

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 7

Session of
2003

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SHANER, STURLA, WANSACZ, WHEATLEY AND WOJNAROSKI,
APRIL 16, 2003

REFERRED TO COMMITTEE ON FINANCE, APRIL 16, 2003

AN ACT

1 Authorizing video gaming terminals at racetracks; conferring
2 powers and imposing duties on the Division of the State
3 Lottery, the State Horse Racing Commission, the State Harness
4 Racing Commission, the Department of Health and the Attorney
5 General; providing for video gaming terminals and for
6 specifications; providing for the division of income, for
7 accounting and for electronic transfer of funds; establishing
8 the Pennsylvania Standardbred Breeders Fund, the Video Gaming
9 Fund, the Education Equity 501 Trust Fund, the Compulsive and
10 Problem Gambling Treatment Fund and the Backside Improvement
11 Fund; providing for the compulsive and problem gambling
12 program; establishing the Backside Improvement Board and
13 providing for its powers and duties; and making an
14 appropriation.

15 The General Assembly of the Commonwealth of Pennsylvania
16 hereby enacts as follows:

17 TABLE OF CONTENTS

18 Chapter 1. Preliminary Provisions

19 Section 101. Short title.

20 Section 102. Declaration of policy.

21 Section 103. Definitions.

22 Chapter 3. Administration

1 Section 301. Video gaming authorized.

2 Section 302. Division powers and duties.

3 Section 303. Powers and duties of commissions.

4 Chapter 5. Terminal Vendors and Specifications

5 Section 501. Video gaming terminal and requirements.

6 Section 502. Video gaming terminal specifications.

7 Chapter 7. Licenses and Permits

8 Section 701. Licenses and permits.

9 Section 702. Applications for license or permit.

10 Section 703. Duties and responsibilities of video gaming

11 licensees and permit holders.

12 Section 704. Refusal, suspension or revocation of license

13 or permit.

14 Chapter 9. Protocol Information, Accounting and

15 Distribution of Income

16 Section 901. Protocol information.

17 Section 902. Electronic transfers.

18 Section 903. Gross terminal income deduction.

19 Section 904. Net terminal income distribution.

20 Section 905. Division of additional income.

21 Section 906. Required balance.

22 Section 907. Records and statements of income generated.

23 Section 908. Credit adjustments and discrepancies in

24 accounting.

25 Section 909. Remittance by mail.

26 Section 910. Additional reports.

27 Section 911. Examination of accounts by division.

28 Section 912. Reports to General Assembly.

29 Chapter 11. Funds

30 Section 1101. Video Gaming Fund.

1 Section 1102. Education Equity 501 Trust Fund.
2 Chapter 13. Terminal Training, Controls and Credits
3 Section 1301. Video gaming terminal training.
4 Section 1302. Number and location of video gaming terminals and
5 security of terminals.
6 Section 1303. Payments of credits.
7 Section 1304. Transportation and registration of video gaming
8 terminals.
9 Chapter 15. Compulsive and Problem Gambling
10 Section 1501. Compulsive and problem gambling program.
11 Chapter 17. Penalties and Enforcement
12 Section 1701. Offenses and penalties.
13 Section 1702. Enforcement.
14 Chapter 19. Backside Improvement
15 Section 1901. Backside Improvement Commission.
16 Section 1902. Backside Improvement Fund.
17 Chapter 51. Miscellaneous Provisions
18 Section 5101. Guidelines and regulations.
19 Section 5102. Transfer of video gaming.
20 Section 5103. Appropriation.
21 Section 5104. Severability.
22 Section 5105. Effective date.

23 The General Assembly of the Commonwealth of Pennsylvania
24 hereby enacts as follows:

25 CHAPTER 1

26 PRELIMINARY PROVISIONS

27 Section 101. Short title.

28 This act shall be known and may be cited as the Racetrack
29 Video Gaming Authorization and Control Act.

30 Section 102. Declaration of policy.

1 The General Assembly finds and declares as follows:

2 (1) Pari-mutuel racing facilities which offer live horse
3 racing have historically made significant contributions to
4 the economic development of this Commonwealth and have had a
5 great impact on the viability of the agricultural and race
6 horse breeding industries.

7 (2) Authorization of specified gaming activities, such
8 as competitive offering of video gaming at qualified pari-
9 mutuel racing facilities, will revitalize and rehabilitate
10 those facilities and will further result in overall economic
11 development and additional revenues to the Commonwealth and
12 municipalities where those facilities are located.

13 (3) The success of video gaming is dependent upon public
14 confidence and trust that video gaming will be conducted
15 honestly and competitively and is free from criminal and
16 corruptive elements.

17 (4) The Commonwealth can control and regulate video
18 gaming if the Commonwealth limits licensure to qualified
19 video gaming facilities at pari-mutuel racing facilities,
20 extends strict and exclusive State regulation to all persons,
21 locations and practices related to the operation of a
22 licensed video gaming facility and provides comprehensive law
23 enforcement supervision of video gaming activities.

24 (5) Participation in video gaming by a licensee or
25 permit holder under this act shall be deemed a privilege
26 conditioned upon the proper and continued qualification of
27 the licensee or permit holder and upon the discharge of the
28 affirmative responsibility of each licensee to provide the
29 regulatory and investigatory authorities established by this
30 act assistance and information necessary to assure that the

1 policies declared by this act are achieved.

2 (6) Existing pari-mutuel racing facilities in this
3 Commonwealth provide a valuable tourism resource for this
4 Commonwealth and provide significant economic benefits to the
5 citizens of this Commonwealth through the provision of jobs
6 and the generation of revenues; this valuable tourism
7 resource is threatened because of a general decline in the
8 horse racing industry due to increasing competition from
9 pari-mutuel facilities in and gaming products offered by
10 neighboring states; and the survival of Pennsylvania's pari-
11 mutuel racing industry is in jeopardy of further decline and
12 eventual demise unless other attractions, such as modern
13 video gaming games, are authorized at the racetracks.

14 (7) It is in the public interest of the citizens of this
15 Commonwealth for the Commonwealth to implement measures which
16 will help revitalize Pennsylvania's pari-mutuel racing
17 industry and simultaneously provide additional revenue for
18 public school funding.

19 Section 103. Definitions.

20 The following words and phrases when used in this act shall
21 have the meanings given to them in this section unless the
22 context clearly indicates otherwise.

