

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1164 Session of
1995

INTRODUCED BY SALVATORE, STEWART, RHOADES, MELLOW, FUMO, BODACK,
BELAN, LAVALLE, TARTAGLIONE, STOUT, JONES, KASUNIC AND
PORTERFIELD, JUNE 29, 1995

REFERRED TO FINANCE, JUNE 29, 1995

AN ACT

1 Amending the act of August 26, 1971 (P.L.351, No.91), entitled
2 "An act providing for a State Lottery and administration
3 thereof; authorizing the creation of a State Lottery
4 Commission; prescribing its powers and duties; disposition of
5 funds; violations and penalties therefor; exemption of prizes
6 from State and local taxation and making an appropriation,"
7 creating the State Lottery Commission; and providing for
8 video gaming.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 Section 1. Section 3 of the act of August 26, 1971 (P.L.351,
12 No.91), known as the State Lottery Law, amended December 15,
13 1982 (P.L.1288, No.291), is amended to read:

14 [Section 3. Definitions.--As used in this act:

15 (2) "Division" shall mean the Division of the State Lottery
16 created by this act.

17 (3) "Lottery" or "State lottery" shall mean the lottery
18 established and operated pursuant to this act.

19 (4) "Director" shall mean the Director of the Division of
20 the State Lottery.

(5) "Secretary" shall mean the Secretary of Revenue.]

Section 3. Definitions.--As used in this act:

"Chairman" shall mean the Chairman of the State Lottery Commission.

"Commission" shall mean the State Lottery Commission established under section 4.1 of this act.

"Department" shall mean the Department of Revenue of the Commonwealth.

"Director" shall mean the executive director of the State Lottery Commission.

"Distributor" shall mean an individual, partnership, association or corporation licensed by the State Lottery Commission to buy, sell, service or distribute video gaming machines to machine vendors. The term excludes machine vendors and manufacturers.

"Licensed establishment" shall mean a restaurant, bar, tavern, hotel or club which has a valid liquor or malt or brewed beverage license under the act of April 12, 1951 (P.L.90, No.21), known as the "Liquor Code," and is located within a participating political subdivision. The term shall include a racetrack as defined in the act of December 17, 1981 (P.L.435, No.135), known as the "Race Horse Industry Reform Act."

"Machine vendor" shall mean an individual, partnership, association or corporation which is licensed by the State Lottery Commission which owns, services and maintains video gaming machines for placement and public use in licensed establishments.

"Manufacturer" shall mean an individual, partnership, association or corporation licensed by the State Lottery Commission which manufactures or assembles video gaming machines

1 for sale or use in this Commonwealth.

2 "Net machine income" shall mean the money put into a video
3 gaming machine minus credits paid out in cash.

4 "Secretary" shall mean the Secretary of Revenue of the
5 Commonwealth.

6 "Video gaming machine" shall mean a device or machine which
7 upon insertion of a coin or currency will play or simulate the
8 play of a video game authorized by the State Lottery Commission,
9 including, but not limited to, poker, bingo, keno and blackjack,
10 and which utilizes a video display and microprocessors and in
11 which, by the skill of the player or by chance, the player may
12 receive free games or credits which may be redeemed for cash.
13 With the exception of tickets indicating credits won, which are
14 redeemable for cash, no machine shall directly dispense any
15 coins, cash, tokens or anything else of value. All machines must
16 be linked to the State Lottery Commission's central
17 communications system.

18 Section 2. The act is amended by adding sections to read:

19 Section 4.1. State Lottery Commission.--(a) An independent
20 commission to be known as the State Lottery Commission is hereby
21 created.

22 (b) All personnel, allocations, appropriations, equipment,
23 supplies, records, contracts, rights and obligations which are
24 utilized or arise in connection with the functions vested in the
25 secretary or the department by this act shall be transferred to
26 the commission.

