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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 570      Session of  
2003

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INTRODUCED BY SAINATO, MARKOSEK, SOLOBAY, CAPPELLI, PISTELLA,  
BARRAR, BELARDI, LaGROTTA, DALEY, STABACK, TIGUE, LAUGHLIN,  
DIVEN, COSTA, HARHAI, KOTIK, JAMES, MELIO, HORSEY, THOMAS AND  
WASHINGTON, MARCH 3, 2003

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REFERRED TO COMMITTEE ON FINANCE, MARCH 3, 2003

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AN ACT

1 Authorizing the implementation of keno games at certain retail  
2 liquor establishments; providing for collection of revenues;  
3 imposing duties on the Bureau of Pennsylvania State Lottery;  
4 establishing an advisory committee; imposing a keno games  
5 tax; and making an appropriation.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Keno Games  
10 Act.

11 Section 2. Definitions.

12 The following words and phrases when used in this act shall  
13 have the meanings given to them in this section unless the  
14 context clearly indicates otherwise:

15 "Applicant." A licensed corporation which applies for a keno  
16 license under this act.

17 "Bureau." The Bureau of Pennsylvania State Lottery of the  
18 Commonwealth.

1 "Department." The Department of Revenue of the Commonwealth.

2 "Fund." The State Lottery Fund.

3 "Gross income." The total amount of cash, vouchers or tokens  
4 collected for a keno game operated by a licensee, minus the  
5 total value of coins and tokens won by a player.

6 "Keno." A game of chance using 80 numbers in which 20 random  
7 numbers are drawn. Players may win cash prizes based on how many  
8 numbers they match to the numbers randomly drawn by the  
9 licensee.

10 "Keno license" or "license." A license authorizing a  
11 licensed corporation to conduct keno games in its licensed  
12 premises.

13 "Licensed corporation." A corporation or other entity that  
14 holds a retail liquor license under the act of April 12, 1951  
15 (P.L.90, No.21), known as the Liquor Code.

16 "Licensee." A licensed corporation that has obtained a keno  
17 license from the Bureau of Pennsylvania State Lottery under this  
18 act.

19 "Secretary." The Secretary of Revenue of the Commonwealth.  
20 Section 3. Keno games system.

21 A keno games system is hereby established and shall be  
22 administered by the bureau in accordance with this act.

23 Section 4. Bureau of Pennsylvania State Lottery.

24 (a) General powers.--

25 (1) The bureau shall establish, administer and ensure  
26 the integrity of keno games and shall have jurisdiction over  
27 the location and operation of keno games.

28 (2) The secretary shall employ an executive director,  
29 deputies, secretaries, officers and representatives as it may  
30 deem necessary, who shall serve at the secretary's pleasure.

1 The secretary shall also employ other employees as the  
2 secretary sees fit and whose duties and compensation shall be  
3 prescribed by the secretary.

4 (b) Specific powers.--The bureau shall have the following  
5 specific powers and duties:

6 (1) Investigate, evaluate and decide upon applications  
7 for all keno licenses provided for in this act.

8 (2) Issue licenses pursuant to the provisions of section  
9 6.

10 (3) Promulgate regulations as the bureau deems necessary  
11 to carry out the policy and purposes of this act and to  
12 enhance the credibility and integrity of keno games in this  
13 Commonwealth. Notwithstanding any other provision of law to  
14 the contrary and in order to facilitate the prompt  
15 implementation of this act, regulations promulgated by the  
16 bureau during the first year of its existence shall not be  
17 subject to notice of proposed rulemaking pursuant to section  
18 204 of the act of July 31, 1968 (P.L.769, No.240), referred  
19 to as the Commonwealth Documents Law. Regulations adopted  
20 after the one-year period shall be promulgated, adopted and  
21 published as provided by law.

22 (4) The bureau or designated officers, employees or  
23 agents of the secretary shall have the power to administer  
24 oaths, examine witnesses and may issue subpoenas to compel  
25 attendance of witnesses and production of all relevant and  
26 material reports, books, papers, documents and other evidence  
27 relating to the administration and enforcement of this act.

28 (5) Provide for the assessment and collection of fines  
29 and penalties for violations of this act. All fines and  
30 penalties shall be credited for deposit to the fund.