23 "Applicant." A person who applies for a video gaming license
24 or permit.

25 "Associated equipment." Any computer hardware or peripheral
26 equipment located on a licensed racetrack's premises which is
27 connected to the video gaming system for the purpose of
28 performing communication, validation or other functions, but not
29 including the video gaming terminals or the communications
30 facilities or telecommunications equipment of a public utility

1 or a cable television provider.

2 "Background investigation." A security, criminal and credit
3 investigation of a person who has applied for a video gaming
4 license or permit or who has been granted a video gaming license
5 or permit.

6 "Board." The Backside Improvement Board established under
7 section 1901.

8 "Central communications system." A computer system approved
9 by the Division of the State Lottery, linking all video gaming
10 terminals at a racetrack with the central control computer to
11 provide auditing program information and any other information
12 as determined by the division.

13 "Central control computer." A central site computer provided
14 to and controlled by the Division of the State Lottery to which
15 video gaming terminals communicate for the purpose of
16 information retrieval or terminal activation, or to disable
17 video gaming terminals.

18 "Commissions." The State Horse Racing Commission and the
19 State Harness Racing Commission created pursuant to the act of
20 December 17, 1981 (P.L.435, No.135), known as the Race Horse
21 Industry Reform Act.

22 "Corporation" or "licensed corporation." A corporation which
23 has obtained a license from either the State Horse Racing
24 Commission or the State Harness Racing Commission to conduct
25 thoroughbred or harness horse race meetings respectively with
26 pari-mutuel wagering.

27 "Director." The Director of the Division of the State
28 Lottery.

29 "Division." The Division of the State Lottery of the
30 Department of Revenue of the Commonwealth.

1 "EPROM." The acronym for erasable-programmable read-only
2 memory which is an integrated circuit that can be programmed by
3 a manufacturer and subsequently erased and reprogrammed by a
4 user to correct an error in the original program or to add a
5 function and on which the operation software for all games
6 playable on a video gaming terminal resides and which can also
7 be in the form of CD-Rom, flash RAM or any other technology
8 medium that the Division of the State Lottery may from time to
9 time approve for use in video gaming terminals. All EPROMs and
10 electronic storage media are hereby deemed to be the property of
11 the Commonwealth.

12 "Floor attendant." The person employed by a licensed
13 racetrack who holds a permit issued by the Division of the State
14 Lottery and who corrects paper jams and bill jams in video
15 gaming terminals and provides courtesy services for video gaming
16 players.

17 "Gross terminal income." The total amount of cash inserted
18 into the video gaming terminals operated by a licensee, minus
19 the total value of game credits which are cleared from the video
20 gaming terminals in exchange for cash winnings or winning
21 redemption tickets.

22 "Horsemen." Persons represented by the Pennsylvania
23 Horsemen's Benevolent and Protective Association, the
24 Philadelphia Thoroughbred Horsemen's Association, the
25 Pennsylvania Harness Horsemen's Association and the Meadows
26 Standardbred Owners' Association.

27 "Key employee." Any executive, employee or agent of a
28 licensee having the power to exercise a significant influence
29 over decisions concerning any part of the operation of a video
30 gaming facility.

1 "License" or "video gaming license." The authorization
2 granted by the Division of the State Lottery to a pari-mutuel
3 racing facility to operate video gaming games in this
4 Commonwealth.

5 "Licensee." Any racetrack operated by a licensed corporation
6 which is granted a license by the Division of the State Lottery
7 under this act.

8 "Net terminal income." Gross terminal income minus an amount
9 deducted in accordance with section 903. No deduction for any or
10 all costs and expenses of a licensee related to the operation of
11 video gaming games shall be deducted from gross terminal income.

12 "Nonprimary location." Any facility in which pari-mutuel
13 wagering is conducted pursuant to the act of December 17, 1981
14 (P.L.435, No.135), known as the Race Horse Industry Reform Act,
15 other than the primary racetrack location.

16 "Pari-mutuel racing facility," "licensed racetrack,"
17 "racetrack" or "track." A facility operated by a licensed
18 corporation where either thoroughbred or harness horse race
19 meetings are held and the pari-mutuel system of wagering is
20 authorized pursuant to the act of December 17,1981 (P.L.435,
21 No.135), known as the Race Horse Industry Reform Act. The term
22 shall not include any nonprimary location in which pari-mutuel
23 racing is conducted pursuant to the applicable provisions of the
24 Race Horse Industry Reform Act.

25 "Permit." The authorization granted by the Division of the
26 State Lottery to a person to function as either a video gaming
27 technology provider, service technician, floor attendant,
28 validation manager or key employee.

29 "Permit holder." Any person granted a permit in accordance
30 with this act.

1 "Person." A natural person, corporation, association,
2 partnership, limited partnership or other entity, regardless of
3 its form, structure or nature.

4 "Player." A person who plays a video gaming game on a video
5 gaming terminal at a racetrack licensed by the Division of the
6 State Lottery to conduct video gaming.

7 "Service technician." A person employed by a licensed
8 racetrack who holds a permit issued by the Division of the State
9 Lottery and who performs service, maintenance and repair on
10 registered video gaming terminals in this Commonwealth.

11 "State Lottery." The Pennsylvania State Lottery established
12 and operated under the act of August 26, 1971 (P.L.351, No.91),
13 known as the State Lottery Law,

14 "State Lottery Law." The act of August 26, 1971 (P.L.351,
15 No.91) known as the State Lottery Law.

16 "Technology provider." Any individual, partnership,
17 corporation or association that designs, manufactures, installs,
18 operates, distributes or supplies video gaming terminals or
19 associated equipment for sale or lease in this Commonwealth.

20 "Validation manager." A person who holds a permit issued by
21 the Division of the State Lottery and who performs video gaming
22 ticket redemption services.

23 "Vendor." Any technology provider approved by the Division
24 of State Lottery which provides video gaming terminals or
25 associated equipment to video gaming facilities in this
26 Commonwealth or which provides computer equipment or software
27 related to video gaming terminals to the division.

28 "Video gaming." Gaming or betting conducted using a video
29 gaming terminal.

30 "Video gaming facility operator" or "video gaming facility."

1 A pari-mutuel racing facility licensed by the Division of the
2 State Lottery to operate video gaming games in accordance with
3 this act.

