



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1098

PRINTERS NO. 2639

PRIME SPONSOR: Payne

REVENUE INCREASE / (DECREASE)

FUND	FY 2013/14	FY 2014/15
General Fund	See Fiscal Impact	\$156,000,000
Host Municipalities Local Share	See Fiscal Impact	\$13,000,000

SUMMARY: House Bill 1098, Printer's Number 2639, 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; providing for club licensee distribution of proceeds and for records of raffles; providing for enforcement; providing for tavern gaming; providing for host municipality tavern games local share; and providing report of the Legislative Budget and Finance Committee.

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. The current restrictions on the use of the monies retained by the clubs are removed allowing the proceeds to be used on anything but payment of fines.

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. Tavern games licenses may only be issued in municipalities that have adopted a referendum allowing small games of chance.

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 to 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.

Language is added allowing a club which has proceeds of \$40,000 or less from games of chance in the previous calendar year to retain the first \$20,000 in proceeds in the next calendar year before the split of proceeds to public interest purposes is applied.

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 to be deposited into the General Fund and a 5% host municipality local share to be deposited into a restricted receipts account. 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% and a 5% host municipality local share is imposed and must be remitted to the Commonwealth by the licensee. The 60% tax shall be deposited into the General Fund and the host municipality local share shall be deposited into a restricted receipts account.

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 and deposited into the General Fund and a 5% host municipality local share shall be paid to the Commonwealth and deposited into a restricted receipts account.

A restricted receipts account is established in the General Fund and shall be referred to as the Host Municipality Tavern Games Local Share Account. Each host municipality shall receive a distribution from this account equal to the amount of revenue remitted attributable to the licensees located within the municipality. The Department of Revenue shall make payments to host municipalities within 60 days of the end of each calendar year.

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.

No later than March 15, 2016 and each March 15 thereafter, the Legislative Budget and Finance Committee shall issue a report to the General Assembly analyzing the impact, if any, of tavern gaming on the State Lottery. The Governor may submit a request to the General Assembly to authorize a transfer of funds from the General Fund to the Lottery Fund up to the amount identified in the report for the fiscal year following the date of the report.

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.

Using the assumptions above, a 5% host municipality local share of \$13 million will be first paid to host municipalities no later than 60 days after the end of calendar year 2014.

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: November 13, 2013

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