1           (6) Revoke or suspend any license provided for in this  
2 act if the bureau finds by a preponderance of the evidence  
3 that a licensee under this act, its officers, employees or  
4 agents do not comply with the provisions of this act or the  
5 rules and regulations of the bureau and that it would be in  
6 the public interest, convenience or necessity to revoke or  
7 suspend the license. None of the licenses provided for in  
8 this act shall be transferable or assignable in any manner.

9           (7) Restrict access to confidential information obtained  
10 under this act and ensure that the confidentiality of  
11 information is maintained and protected.

12           (8) Prescribe financial reporting and internal control  
13 requirements for the operations of licensees that relate to  
14 keno games.

15           (9) Prescribe the manner in which gross revenue must be  
16 computed and reported by the licensee that relates to keno  
17 games.

18           (10) Require audits of the financial statements of the  
19 operations of licensees that relate to keno games.

20           (11) Require periodic financial reports from licensees  
21 consistent with standards and intervals prescribed by the  
22 bureau.

23           (12) Prescribe the procedures to be followed by  
24 licensees for cash transactions affecting keno games.

25           (13) Prescribe criteria and conditions for the operation  
26 of the keno games system.

27           (14) Enforce the prescribed hours for the conduct of  
28 keno games, so that licensees may conduct keno games on any  
29 day, except Christmas day, between the hours of 10 a.m. on  
30 one day until 2 a.m. the next day.

1           (15) Prohibit the offering of free alcohol or free malt  
2           or free brewed beverages to patrons participating in keno  
3           games.

4           (16) Prohibit persons under 21 years of age from  
5           participating in keno games.

6           (17) Prescribe any rule or regulation necessary to  
7           administer the provisions of this act.

8   Section 5. Advisory committee.

9       (a) Establishment.--There is hereby established an advisory  
10      committee within the department, to be known as the Keno Games  
11      Advisory Committee. The committee shall assist the bureau in  
12      developing and discussing proposed regulation, final regulation  
13      or policy guidance and to provide continuing advice on  
14      implementing and administering the provisions of this act.

15      (b) Membership.--The advisory committee shall consist of the  
16      following members:

17           (1) the chairman of the Pennsylvania Liquor Control  
18      Board or his designee;

19           (2) the Secretary of Revenue or his designee; and

20           (3) five members appointed by the Governor with the  
21      advice and consent of the Senate who shall be representative  
22      of the interests affected by the provisions of this act.

23      (c) Terms.--The Governor shall appoint the initial members  
24      of the committee under subsection (b)(3) within 60 days of the  
25      effective date of this act. The members appointed by the  
26      Governor shall serve three-year terms, except that the initial  
27      appointees shall have staggered terms so that one member shall  
28      be appointed for a one-year term, two members shall be appointed  
29      for a two-year term and two members shall be appointed for a  
30      three-year term.

(d) Chairperson.--A chairperson shall be chosen by a majority vote of the committee members present at a regularly scheduled meeting. A person employed by the Commonwealth may not chair the committee.

(e) Expenses.--Members of the committee shall be reimbursed for their travel expenses to attend committee meetings. Employees of the Commonwealth shall only be entitled to the compensation and expenses they receive as public employees.

(f) Support.--The department shall provide the appropriate administrative and technical support needed by the committee in order to accomplish its objectives.

#### Section 6. Issuance of keno licenses.

(a) Authorization.--The bureau may issue a keno license to a licensed corporation that desires to conduct keno games in its licensed premises if that licensed corporation makes application to the bureau and abides by all of the provisions of and regulations promulgated under this act.

(b) Restriction.--No applicant that has been convicted in any jurisdiction of a felony, crime of moral turpitude or gambling offense may be issued a keno license under this act.

(c) Suspension.--The bureau shall suspend the keno license of any licensee who fails to satisfy the requirements of this act during the term of the keno license until those requirements are satisfied.

#### Section 7. Application.

(a) General rule.--Any licensed corporation which meets the requirements of section 6 that desires to conduct keno games in its licensed premises must file an application form with the bureau.

(b) Form.--The bureau shall develop an application form that

1 collects such information as deemed necessary by the bureau.

2 Section 8. Accounting controls and audits.

3 (a) Approval.--A licensed corporation which desires to  
4 conduct keno games in its licensed premises must first obtain  
5 approval of its internal control systems and audits from the  
6 bureau.