4 "Video gaming game." Any approved electronically simulated
5 game involving the element of chance that is played on a video
6 gaming terminal which, upon insertion of coins, currency,
7 credits, vouchers or tokens, is available to play or simulate a
8 lottery-type game, including line-up games using video display
9 and microprocessors and in which, by means of an element of
10 chance, a player may receive credits that can be redeemed for
11 cash. The term includes a progressive game, which is any game in
12 which a jackpot grows and accumulates as it is being played on a
13 video gaming terminal or a network of video gaming terminals,
14 and in which the outcome is randomly determined by the play of
15 video gaming terminals linked by a central network.

16 "Video gaming terminal" or "terminal." Any electronic
17 machine or other such device which, on insertion of coin,
18 currency, token or other similar object of payment, is available
19 to play or simulate the play of a video game, as authorized by
20 the Division of the State Lottery, utilizing a video display and
21 microprocessors which, by chance, may deliver or entitle the
22 player who operates the device to receive cash, premiums, free
23 games, merchandise, tokens or anything of value whether the
24 payout is made automatically from the device or in any other
25 manner approved by the division. A video gaming terminal may use
26 spinning reels or video displays.

27 "Video gaming terminal manufacturer" or "manufacturer." Any
28 individual, partnership, corporation or association approved by
29 the Division of the State Lottery which manufactures, assembles
30 or produces video gaming terminals or associated equipment for

1 sale, distribution or use in this Commonwealth or which provides
2 computer equipment or software related to video gaming terminals
3 to the division.

4 "Wager." The sum of money or thing of value risked by a
5 person on an uncertain occurrence or outcome.

6 CHAPTER 3
7 ADMINISTRATION

8 Section 301. Video gaming authorized.

9 (a) Authorization.--The Division of the State Lottery is
10 hereby authorized to implement and operate video gaming games at
11 pari-mutuel racing facilities in this Commonwealth in accordance
12 with this act and any applicable provisions of the State Lottery
13 Law, if any such provisions are determined applicable to this
14 act by the division. If the division determines that any
15 provisions of the State Lottery Law apply to this act, the
16 provisions of this act shall supersede any conflicting or
17 inconsistent provisions contained in the State Lottery Law.

18 (b) Pari-mutuel racing facilities; authority.--
19 Notwithstanding any other provision of law to the contrary, a
20 pari-mutuel racing facility located in this Commonwealth may
21 operate video gaming games regulated and approved by the
22 division in accordance with this act.

23 (c) Location of terminals.--Video gaming terminals may only
24 be installed and operated at racetracks which are specifically
25 approved by the division to be licensed video gaming facilities
26 according to the guidelines and subsequent rules and regulations
27 adopted and promulgated by the division, in consultation with
28 the commissions, pursuant to this act.

29 Section 302. Division powers and duties.

30 (a) Powers and duties.--In addition to the powers and duties

1 of the division pursuant to the State Lottery Law, the division
2 shall license, implement, regulate and supervise the conduct of
3 video gaming at licensed video gaming facilities in this
4 Commonwealth as authorized under this act. The division may meet
5 with the commissions for the purpose of promulgating rules and
6 regulations relating to video gaming at pari-mutuel racing
7 facilities and to make recommendations and set policy for video
8 gaming games.

9 (b) Rules and regulations.--The rules and regulations shall
10 include, but not be limited to:

11 (1) Requirements for licensing technology providers
12 capable of interfacing with a central control computer
13 controlled by the division. In making its licensure decision,
14 the division shall select providers based on the following
15 factors:

16 (i) Experience in performing comparable projects.

17 (ii) Financial stability.

18 (iii) Technical, management and timely performance
19 abilities.

20 (iv) Quality of the product and service
21 capabilities.

22 (v) Ability to pass law enforcement background
23 investigation.

24 (vi) Any other factors the division may deem
25 necessary or relevant to performance.

26 (2) Accounting procedures for determining gross terminal
27 income and net terminal income from video gaming terminals,
28 and unclaimed prizes and credits.

29 (3) The type of video gaming games to be conducted.

30 (4) The price to play each game and the prizes or

1 credits to be awarded.

2 (5) Financial reporting procedures for licensed video
3 gaming facility operators and control procedures in the event
4 that any facility should become insolvent.

5 (6) Insurance and bonding requirements for any
6 technology provider or any other entity, if the division
7 determines through regulation that bonding shall be required.

8 (7) Procedures for contracting with technology providers
9 which shall conform to the requirements of 62 Pa.C.S.
10 (relating to procurement), except that an outside independent
11 testing laboratory may be utilized by the division at the
12 expense of the individual technology provider.

13 (8) Procedures for registering video gaming terminals.

14 (9) Specifications for video gaming terminals to be
15 approved and authorized as the division deems necessary to
16 maintain the integrity of video gaming games and terminals.
17 The division may not provide specifications that would result
18 in reducing to fewer than four the number of approved
19 vendors.

20 (10) Procedures for fingerprinting applicants for a
21 license or permit.

22 (c) Additional duties of the division.--In addition to the
23 powers and duties provided in subsection (a), the division
24 shall:

25 (1) Adopt initial guidelines sufficient to permit the
26 operation of video gaming at racetracks and the licensing of
27 video gaming facility operators and have in place the
28 capacity to support video gaming games at pari-mutuel racing
29 facilities by no later than July 1, 2003.

30 (2) Hear and decide promptly and in reasonable order all

1 license applications or proceedings for suspension or
2 revocation of licenses.

3 (3) Provide a list of approved vendors and maintain a
4 current list of all contracts between video gaming terminal
5 vendors and video gaming facility operators.

6 (4) Approve or disapprove applications to operate as a
7 video gaming facility within 30 days after receipt of the
8 application.

9 (5) Certify gross terminal income and net terminal
10 income by inspecting records, conducting audits or by any
11 other reasonable means.

12 (6) Approve or disapprove applications for video gaming
13 permits.

14 (7) Conduct hearings upon complaints for violations of
15 this act or guidelines or rules and regulations promulgated
16 pursuant to this act.