27 (c) The commission shall have the powers and duties in
28 general vested in the several administrative departments and
29 several independent administrative and departmental
30 administrative boards and commissions as set forth in the act of

1 April 9, 1929 (P.L.177, No.175), known as "The Administrative
2 Code of 1929."

3 Section 4.2. Members.--The commission shall consist of nine
4 members. The Secretary of Revenue and the Secretary of Aging
5 shall serve as members, with the Secretary of Revenue serving as
6 chairman. The Governor shall appoint two members. The remaining
7 five members shall consist of: one appointed by the President
8 pro tempore of the Senate, one appointed by the Minority Leader
9 of the Senate, one appointed by the Speaker of the House of
10 Representatives, one appointed by the Minority Leader of the
11 House of Representatives and one appointed by the Attorney
12 General.

13 Section 4.3. Terms of Office.--Members shall serve terms of
14 three years, except the Governor's original appointments, one of
15 whom shall serve for four years and one of whom shall serve for
16 two years. The Secretary of Revenue and the Secretary of Aging
17 shall serve the commission without interruption. No member may
18 be appointed to more than two consecutive terms.

19 Section 4.4. Qualifications.--(1) Members must be citizens
20 of the United States and residents of this Commonwealth.

21 (2) No member shall be a member of the General Assembly.

22 (3) No member shall have a pecuniary interest in any
23 business or organization doing business with any person or
24 organization provided for under this act.

25 (4) One of the Governor's appointees shall be a certified
26 public accountant who has a minimum of ten years' experience and
27 who is licensed to practice accountancy in this Commonwealth.

28 (5) The Governor's other appointee shall have comprehensive
29 knowledge of the principles and practice of corporate finance
30 and have a minimum of ten years' experience in that field.

1 (6) The Attorney General's appointee shall have a minimum of
2 ten years' experience in the field of law enforcement.

3 Section 4.5. Compensation and Expenses.--The members of the
4 commission shall be compensated at a rate set by the executive
5 board and shall be reimbursed for their actual and necessary
6 expenses while performing the business of the commission.

7 Section 4.6. Meetings and Quorum.--The commission shall meet
8 at least once a month and such additional meetings as the
9 chairman deems desirable. Special meetings may be called by the
10 chairman upon the written request of the director or any four
11 members of the commission. Five members shall constitute a
12 quorum. Members may not vote by proxy or appoint a designee to
13 vote in their absence.

14 Section 5.1. Powers and Duties of Commission.--(a) The
15 commission shall have the power and it shall be its duty to
16 operate and administer the lottery and video gaming and to
17 promulgate rules and regulations governing the establishment and
18 operation thereof, including, but not limited to:

19 (1) The type of lottery, including video gaming, to be
20 conducted.

21 (2) The price or prices of tickets or shares in the lottery.

22 (3) The numbers and sizes of the prizes on the winning
23 tickets or shares.

24 (4) The manner of selecting the winning tickets or shares.

25 (5) The manner of payment of prizes to the holders of
26 winning tickets or shares.

27 (6) The frequency of drawings or selections of winning
28 tickets or shares, without limitation.

29 (7) Without limit as to number, the type or types of
30 locations at which tickets or shares may be sold.

1 (8) The method used in selling tickets or shares.

2 (9) The licensing of agents to sell tickets or shares:

3 Provided, That no person under the age of twenty-one years shall
4 be licensed as an agent.

5 (10) The manner and amount of compensation, if any, to be
6 paid licensed sales agents necessary to provide for the adequate
7 availability of tickets or shares to prospective buyers and for
8 the convenience of the public.

9 (11) The apportionment of total revenues accruing from the
10 sale of lottery tickets or shares and from all other sources
11 among:

12 (i) the payment of prizes to the holders of winning tickets
13 or shares;

14 (ii) the payment of costs incurred in the operation and
15 administration of the lottery, including the expenses of the
16 division and the costs resulting from any contract or contracts
17 entered into for promotional, advertising or operational
18 services or for the purchase or lease of lottery equipment and
19 materials;

20 (iii) the repayment of the moneys appropriated to the State
21 Lottery Fund pursuant to section 16 of this act; and

22 (iv) property tax relief and free or reduced fare transit
23 service for the elderly as provided in section 12 of this act:

24 Provided, however, That no less than thirty per cent of the
25 total revenues accruing from the sale of lottery tickets or
26 shares be dedicated to property tax relief and free or reduced
27 fare transit for the elderly.

