



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1098

PRINTERS NO. 2580

PRIME SPONSOR: Payne

REVENUE INCREASE / (DECREASE)

FUND	FY 2013/14	FY 2014/15
General Fund	See Fiscal Impact	\$156,000,000

SUMMARY: House Bill 1098, Printer's Number 2580, amends the Local Option Small Games of Chance Act of 1988 (P.L. 1262, No. 156), permitting 50/50 drawings for minor league teams and other professional sports teams; provides for club licensee distribution of proceeds and for records of raffles; provides for enforcement; and provides for tavern gaming.

ANALYSIS: This legislation amends the definition of "major league sports team" to include the National Football League (NFL) in addition to Major League Baseball (MLB), National Hockey League (NHL), National Basketball Association (NBA) and Major League Soccer (MLS). The term is further modified to also allow for minor league teams affiliated with MLB, NHL, NBA, NFL or MLS and to allow any other professional sports team that has a sports facility or an agreement with a sports facility to conduct home games at the facility. The definition also includes a stadium, grandstand or bleacher at a closed-course motor facility where spectators are directly observing motor races with NASCAR, Indy, stock or drag racing cars. The legislation provides that proceeds from a major league sports drawing currently donated to just a single designated charitable organization are permitted to be donated to one or more designated charitable organizations. Language is added permitting non-prize money to be used to employ or provide payment to individuals 18 years or older to sell major league sports drawing tickets and for administrative expenses directly related to the conduct of a major league sports drawing (not to exceed 2% of the total amount collected).

This legislation provides for annual reports to the Department of Revenue from club licensees, changes the distribution of the proceeds from games of chance for club licensees, requires records to be made available to the Department of Revenue, the Bureau of Liquor Control Enforcement and other entities authorized to enforce games of chance and no longer requires the club to maintain a record of the purchase of raffle tickets.

Club licensees are authorized to use 60%, reduced from 70%, for public interest purposes and 40%, increased from 30%, for operational expenses of the club licensee. Operation expenses are amended to include personnel expenses, other than a bartender or individual who operates games of chance.

Chapter 9 is added to the act providing for Tavern Gaming. A "tavern game" is defined as a pull-tab game, a daily drawing or a tavern raffle. A "tavern raffle" is a raffle held for a charitable or public purpose. A for-profit restaurant licensee may apply for a license to conduct tavern gaming on its licensed premises. Grocery stores and premises where the sale of liquid fuels or oil is conducted are excluded from the definition of a restaurant licensee.

The application fee is \$1,000 and is payable to the Liquor Control Board. Additionally there is an investigation fee of \$1,000 payable to the Bureau of Investigations and Enforcement within the Gaming Control Board. This fee shall be used to pay for background investigations. In addition to the above fees, the applicant shall pay actual costs of a background investigation that exceed the application fee. The investigative fee and additional fees for actual costs of background investigations shall augment the funds appropriated to the Gaming Control Board. Tavern games licenses may not be sold, transferred or assigned to another person. Tavern game licensees shall maintain a separate bank account to hold proceeds from tavern games. No tavern games license may be issued to a restaurant licensee located in gaming facility, located on the grounds of a facility where a major league sports team conducts games or races, or located on the grounds of a business that has been decreed a nuisance pursuant to Section 611 of the Liquor Code

Upon approval of a tavern games license, the applicant shall pay a fee of \$2,000. The annual renewal fee is \$1,000. Monies from these fees shall be deposited into the General Fund.

Individual prize limits for tavern games shall not exceed \$2,000 per chance. Aggregate prize limits per a seven-day period shall not exceed \$35,000. Tavern raffles are limited to one in a calendar month.

Section 909.1 imposes a tax of 60% of the net revenue from tavern games sold by a licensed distributor to a licensee within this Commonwealth. The tax must be collected by the distributor for the licensee and remitted to the Commonwealth by the distributor. In an instance where the tavern game is not required to be purchased from a licensed distributor, a tax of 60% is imposed on the net revenue and must be remitted to the Commonwealth by the licensee. At least 50% of the net revenues from a tavern raffle shall be transmitted to the designated charity within seven days of the raffle. Of the remaining net revenues, 60% shall be paid to the Commonwealth.

Tavern gaming licensees shall remit an annual report to the Liquor Control Board and the Department of Revenue for the preceding year on a form and in a manner prescribed by the department. The department shall develop a schedule for the submission of the annual report.

The Department of Revenue shall submit an annual report on the impact of small games of chance on the State Lottery Fund, if any, to the General Assembly.

The act shall take effect in 60 days.

FISCAL IMPACT: Using the State of Indiana as a benchmark model, the Governor's Office of the Budget estimates that 2,000 restaurant licensees in Pennsylvania will take advantage of the tavern gaming license provided in this legislation. The most profitable establishments in Indiana yield a maximum of \$35,000 a week on the high end with the least profitable yielding \$500 a week. Average maximum profit is estimated to be 25%. The Governor's Office of the Budget estimates that an average of \$10,000 per license in Pennsylvania would be expected. Using these assumptions, this legislation is estimated to generate additional revenues for the General Fund of \$156 million annually. The addition of Chapter 9 (Tavern Gaming) takes effect in 60 days. The Governor's Office of the Budget estimates that \$36 million could be generated in fiscal year 2013-14, however, this is dependent on the date of enactment.

The Bureau of Investigations and Enforcement within the Gaming Control Board is required by this legislation to do background investigations on each applicant. The total cost of the background investigations is estimated to be \$4 million. Section 904 of the legislation provides that the applicant shall pay for the actual costs of the background investigations that exceed the fee of \$1,000.

The Liquor Control Board may be subject to costs associated with the administration of the application process. It is anticipated that any costs associated with the application process should be recouped from the \$1,000 license application fee.

Annual costs of approximately \$300,000 are anticipated for the Department of Revenue for auditing, administering and enforcing the tax. The Department is also required to provide a report on the impacts of tavern gaming on the State Lottery Fund. These costs and any other unanticipated additional costs are assumed to be recouped through the original license fee of \$2,000 and renewal fees of \$1,000 that are deposited into the General Fund.

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House Appropriations Committee (R)

DATE: October 23, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.