17 (8) Enter into agreements with the Pennsylvania State
18 Police and local law enforcement agencies for the conduct of
19 investigations, identification or registration, or any
20 combination thereof, of licensed facility operators, permit
21 holders and employees in a licensed video gaming facility or
22 in the premises containing such a licensed facility in
23 accordance with the provisions of this act, which shall
24 include, but not be limited to, performing background
25 investigations and criminal record checks of an applicant
26 applying for a license or permit pursuant to this act and
27 investigating violations of this act or of any guideline,
28 rule or regulation promulgated by the division pursuant to
29 this act discovered as a result of such investigatory process
30 or discovered by the Department of Revenue or the division in

1 the course of conducting business. Nothing in this section
2 shall prevent or impair State or local law enforcement
3 agencies from engaging in the activities set forth in this
4 paragraph on their own initiative.

5 (9) Conduct or cause to be conducted a continuous study
6 and investigation of video gaming throughout this
7 Commonwealth for the purpose of ascertaining any defects in
8 this act or in the rules, regulations or guidelines adopted
9 or promulgated under this act in order to discover any
10 defects in the administration and operation of the division
11 or any violation of this act or any rule, regulation or
12 guideline under this act.

13 (10) Formulate and recommend changes to this act or any
14 rule, regulation or guideline under this act for the purpose
15 of preventing abuses and violations of this act or any rule,
16 regulation or guideline under this act; to guard against the
17 use of this act and such rules, regulations and guidelines as
18 a cloak for the conducting of illegal activities; and to
19 ensure that this act and such rules, regulations and
20 guidelines shall be in such form and be so administered as to
21 serve the true purpose and intent of this act.

22 (11) Report immediately to the Governor, the Attorney
23 General, the President pro tempore of the Senate, the Speaker
24 of the House of Representatives, the Majority Leader and the
25 Minority Leader of the Senate and the Majority Leader and the
26 Minority Leader of the House of Representatives concerning
27 any laws which it determines require immediate amendment to
28 prevent abuses and violations of this act or any rule,
29 regulation or guideline under this act or to remedy
30 undesirable conditions in connection with the administration

1 or the operation of video gaming.

2 (12) Upon complaint, or its own motion, levy fines and
3 suspend or revoke licenses or permits.

4 (13) Inspect and examine without notice all premises
5 wherein video gaming is conducted or video gaming terminals
6 and associated equipment are located, manufactured, sold or
7 distributed, and to summarily seize, remove and impound,
8 without notice or hearing, from such premises any terminal,
9 equipment, devices, supplies, books or records for the
10 purpose of examination or inspection.

11 (14) Exercise such other incidental powers as may be
12 necessary to ensure the safe and orderly regulation of video
13 gaming and the secure collection of all revenues, fees, fines
14 and penalties which are collected in accordance with this
15 act.

16 (15) Establish a procedure to ensure confidentiality of
17 information obtained pursuant to paragraph (9) and of the
18 determination of suitability for licensure.

19 (16) Enhance the representation of ethnic and racially
20 diverse groups in the operation of video gaming facilities in
21 this Commonwealth and through the ownership and operation of
22 business enterprises associated with or utilized by video
23 gaming facility operators or through the provision of goods
24 and services utilized by video gaming operators.

25 (17) Ensure that any contract or agreement entered into
26 by it or a video gaming facility operator pursuant to this
27 act complies with 62 Pa.C.S. § 3701 (relating to contract
28 provisions prohibiting discrimination).

29 (18) Ensure that the income received from video gaming
30 is maintained separate from the income generated by the State

1 Lottery and that video gaming income is not in any way
2 commingled with income generated by the State Lottery. The
3 division shall not intermingle the results of video gaming
4 games for the purpose of calculating administrative costs and
5 expenses of the State Lottery.

6 (d) Central control computer and central communications
7 system.--To facilitate the auditing and security programs
8 critical to the integrity of the video gaming system, the
9 division shall have overall control of video gaming and all
10 video gaming terminals shall be linked, directly or indirectly,
11 to a central control computer under the control of the division
12 to provide auditing program information as approved by the
13 division. The central communications system approved by the
14 division for installation at a licensed racetrack may not limit
15 participation to only one vendor of video gaming terminals by
16 either cost of implementing the necessary program modifications
17 to communicate or the inability to communicate with the central
18 communications system.

19 Section 303. Powers and duties of commissions.

20 (a) Powers and duties.--In addition to their powers and
21 duties under the applicable provisions of the act of December
22 17, 1981 (P.L.435, No.135), known as the Race Horse Industry
23 Reform Act, and any other powers and duties which may be
24 conferred or imposed under this act, the commissions shall, in
25 collaboration with the division, ensure the integrity of video
26 gaming and video gaming terminals at racetracks.

27 (b) Coordination between commissions and division.--The
28 commissions shall confer as frequently as necessary or
29 desirable, but not less than monthly, with the division
30 regarding the operation and administration of video gaming at

1 racetracks. The division shall make available for inspection by
2 the commissions, upon reasonable request, all books, records,
3 files and other information and documents of video gaming, and
4 shall advise the commissions and recommend such matters as
5 deemed necessary and advisable to improve the operation and
6 administration of video gaming.

7 CHAPTER 5

8 TERMINAL VENDORS AND SPECIFICATIONS

9 Section 501. Video gaming terminal and requirements.

10 (a) Approval of terminals.--A vendor may not sell or lease a
11 video gaming terminal for placement at a licensed racetrack in
12 this Commonwealth unless the division has approved the terminal.
13 Only vendors with permits may apply for approval of a video
14 gaming terminal or associated equipment. The vendor shall submit
15 two copies of terminal illustrations, schematics, block
16 diagrams, circuit analysis, technical and operation manuals, and
17 any other information or data requested by the division for the
18 purpose of analyzing and testing the video gaming terminal or
19 associated equipment.

20 (b) Testing, examination and analysis of terminal models.--
21 The division may require that two working models of a video
22 gaming terminal be transported to a location designated by the
23 division for testing, examination and analysis as follows:

24 (1) The vendor shall pay all costs of testing,
25 examination, analysis and transportation of such video gaming
26 terminal models. If the testing, examination and analysis of
27 any video gaming terminal model requires dismantling of the
28 terminal and some tests result in damage or destruction to
29 one or more electronic components of the terminal model, the
30 division shall not be liable for the damage or destruction.

1 (2) The division may require that the vendor provide
2 specialized equipment or pay for the services of an
3 independent technical expert to test the terminal.