28 (12) The production and merchandising of promotional items
29 for the lottery.

30 (13) Such other matter necessary or desirable for the

efficient and economical operation in administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.

(14) Reporting monthly to the Governor and the General Assembly the total lottery revenues, prize disbursements and other expenses for the preceding month and making an annual report which shall include a full and complete statement of the lottery revenues, video gaming revenues, prize disbursements and other expenses to the Governor and the General Assembly and including such recommendations for changes this act and the commission deem necessary or desirable.

(15) Performing the powers and duties currently vested in the secretary and the department.

(b) Any person who is denied a license shall have the right to a hearing before the commission. The hearing shall be conducted in accordance with the provisions of 2 Pa.C.S. (relating to administrative law and procedure). An aggrieved party shall have the right to a de novo appeal from the decision on license denial to the court of common pleas in the judicial district having jurisdiction over the applicant and/or the licensed premises.

(c) The commission shall investigate licensees for violations of this act and shall hold hearings to consider these matters. Hearings and appeals shall be conducted in the same manner as set forth in subsection (b) of this act. The commission shall have the authority to suspend or revoke a license if it finds that a violation of this act has occurred. No license shall be suspended or revoked until the appeal has been decided by the commission or during an appeal to the court of common pleas. The fine for a violation of provisions of this

act or of regulations adopted under this act shall not exceed ten thousand dollars (\$10,000) for the first offense and twenty thousand dollars (\$20,000) for the second offense. A third offense shall mandate revocation. An appeal to court on a third violation shall not act as an automatic stay.

Section 5.2. Director.--The commission may appoint an executive director to hold office at the pleasure of the commission. The director shall have the powers and duties as the commission shall prescribe and shall receive compensation as the commission determines. The director shall have the authority to employ personnel necessary to carry out the duties of the office.

Section 3. Section 6 of the act is repealed.

Section 4. The act is amended by adding sections to read:

Section 15.1. Video Gaming.--The commission shall, subject to local referendum, provide for video gaming at licensed establishments.

Section 15.2. Local Referendum.--In any municipality, an election may be held on the date of a primary, municipal or general election to determine the will of the electors with respect to the issuance of licenses within the limits of such municipality or county under the provisions of this section. Whenever electors equal to at least twenty-five per cent of the highest vote cast for any office in the municipality or county at the preceding general election file a petition with the county board of elections, or the governing board of the municipality or county adopts by a majority vote a resolution to place such a question on the ballot and a copy of the resolution is filed with the county board of elections for a referendum on the question of issuing licenses, the county board shall cause a

1 question to be placed on the ballot and submitted at the
2 following primary, municipal or general election. The question
3 shall be in the following form:

4 Do you favor the issuance of licenses to permit the play
5 of video gaming machines in (name of municipality or
6 county)?

7 (1) The local referendum shall be held in accordance with
8 the provisions of the act of June 3, 1937 (P.L.1333, No.320),
9 known as the "Pennsylvania Election Code."

10 (2) If a majority of electors voting on the question vote
11 "yes," licenses shall be issued by the commission in such
12 municipality or county; but if a majority of the electors voting
13 on the question vote "no," the commission shall have no power to
14 issue or renew upon expiration any licenses in that municipality
15 or county unless and until at a later election a majority votes
16 "yes" on such a question.

17 (3) The referendum procedures shall also be available to
18 withdraw the approval of the issuance of the licenses within the
19 municipality or county which was granted through a prior
20 referendum.

21 (4) A referendum for approval under this section may not be
22 held more than twice within six years from the effective date of
23 this act, and thereafter no more than once every four years. A
24 referendum for withdrawal under this act may not be held in the
25 first four years from approval, and thereafter no more than once
26 every four years.

