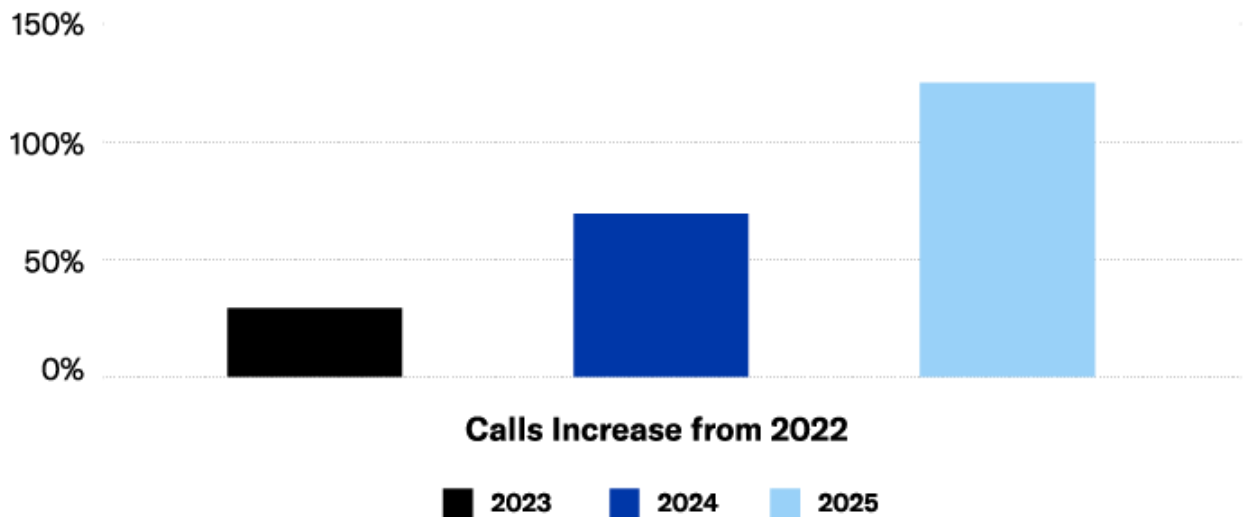


Audrey's office has heard from numerous constituents with varying (strong) opinions:

- A voicemail from one woman detailed how her husband's addiction to skill games has pushed her family to the brink of foreclosure. “In addition to losing my home,” she says, “I feel like I've lost my husband.”
- The CEO of the state's largest private security firm has requested a meeting with Audrey to discuss her firm's recommended stance.
- Audrey's sister, Maya, who runs a small chain of gas stations and mini marts in central Pennsylvania, told her how much the games matter to her stores: “Audrey, the revenue my stores make from skill games has made all the difference in my ability to retain staff, cover medical bills, and send my son to college. I'd have to close two locations and lay off 25% of the employees in my remaining stores if skill games are taxed.”

- Enid Banner, Audrey's colleague on the board who heads the Office of Compulsive and Problem Gambling, shared a slide that documented a sharp rise in gambling-related hotline calls that correlated roughly with the rollout of skill machines (see **Exhibit 2**).

### Exhibit 2: Calls to the Gambling Hotline



*This graph is annualized for 2025.*

In addition to the opinions coming in, Game-O-Skill recently launched a public-relations campaign promoting its contributions to rural Pennsylvania, claiming that its machines required skill, not chance. It ends each ad with, "By the way, we're hiring. Pursue your American dream by joining our Railview team."

## The Ask

### 1. What should Audrey's recommendation be?

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