4 (3) The vendor shall pay the cost of transportation of
5 two video gaming terminals to division headquarters. The
6 division shall conduct an acceptance test to determine
7 terminal functions and central system compatibility. If the
8 video gaming terminal fails the acceptance test conducted by
9 the division, the vendor shall make all modifications
10 required by the division.

11 (c) Reports of test results.--After each test has been
12 conducted in accordance with this section, the division shall
13 provide the terminal vendor with a report containing findings,
14 conclusions and pass/fail results. The reports may contain
15 recommendations for video gaming terminal modifications to bring
16 the terminal into compliance. Prior to approving a particular
17 terminal model, the division may require a trial period not in
18 excess of 60 days for a licensed racetrack to test the terminal.
19 During the trial period, the vendor may not make any
20 modifications to the terminal model unless the division approves
21 the modifications.

22 (d) Assembly and installation.--The video gaming terminal
23 vendor and racetrack shall be jointly responsible for the
24 assembly and installation of all video gaming terminals and
25 associated equipment. The vendor and licensed racetrack shall
26 not change the assembly or operational functions of a terminal
27 registered for placement in this Commonwealth unless a request
28 for modification of an existing video terminal prototype is
29 approved by the division. Any request for modification of an
30 existing video terminal prototype shall contain a detailed

1 description of the type of change, the reason for the change and
2 technical documentation of the change.

3 (e) Nonconformity to prototype and seizure and destruction
4 of terminals.--Each video gaming terminal approved for placement
5 at a licensed racetrack shall conform to the exact
6 specifications of the video gaming terminal prototype tested and
7 approved by the division. If the terminal or any video gaming
8 terminal modification, which has not been approved by the
9 division, is supplied by a vendor and operated by a licensed
10 racetrack, the division shall seize and destroy all of that
11 licensed racetrack's and vendor's nonconforming video gaming
12 terminals and may suspend the license and permit of the licensed
13 racetrack and vendor.

14 Section 502. Video gaming terminal specifications.

15 (a) Specification requirements.--The division may approve
16 video gaming terminals and in doing so shall take into account
17 advancements in computer technology, competition from bordering
18 states and the preservation of jobs in this Commonwealth's pari-
19 mutuel racing industry. In approving video gaming terminals
20 registered for placement in this Commonwealth, the division
21 shall assure that the terminals meet the following
22 specifications:

23 (1) A surge protector shall be installed on the
24 electrical power supply line to each video gaming terminal. A
25 battery or equivalent power back-up for the electronic meters
26 shall be capable of maintaining accuracy of all accounting
27 records and terminal status reports for a period of 180 days
28 after power is disconnected from the terminal. The power
29 back-up device shall be located within the locked logic board
30 compartment of the video gaming terminal.

1 (2) An on/off switch which controls the electrical
2 current used in the operation of the terminal shall be
3 located in an accessible place within the interior of the
4 video gaming terminal.

5 (3) Electrical and mechanical switches, parts and other
6 design features shall not subject a player to physical
7 hazards or injury.

8 (4) The operation of each video gaming terminal may not
9 be adversely affected by any static discharge or other
10 electromagnetic interference.

11 (5) A minimum of one electronic or mechanical coin
12 acceptor or other device that has the capability to
13 accurately and efficiently establish credits shall be
14 installed on each video gaming terminal. Each video gaming
15 terminal may also contain currency acceptors for one or more
16 of the following:

- 17 (i) One-dollar bills.
- 18 (ii) Five-dollar bills.
- 19 (iii) Ten-dollar bills.
- 20 (iv) Twenty-dollar bills.

21 All coin and currency acceptors shall be approved by the
22 division prior to use on any video gaming terminal in this
23 Commonwealth.

24 (6) Access to the interior of a video gaming terminal
25 shall be controlled through a series of locks and seals.

26 (7) The main logic boards and all EPROMs are deemed to
27 be owned by the division and shall be located in a separate
28 locked and sealed area within the video gaming terminal.

29 (8) The cash compartment shall be located in a separate
30 locked area within or attached to the video gaming terminal.

1 (9) No hardware switches, jumpers, wire posts or any
2 other means of manipulation shall be installed which alter
3 the pay tables or payout percentages in the operation of a
4 video gaming game. Hardware switches on a video gaming
5 terminal to control the terminal's graphic routines, speed of
6 play, sound and other purely cosmetic features may be
7 approved by the division.

8 (10) Each video gaming terminal shall contain a single
9 printing mechanism capable of printing an original ticket and
10 retaining an exact legible copy within the video gaming
11 terminal or other means of capturing and retaining an
12 electronic copy of the ticket data as approved by the
13 division. However, the printing mechanism is optional on any
14 video gaming terminal which is designed and equipped
15 exclusively for coin or token payout. The following
16 information shall be recorded on the ticket when credits
17 accrued on a video gaming terminal are redeemed for cash:

18 (i) The number of credits accrued.

19 (ii) Value of the credits in dollars and cents
20 displayed in both numeric and written form.

21 (iii) Time of day and date

22 (iv) Validation number.

23 (v) Any other information required by the division.

24 (11) A permanently installed and affixed identification
25 plate shall appear on the exterior of each video gaming
26 terminal and the following information shall be on the plate:

27 (i) The name of the manufacturer of the video gaming
28 terminal.

29 (ii) The serial number of the video gaming terminal.

30 (iii) The model number of the video gaming terminal.

1 (12) The rules of play for each video gaming game shall
2 be displayed on the terminal's face or screen. The division
3 may reject any rules of play which are incomplete, confusing,
4 misleading or inconsistent with game rules approved by the
5 division. For each video gaming game, there shall be a
6 display detailing the credits awarded for the occurrence of
7 each possible winning combination of numbers or symbols. A
8 video gaming terminal may not allow more than \$2 to be
9 wagered on a single game. All information required by this
10 subsection shall be displayed under glass or other
11 transparent component. No stickers or other removable devices
12 may be placed on the video gaming terminal screen or face
13 without the prior approval of the division.

14 (13) Communications equipment and devices shall be
15 installed to enable each video gaming terminal to communicate
16 with the division's central control computer by use of a
17 communications protocol provided by the division to each
18 permitted technology provider, which protocol shall include
19 information retrieval, terminal activation and the capability
20 to disable programs. The division may require each licensed
21 racetrack to pay the cost of a central control computer as
22 part of the licensing requirement.

23 (14) All video gaming terminals shall have a security
24 system which temporarily disables the gaming functions of the
25 terminals while opened.