27 Section 15.3. Licensing.--(a) The director shall conduct a
28 background investigation of all applicants for a manufacturer's,
29 distributor's or machine vendor's license as to their personal
30 and business character, honesty and integrity. The investigation

may utilize the same procedures that are used for similar checks conducted for the State lottery. The investigation may include, but not be limited to, the following:

(1) An examination of any criminal or civil record.

(2) An examination of any personal, financial or business records, including tax returns, bank accounts, business accounts, mortgages and contracts to which the license applicant is a party or has an interest.

(3) An examination of any personal or business relationships which may include a partial ownership or voting interest in a partnership, association or corporation which affects the fitness of the applicant for licensure.

(b) An applicant, to become a licensee, must produce such information, documentation and assurances as required by the commission or the director to include, but not be limited to, the following:

(1) Each license applicant must consent in writing and provide for the examination of all financial and business accounts, bank accounts, tax returns and related records in his possession or under his control which establish by clear and convincing evidence the financial stability, integrity and responsibility of the license applicant and must authorize all third parties in possession or control of any such accounts or records to allow for their examination as determined necessary by the commission or the director in conducting background investigations.

(2) Each license applicant must disclose on the application form any non-summary criminal convictions covering the ten-year period immediately preceding the filing of the application. The license applicant must also include on the application form any

convictions of the gambling laws or statutes of this Commonwealth or any other jurisdiction to which he was subject.

(3) If the license applicant has conducted a gaming operation in a jurisdiction which permits such activity, the license applicant must produce letters of reference from the gaming or casino enforcement or control agency which specify the experiences of the agency with the license applicant, the license applicant's associates and the license applicant's gaming operations. If the license applicant is unable to obtain these letters within sixty days of the request, the license applicant may submit a copy of the letter requesting the information, together with a statement under oath, that during the period such activities were conducted, the license applicant was in good standing with the appropriate gambling or casino enforcement or control agency.

(4) Each license applicant must provide such information, documentation and assurances as required by the commission or director to establish by clear and convincing evidence the license applicant's good character, honesty and integrity. Information under this clause may relate to family, habits, character, reputation, business affairs, financial affairs, business associates, professional associates and personal associates covering the ten-year period immediately preceding the filing of the application.

(c) Each license applicant must accept any risk of adverse public notice, embarrassment, criticism, damages or financial loss which may result from any disclosure or publication by a third party of any material or information requested by the commission or the director pursuant to action on an application. The license applicant expressly waives any claim against the

commission, the director or the Commonwealth and its employees
from damages as a result thereof.

(d) Any person who is denied a license shall have the right
to a hearing before the commission as set forth in subsection
(b) of section 5.1 of this act.

(e) A sole proprietor vendor shall:

(1) Be a resident of this Commonwealth for at least two
years immediately prior to application.

(2) Be of good moral character and reputation in the
community.

(3) Be at least eighteen years of age.

(4) Be current in the payment of all taxes, interest and
penalties owed to the Commonwealth and the political
subdivisions thereof, excluding items under formal dispute or
appeal under applicable statutes.

(5) Demonstrate sufficient financial resources to support
the activities required to place and service video gaming
machines.

(f) (1) Partnership vendors shall be current in the payment
of all taxes, interest and penalties owed to the Commonwealth
and the political subdivisions thereof, excluding items under
formal dispute or appeal under applicable statutes.

(2) Partnership vendors shall demonstrate sufficient
financial resources to support the activities required to place
and service video gaming machines.

(3) Each partner of a partnership vendor shall:

(i) be of good moral character and reputation in the
community; and

(ii) be at least eighteen years of age.

(4) A majority of the partnership ownership interest shall

1 be held by residents domiciled in this Commonwealth at least two
2 years immediately prior to application. The residency and
3 domicile requirements shall be maintained during the entire
4 period of licensure.

5 (g) (1) Association or corporation vendors shall be current
6 in the payment of all taxes, interest and penalties owed to the
7 Commonwealth and the political subdivisions thereof, excluding
8 items under formal dispute or appeal under applicable statutes.