7 (b) Minimum requirements.--At a minimum, the internal  
8 controls and audits shall consist of:

9 (1) The safeguarding of its assets and revenues,  
10 especially the recording of cash and evidences of  
11 indebtedness related to the keno games.

12 (2) The provision of reliable records, accounts and  
13 reports of transactions, operations and events, including  
14 reports to the bureau that relate to the keno games.

15 (3) A procedure whereby assets that relate to keno games  
16 operations are safeguarded.

17 (4) Financial records that relate to keno games  
18 operations are accurate and reliable.

19 (5) Transactions that relate to keno games operations  
20 are performed only in accordance with the management's  
21 general or specific authorization.

22 (6) Transactions that relate to keno games operations  
23 are recorded adequately to permit proper and timely reporting  
24 of gaming revenue and of fees and taxes and to maintain  
25 accountability for assets.

26 (7) Access to assets that relate to keno games  
27 operations is permitted only in accordance with management's  
28 specific authorization.

29 (8) Recorded accountability for assets that relate to  
30 keno games operations is compared with actual assets at

1 reasonable intervals and appropriate action is taken with  
2 respect to any discrepancies.

3 (9) Functions, duties and responsibilities that relate  
4 to keno games operations are appropriately segregated and  
5 performed in accordance with sound practices by competent,  
6 qualified personnel.

7 (c) Internal control.--A licensed corporation which seeks to  
8 conduct keno games in its licensed premises shall describe, in  
9 the manner the bureau may approve or require, its administrative  
10 and accounting procedures that relate to keno games operations  
11 in detail in a written system of internal control and shall  
12 submit a copy of its written keno games operations to the  
13 bureau. Each written keno games operation shall include:

14 (1) An organizational chart depicting appropriate  
15 segregation of functions and responsibilities.

16 (2) A description of the duties and responsibilities of  
17 each position shown on the organizational chart.

18 (3) A detailed narrative description of the  
19 administrative and accounting procedures designed to satisfy  
20 the requirements of subsection (a).

21 (4) A written statement signed by the chief financial  
22 officer of the licensed corporation and the chief executive  
23 officer of the licensed corporation attesting that the  
24 operation satisfies the requirements of this section.

25 (5) Any other item that the bureau may require.

26 Section 9. Keno games tax.

27 (a) Imposition of tax.--Each licensed corporation shall pay  
28 a tax in the amount of 60% of the gross income arising from the  
29 keno games.

30 (b) Payment and credit.--The tax imposed by this section



1 shall be paid by the licensed corporation through the department  
2 for credit to the fund monthly on or before the 20th day of the  
3 month next succeeding the month in which the tax accrues.

4 (c) Administrative expenses.--No more than 10% of the tax  
5 credited to the fund under subsection (b) may be used for the  
6 administrative expenses of the system as incurred by the bureau.

7 (d) Tax reconciliation.--If the amount of tax required to be  
8 reported and paid under this section is later determined to be  
9 greater or less than the amount actually reported and paid by  
10 the licensed corporation, the bureau shall:

11 (1) assess and collect the additional tax determined to  
12 be due with interest thereon until paid; or

13 (2) provide for a refund of any overpayment, with  
14 interest thereon, to the licensed corporation.

15 Section 10. Declaration of exemption from Federal laws  
16 prohibiting gambling devices.

17 Pursuant to section 2 of the act of January 2, 1951 (64 Stat.  
18 1135, 15 U.S.C. § 1172), the Commonwealth declares that it is  
19 exempt from section 1134 of that act.

20 Section 11. Annual report.

21 The bureau shall, within 18 months of the effective date of  
22 this act and each year thereafter, submit a report to the  
23 Governor and General Assembly, which reports on the general  
24 operation of the bureau under this act and all taxes, fees,  
25 fines and other revenues collected and disbursed. The number and  
26 result of hearings conducted under this act and any other  
27 information that the bureau deems necessary or appropriate.

28 Section 12. Appropriation.

29 The sum of \$1,500,000, or as much thereof as may be  
30 necessary, is hereby appropriated to the Department of Revenue

1 for the establishment of the keno games system within the Bureau  
2 of Pennsylvania State Lottery. The department shall reimburse  
3 the General Fund from the revenue generated within the first  
4 year of the conduct of keno games.

5 Section 13. Effective date.

6 This act shall take effect in 60 days.