26 (b) Random number generator.--Each video gaming terminal
27 shall have a random number generator to determine randomly the
28 occurrence of each specific symbol or number used in video
29 gaming games. A selection process is random if it meets the
30 following statistical criteria:

1 (1) A chi-square test whereby each symbol or number
2 shall satisfy the 99% confidence level using the standard
3 chi-square statistical analysis of the difference between the
4 expected results and the observed results.

5 (2) A runs test whereby each symbol or number may not
6 produce a significant statistic with regard to producing
7 patterns of occurrences. Each symbol or number is random if
8 it meets the 99% confidence level with regard to the runs
9 test for the existence of recurring patterns within a set of
10 data.

11 (3) A correlation test whereby each pair of symbols or
12 numbers is random if it meets the 99% confidence level using
13 standard correlation analysis to determine whether each
14 symbol or number is independently chosen without regard to
15 another symbol or number within a single game play.

16 (4) A serial correlation test whereby each symbol or
17 number is random if it meets the 99% confidence level using
18 standard serial correlation analysis to determine whether
19 each symbol or number is independently chosen without
20 reference to the same symbol or number in a previous game.

21 (c) Requirement as to expected lifetime payout.--Each video
22 gaming terminal shall meet the following maximum and minimum
23 theoretical percentage payout during the expected lifetime of
24 the terminal:

25 (1) Video gaming games shall pay out no less than 80%
26 and no more than 95% of the amount wagered. The theoretical
27 payout percentage shall be determined using standard methods
28 of probability theory.

29 (2) Manufacturers shall file a request and receive
30 approval from the division prior to manufacturing for

1 placement in this Commonwealth any video gaming terminal
2 programmed for a payout greater than 92% of the amount
3 wagered. Division approval shall be obtained prior to
4 applying for testing of these high payout terminals.

5 (3) Each video gaming terminal shall have a probability
6 greater than one in 17,000,000 of obtaining the maximum
7 payout for each play.

8 (d) Continuation of game play and malfunctions.--In the
9 event of a terminal malfunction during game play, each video
10 gaming terminal shall be capable of continuing the current game
11 with all current game features in place after the terminal
12 malfunction is cleared. If a video gaming terminal is rendered
13 totally inoperable during game play, the current wager and all
14 credits appearing on the video gaming terminal screen prior to
15 the malfunction shall be returned to the player.

16 (e) Electronic accounting and electronic meter
17 requirements.--

18 (1) Each video gaming terminal shall at all times
19 maintain electronic accounting regardless of whether the
20 terminal is being supplied with electrical power.

21 (2) Each electronic meter shall be capable of
22 maintaining a total of no less than eight digits in length
23 for each type of data required.

24 (3) The electronic meters shall record the following:

25 (i) Number of coins inserted by players or the coin
26 equivalent if a bill acceptor is used.

27 (ii) Number of credits wagered.

28 (iii) Number of credits won.

29 (iv) Number of credits paid out by a printed ticket.

30 (v) Number of times the logic area was accessed.

(vi) Number of times the cash door was accessed.

(vii) Number of credits wagered in the current game.

(viii) Number of credits won in the last complete video gaming game.

(ix) Number of cumulative credits representing money inserted by a player and credits for video gaming games won but not collected.

(4) No video gaming terminal may have any mechanism which allows the electronic accounting meters to clear automatically. Electronic accounting meters may not be cleared without the prior approval of the division. Both before and after any electronic meter reading is cleared, all the meter readings shall be recorded in the presence of a division employee.

(f) Division control and regulation.--The primary responsibility for the control and regulation of any video gaming games and video gaming terminals installed, operated and maintained in this Commonwealth pursuant to this act rests with the division.

(g) Central control computer.--The division shall directly or through a contract with a third-party vendor, which shall be subject to the applicable provisions of 62 Pa.C.S. (relating to procurement), other than a licensee, maintain a central control computer capable of monitoring video gaming terminals, utilizing an online dial-up or other computer networking system of inquiry. The central control computer shall be capable of monitoring the operation of each video gaming game or video gaming terminal installed and operated under this act and, at the direction of the director, of immediately disabling and causing not to operate, any video gaming game and video gaming

1 terminal. As provided in this section, the division may require
2 the licensed racetrack to pay the cost of a central control
3 computer as part of the licensing requirement.

4 CHAPTER 7

5 LICENSES AND PERMITS

6 Section 701. Licenses and permits.

7 (a) Qualifications.--The division shall not issue a license
8 or permit under this act unless the applicant satisfies the
9 following qualifications:

10 (1) An applicant for a video gaming license shall hold a
11 valid license to conduct horse race meetings at which pari-
12 mutuel wagering is permitted in accordance with the
13 provisions of the act of December 17, 1981 (P.L.435, No.135),
14 known as the Race Horse Industry Reform Act.

15 (2) An applicant shall be a person of good character and
16 integrity.

17 (3) An applicant shall be a person whose background,
18 including criminal record, reputation and associations, does
19 not pose a threat to the security and integrity of video
20 gaming or to the public interest of the Commonwealth. In
21 addition to any other prohibitions in this act, a person who
22 has been convicted of any violation of the State Lottery Law
23 or of this act, a felony or of any crime related to theft,
24 bribery, gambling or involving moral turpitude shall not be
25 eligible for a license or permit under this act. The division
26 shall revoke the license or permit of any person who is
27 convicted of a crime under this section after a license or
28 permit is granted.

29 (4) An applicant for a license shall be a person who
30 demonstrates the business ability and experience necessary to

1 establish, operate and maintain the business for which a
2 video gaming license or permit, when applicable, is granted
3 by the division.

4 (5) An applicant for a license shall be a person who has
5 secured adequate financing for the business for which an
6 application for a video gaming license is made. The division
7 shall determine whether financing is from a source which
8 meets the qualifications of this section, and is adequate to
9 support the successful performance of the duties and
10 responsibilities of the licensed racetrack. An applicant for
11 a video gaming license shall disclose all financing or
12 refinancing arrangements for the purchase, lease or other
13 acquisition of video gaming terminals and associated
14 equipment in the degree of detail requested by the division.
15 A licensed racetrack shall request division approval of any
16 change in financing or lease arrangements at least 30 days
17 before the effective date of the change.