9 (2) Association or corporation vendors shall demonstrate
10 sufficient financial resources to support the activities
11 required to place and service video gaming machines.

12 (3) All shareholders of the corporation or association
13 shall:

14 (i) be of good moral character and reputation in the
15 community; and

16 (ii) be at least eighteen years of age.

17 (4) Shareholders owning a majority of the stock in the
18 corporation shall be residents domiciled in this Commonwealth at
19 least two years immediately prior to application. The residency
20 and domicile requirements shall be maintained during the entire
21 period of licensure.

22 (h) The annual fee for a machine vendor's license shall be
23 twenty-five thousand dollars (\$25,000). The annual fee includes
24 licenses for fifty video gaming machines. A license fee of five
25 hundred dollars (\$500) shall be assessed for each video gaming
26 machine over the initial fifty licenses included within the
27 annual machine vendor's license fee. No additional license fees
28 shall be assessed if the licensed video gaming machine is
29 relocated during the license year to an approved licensed
30 establishment within the same municipality.

1 (i) A sole proprietor distributor shall:

2 (1) Be of good moral character and reputation in the
3 community.

4 (2) Be at least eighteen years of age.

5 (3) Be current in the payment of all taxes, interest and
6 penalties owed to the Commonwealth and the political
7 subdivisions thereof, excluding items under formal dispute or
8 appeal under applicable statutes.

9 (4) Demonstrate sufficient financial resources to support
10 the activities required to sell and service video gaming
11 machines.

12 (5) Maintain and operate a coin machine distributor's
13 office, sales and service staff within this Commonwealth.

14 (j) (1) Partnership distributors shall be current in the
15 payment of all taxes, interest and penalties owed to the
16 Commonwealth and the political subdivisions thereof, excluding
17 items under formal dispute or appeal under applicable statutes.

18 (2) Partnership distributors shall demonstrate sufficient
19 financial resources to support the activities required to sell
20 and service video gaming machines.

21 (3) Each partner of a partnership distributor shall:

22 (i) be of good moral character and reputation in the
23 community; and

24 (ii) be at least eighteen years of age.

25 (4) Partnership distributors must maintain and operate a
26 coin machine distributor's office, sales and service staff
27 within this Commonwealth.

28 (k) (1) Association or corporation distributors shall be
29 current in the payment of all taxes, interest and penalties owed
30 to the Commonwealth and the political subdivisions thereof,

excluding items under formal dispute or appeal under applicable statutes.

(2) Association or corporation distributors shall demonstrate sufficient financial resources to support the activities required to sell and service video gaming machines.

(3) All shareholders of the corporation or association shall:

(i) be of good moral character and reputation in the community; and

(ii) be at least eighteen years of age.

(4) A corporate distributor must maintain and operate a coin machine distributor's office, sales and service staff within this Commonwealth.

(1) The annual fee for a distributor's license shall be twenty-five thousand dollars (\$25,000).

(m) A sole proprietor manufacturer shall:

(1) Be of good moral character and reputation in the community.

(2) Be at least eighteen years of age.

(3) Be current in the payment of all taxes, interest and penalties owed to the Commonwealth and the political subdivisions thereof, excluding items under formal dispute or appeal under applicable statutes.

(4) Demonstrate sufficient financial resources to support the activities required to manufacture and sell video gaming machines through a licensed distributor.

(n) (1) All partners of a partnership manufacturer shall be at least eighteen years of age.

(2) All partners of a partnership manufacturer shall be of good moral character and reputation in the community.

1 (3) Partnership manufacturers shall be current in the
2 payment of all taxes, interest and penalties owed to the
3 Commonwealth and the political subdivisions thereof, excluding
4 items under formal dispute or appeal under applicable statutes.

5 (4) Partnership manufacturers shall demonstrate sufficient
6 financial resources to support the activities required to
7 manufacture and sell video gaming machines through a licensed
8 distributor.

9 (o) (1) Association or corporate manufacturers shall be
10 current in the payment of all taxes, interest and penalties owed
11 to the Commonwealth and the political subdivisions thereof,
12 excluding items under formal dispute or appeal under applicable
13 statutes.

14 (2) Association or corporate manufacturers shall demonstrate
15 sufficient financial resources to support the activities
16 required to manufacture and sell video gaming machines through a
17 licensed distributor.

18 (3) All shareholders of the corporation or association
19 shall:

20 (i) be of good moral character and reputation in the
21 community; and

22 (ii) be at least eighteen years of age.

23 (p) The annual fee for a manufacturer's license shall be
24 twenty-five thousand dollars (\$25,000).

25 (q) (1) The commission shall issue a license to any
26 licensed establishment upon a showing that its liquor or retail
27 dispenser's license is valid and is in good standing with the
28 Liquor Control Board. The annual fee for a licensed
29 establishment shall be five hundred dollars (\$500) per video
30 gaming machine.

1 (2) The licensed establishment shall not pay additional
2 licensing fees if the video gaming machines are replaced or
3 changed during the license year: Provided, That the total number
4 of video gaming machines does not exceed the number of licenses
5 held by the establishment.

6 Section 15.4. Prohibitions.--(a) No approved licensed
7 establishment under this act may operate more than one video
8 gaming machine unless every approved licensed establishment in
9 this Commonwealth has at least one video gaming machine. No
10 licensed establishment shall have more than four video gaming
11 machines.

12 (b) No applicant may hold more than one type of license as
13 provided in section 15.3 of this act. Each licensee is
14 responsible for payment of its license fee. Payment of the fee
15 by a person, partnership or corporation other than the licensee
16 is prohibited. A machine vendor license does permit the vendor
17 to sell used video gaming machines that the vendor purchased,
18 licensed and operated to other licensed vendors or distributors.

19 (c) No licensee shall be permitted to advertise gambling or
20 use the word "gambling" in any promotional way, including flyers
21 or other forms of advertisement.

22 (d) No video gaming machines may be placed in a licensed
23 establishment unless the machine vendor and the licensed
24 establishment have entered into a mutually agreed-upon written
25 machine placement agreement for a minimum term of one year. A
26 video gaming machine owner may not offer or give any type of
27 inducements or incentives to a licensed establishment to secure,
28 maintain or renew a video gaming machine placement agreement.

29 (e) No person, partnership, association or corporation may
30 sell, distribute, service, own, operate or place on location a

video gaming machine unless it is licensed pursuant to this act
and is in compliance with all requirements of this act.

(f) (1) No person under twenty-one years of age may use or
play a video gaming machine. A minor using or playing or
attempting to use or play a video gaming machine commits a
summary offense.

(2) A licensed establishment in which a person under twenty-
one years of age plays or uses a video gaming machine, whether
or not that licensed establishment is actually aware of the
minor's age, commits a summary offense and shall, upon
conviction, pay a fine of not more than five thousand dollars
(\$5,000).

(3) The establishment of any of the following facts by a
person allowing a minor to operate the video gaming machines
constitutes a defense to prosecution under this subsection:

(i) the minor falsely represented in writing that the minor
was twenty-one years of age or older; or

(ii) the appearance of the minor was such that an ordinary
person of prudent judgment would believe the minor to be twenty-
one years of age or older.

Section 15.5. Machine Characteristics.--(a) The commission
shall establish and procure a central communications system
capable of monitoring and communicating with each licensed video
gaming machine.

(b) The commission shall approve a prototype video gaming
machine which includes hardware and software specifications.
These specifications shall include, but not be limited to, the
following:

(1) All machines shall be linked with the lottery central
communications system to provide complete accounting and

1 auditing information to eliminate any possibility of fraud.

2 (2) Unremovable identification plates shall appear on the
3 exterior of the machine and shall contain the name of the
4 manufacturer and the serial number and model number of the
5 machine.

6 (3) The rules of play shall be displayed on the machine face
7 or screen as promulgated by the commission.