18 (6) A racetrack applying for a video gaming license or a
19 license renewal may present to the division evidence of the
20 existence of an agreement, regarding video gaming and the
21 division of proceeds from video gaming terminals, between the
22 applicant and the representative of a majority of the horse
23 owners and trainers, the representative of a majority of the
24 pari-mutuel clerks and the representative of a majority of
25 the breeders for the applicable racetrack that holds a
26 license pursuant to section 213 of the Race Horse Industry
27 Reform Act.

28 (7) An applicant for a license or a license renewal
29 shall file with the division a copy of any current or
30 proposed agreement between the applicant and any vendor for

1 the sale, lease or other assignment to the racetrack of video
2 gaming terminals, associated equipment or other electronic
3 computer components thereof, the random number generator
4 thereof, and the cabinet in which it is housed. Once filed
5 with the division, the agreement shall be a public record
6 subject to the provisions of the act of June 21, 1957
7 (P.L.390, No.212), referred to as the Right-to-Know Law.

8 (8) An applicant shall agree to provide, maintain and
9 repair necessary capital improvements for the facilities at
10 the racetrack at which video gaming terminals are located.

11 (9) An applicant shall demonstrate its intent to promote
12 its licensed video gaming facility as a tourist attraction or
13 entertainment destination.

14 (10) The applicant shall include information relating to
15 the pari-mutuel facility which shall house the video gaming
16 facility, including mechanical, electrical, building cross-
17 sections, scale drawings and floor plans.

18 (11) The applicant agrees to inspection by the
19 Department of Labor and Industry and the Department of
20 Health, and the application includes information relating to
21 plans for backside improvements.

22 (b) Additional qualifications.--No video gaming license or
23 permit may be granted to an applicant until the division
24 determines that each person who has control of the applicant
25 meets all applicable qualifications of subsection (a). The
26 following persons are deemed to have control of an applicant:

27 (1) Each person associated with a corporate applicant,
28 including any corporate holding company, parent company or
29 subsidiary company of the applicant, but not including a bank
30 or other licensed lending institution which holds a mortgage

1 or other lien acquired in the ordinary course of business,
2 who has the ability to control the activities of the
3 corporate applicant or elect a majority of the board of
4 directors of the corporation.

5 (2) Each person associated with a noncorporate applicant
6 who directly or indirectly holds any beneficial or
7 proprietary interest in the applicant or who the division
8 determines to have the ability to control the applicant.

9 (3) Key employees of an applicant, including any
10 executive, employee or agent, having the power to exercise
11 significant influence over decisions concerning any part of
12 the applicant's business operation, as the division may
13 determine pursuant to subsection (g).

14 (c) Information and materials to prove qualification for
15 licensure.--Applicants shall furnish all information, including
16 financial data and documents, certifications, consents, waivers,
17 individual history forms and other materials requested by the
18 division for purposes of determining qualifications for a
19 license or permit. No video gaming license or permit shall be
20 granted an applicant who fails to provide information and
21 materials requested by the division. The burden of proving
22 qualification for any video gaming license or permit shall be on
23 the applicant.

24 (d) Waiver of claim for adverse disclosure or publication.--
25 Each applicant shall bear all risks of adverse public notice,
26 embarrassment, criticism, damages or financial loss which may
27 result from any disclosure or publication of any material or
28 information obtained by the division pursuant to action on an
29 application. The applicant shall, as part of its application,
30 expressly waive any and all claims against the division, the

1 Commonwealth and the employees of either for damages as a result
2 of any background investigation, disclosure or publication
3 relating to an application for a video gaming license or permit.

4 (e) Oath or affirmation.--All applications, registration and
5 disclosure forms and other documents and materials submitted to
6 the commission by or on behalf of the applicant for purposes of
7 determining the applicant's qualification for a video gaming
8 license or permit shall be sworn to or affirmed before an
9 officer qualified to administer oaths.

10 (f) Failure to disclose information.--An applicant who
11 knowingly fails to disclose or reveal any fact material to
12 qualification or who knowingly submits false or misleading
13 material information shall be ineligible for a video gaming
14 license or permit.

15 (g) Key employees and determination of status.--If, in the
16 determination of the division, an employee of a licensee for a
17 video gaming license is determined to be a key employee and as
18 such is subject to the permit requirement of this act, the
19 division shall serve notice of the determination upon the
20 licensee who employs the key employee. In determining whether an
21 employee is a key employee, the division shall not be restricted
22 by the title of the job performed by the employee but may
23 consider the functions and responsibilities of the employee in
24 making decisions. The licensee shall, within 30 days following
25 receipt of the notice of the division's determination, present
26 the application for a permit for the employee to the division or
27 provide documentary evidence that the employee is no longer
28 employed by the licensee. Failure of the licensee to respond as
29 required by this section is grounds for disciplinary action. A
30 person subject to application for a permit as a key employee may

1 make written request to the division to review its determination
2 of the person's status within the video gaming facility. If the
3 division determines that the person is not a key employee, the
4 person shall be allowed to withdraw the person's application and
5 continue in the person's employment. The request by an employee
6 for review of employment status does not stay the obligation of
7 the licensee to present the employee's application to the
8 division within the 30-day period prescribed by this subsection.

9 (h) Disqualification for license or permit.--The division
10 shall deny a license to any applicant who is disqualified for a
11 licensure on the basis of the following:

12 (1) Conviction of the applicant, or any of its officers
13 or directors, or any of its general partners, or any
14 stockholders, limited partners or other persons having a
15 financial or equity interest of 5% or greater in the
16 applicant of any of the following:

17 (i) Service of a sentence upon conviction of a
18 felony in a correctional institution, city or county jail
19 or other correctional facility or under the supervision
20 of the Pennsylvania Board of Probation and Parole or any
21 probation or parole department of this State or any other
22 state or jurisdiction, including Federal jurisdiction,
23 within ten years prior to the date of the application.

24 (ii) Service of a sentence upon conviction of any
25 misdemeanor gambling-related offense or misdemeanor theft
26 by deception or misdemeanor involving fraud or
27 misrepresentation in a correctional institution, city or
28 county jail or other correctional facility or under the
29 supervision of the Pennsylvania Board of Probation and
30 Parole or any probation or parole department in this

1 State or any other state or jurisdiction, including
2 Federal jurisdiction, within ten years prior to the date
3 of the application.