8 (4) A video gaming machine may not directly dispense coins,
9 cash, tokens or any other article of exchange or value except
10 tickets. Such tickets shall be dispensed by pressing the ticket
11 dispensing button on the machine at the end of a turn or play.
12 The ticket shall indicate the total amount of credits and the
13 cash award, and the player shall turn in this ticket to the
14 appropriate person at the licensed establishment to receive the
15 cash award. The cost of the credit shall be twenty-five cents
16 (25¢), and the number of credits played per game shall not
17 exceed eight. No cash award for any individual game shall exceed
18 five hundred dollars (\$500). All video gaming machines shall be
19 designed and manufactured with total accountability, including
20 gross proceeds, net profits, winning percentages and any other
21 information the commission requires.

22 (5) Each machine shall have a minimum winning percentage of
23 eighty per cent.

24 (c) The commission shall have primary enforcement
25 responsibility for any illegal activities concerning video
26 gaming machines. The commission may engage an enforcement agent
27 and personnel necessary to ensure the integrity of video gaming.
28 The Pennsylvania State Police and local police shall also have
29 the authority to enforce the provisions of this act.

30 Section 15.6. Distribution of Funds.--(a) There is hereby

1 established a separate account in the State Treasury to be known
2 as the Video Gaming Account. All fees and fines and the
3 Commonwealth portion of net machine income generated from video
4 gaming shall be deposited therein.

5 (b) The net machine income from each video gaming machine
6 shall be distributed as follows:

7 (1) Thirty-three per cent to the licensed establishment.

8 (2) Thirty-three per cent to the licensed vendor.

9 (3) Thirty-four per cent to the Commonwealth.

10 (c) Twenty-five per cent of the Commonwealth's share of net
11 machine income shall be used to fund basic education. This
12 amount shall not exceed one hundred million dollars
13 (\$100,000,000) annually. Twenty-five per cent of the
14 Commonwealth's share of net machine income shall fund higher
15 education through the State System of Higher Education. This
16 amount shall not exceed one hundred million dollars
17 (\$100,000,000) annually. Fifty million dollars (\$50,000,000)
18 shall be set aside annually to expand eligibility in the
19 Pharmaceutical Assistance Contract for the Elderly (PACE)
20 Program established under the act of August 14, 1991 (P.L.342,
21 No.36), known as the "Lottery Fund Preservation Act." Each
22 municipality that has approved video gaming shall receive one
23 thousand dollars (\$1,000) per licensed video gaming machine
24 within that municipality annually. All remaining funds shall go
25 to the State Lottery Fund.

26 (d) The costs of the commission for the establishment,
27 enforcement and operation of video gaming may not exceed seven
28 and one-half per cent of the video gaming's total annual
29 revenue, except in the first two years after the effective date
30 of this act, when the costs may not exceed fifteen per cent of

1 the total revenues.

2 Section 5. Video gaming machines and coin-operated amusement
3 machines shall be exempt from taxes levied under the act of
4 August 5, 1932 (Sp.Sess., P.L.45, No.45), referred to as the
5 Sterling Act, the act of December 31, 1965 (P.L.1257, No.511),
6 known as The Local Tax Enabling Act, or the act of April 13,
7 1972 (P.L.184, No.62), known as the Home Rule Charter and
8 Optional Plans Law, or under any other statute which confers
9 taxing authority to any political subdivision. The machines are
10 also exempt from all local licensing fees.

11 Section 6. Video gaming machines and their use are exempt
12 from the provisions of 18 Pa.C.S. § 5513 (relating to gambling
13 devices, gambling, etc.).

14 Section 7. The General Assembly declares that the
15 Commonwealth is exempt from section 2 of the Gambling Devices
16 Transportation Act (64 Stat. 1134, 15 U.S.C. § 1172). Shipments
17 of approved video gaming machines into this Commonwealth in
18 compliance with sections 3 and 4 of the Gambling Devices
19 Transportation Act (15 U.S.C. §§ 1173 and 1174) shall be deemed
20 legal shipments into this Commonwealth.

21 Section 8. This act shall take effect in 30 days.