4 (iii) Service of a sentence upon conviction of any
5 felony involving theft by deception, fraud or
6 misrepresentation in a correctional institution, city or
7 county jail or other correctional facility or under the
8 supervision of the Pennsylvania Board of Probation and
9 Parole or any parole or probation department in this
10 State or any other state or jurisdiction, including
11 Federal jurisdiction.

12 (2) Current prosecution or pending charges in any
13 jurisdiction against the applicant, or against any person
14 listed in paragraph (1) for any of the offenses enumerated in
15 paragraph (1), except that, at the request of the applicant
16 or person charged, the division shall defer decision upon the
17 application during the pendency of the charge.

18 (3) The identification of the applicant or any person
19 listed in paragraph (1) as a career offender or a member of a
20 career offender cartel or an associate of a career offender
21 or a career offender cartel in a manner which creates a
22 reasonable belief that the association is of a nature as to
23 be inimical to the policy and intent of this act and to video
24 gaming operations. For the purpose of this paragraph "career
25 offender" means any person whose behavior is pursued in an
26 occupational manner or context for the purpose of economic
27 gain, utilizing such methods as are deemed criminal
28 violations of the public policy of this Commonwealth or which
29 could be violations of the laws of this Commonwealth. For the
30 purposes of this paragraph, "career offender cartel" means

1 any group of persons who operate together as career
2 offenders.

3 (4) Refusal to cooperate by the applicant or any person
4 who is required to be qualified under this act with any
5 legislative investigatory body or other official
6 investigatory body of any state or the United States when the
7 body is engaged in the investigation of crimes related to
8 gambling, official corruption or organized crime activity.

9 (5) The applicant, or any of its officers or directors,
10 or any of its general partners or any stockholders, limited
11 partners or other persons having a financial or equity
12 interest of 5% or greater in the applicant is or has been a
13 professional gambler.

14 Section 702. Applications for license or permit.

15 (a) Applications.--An application for a video gaming license
16 or permit shall be submitted to the division on a form and in a
17 manner as the division shall by regulation require. In reviewing
18 applications, the division shall affirm that the applicant is
19 qualified and that the applicable license or permit fees have
20 been paid in accordance with subsection (f).

21 (b) Completeness of applications.--The division shall not
22 consider an incomplete application and shall notify the
23 applicant in writing if an application is incomplete. The
24 notification shall state the deficiencies in the application
25 that must be corrected prior to consideration of the merits of
26 the application. In considering whether a person is of good
27 moral character for purposes of issuing any license or permit
28 pursuant to this act, or for any other purposes, the division
29 may, in addition to all other information, consider whether that
30 person has been denied a license or permit to engage in a video

1 gaming operation by any other jurisdiction, city, state or
2 country or whether the person has ever had a license or permit
3 in any other jurisdiction, city, state or country suspended or
4 revoked. The division may also consider whether a person has
5 ever withdrawn an application for any type of gaming license and
6 the reasons for the withdrawal.

7 (c) Denial, suspension or revocation.--The division shall
8 notify applicants in writing of the denial, suspension or
9 revocation of a video gaming license or permit and the reasons
10 for the denial, suspension or revocation in accordance with the
11 provisions of section 704(a).

12 (d) Request for hearing.--An applicant whose application for
13 a video gaming license or permit is denied, suspended or revoked
14 may request a hearing in accordance with section 704(b).

15 (e) Background investigations.--The division shall not issue
16 a video gaming license or permit or approve any application for
17 a license or permit until the background investigation of the
18 applicant is concluded. The division shall affirm that the
19 applicant is qualified and that the applicable license or permit
20 fees have been paid. By signing and filing an application for a
21 license or permit, which is hereby made subject to the perjury
22 laws of this Commonwealth, the applicant authorizes the division
23 to obtain information from any source, public or private, in
24 this or any other country, regarding the background or conduct
25 of the applicant and, if the applicant is a partnership or
26 corporation, any of its shareholders, officers, directors,
27 partners, agents or employees.

28 (f) Licensing and application fees.--Each application for a
29 video gaming license or permit shall be accompanied by the
30 following fee:

(1) An initial licensing fee of \$750,000 shall be paid by each video gaming facility immediately upon the issuance of a license by the division. A license issued to a racetrack under this act shall be in effect for a period of 20 years and shall expire on December 31 of the 20th year. The license of a licensee in good standing shall be automatically renewed annually until the expiration of the 20-year period as provided for in subsection (h). An initial permit fee shall also be paid as follows by each permitted technology provider, service technician, validation manager and floor attendant immediately upon issuance of such permit by the division, and by each key employee as determined by the division:

(i) Technology provider - \$50,000

(ii) Service technician - \$5,000

(iii) Key employee - \$5,000

(iv) Validation manager - \$5,000

(v) Floor attendant - \$1,000

(2) An annual fee of \$500 shall be paid by each licensed video gaming facility for each video gaming terminal operated by the licensee during the calendar year. The annual permit fee for each permitted technology provider, service technician, key employee, validation manager and floor attendant shall be as follows:

(i) Technology provider - \$1,000

(ii) Service technician - \$500

(iii) Key employee - \$500

(iv) Validation manager - \$100

(v) Floor attendant - \$50

Annual fees shall be paid to the division on or before the

31st day of January of each year, at which time the license or permit may be renewed.

(g) Bond requirement.--An applicant for a video gaming license shall, prior to the issuance of a license, post a bond or irrevocable letter of credit in a manner and in an amount established by the division. The bond shall be issued by a surety company authorized to transact business in this Commonwealth and which is approved by the Insurance Commissioner as to solvency and responsibility in accordance with the applicable laws of this Commonwealth.

(h) License and permit renewal.--The division shall renew video gaming licenses and permits annually as of the 31st day of January of each year, if each person seeking license or permit renewal submits, as the case may be, the applicable renewal fee, completes all renewal forms provided by the division and continues to meet all qualifications for a license or permit.

(i) Change in ownership, control or other transactions and notice.--License and permit holders shall notify the division of any proposed change of ownership or control of the license or permit holder and of all other transactions or occurrences relevant to license or permit qualifications. In order for a license or permit to remain in effect, division approval shall be required prior to completion of any proposed change of ownership or control of a license or permit holder.

(j) License or permit not transferable or assignable.--A license or permit granted or renewed pursuant to this act shall not be transferred or assigned to another person, nor shall a license or permit be pledged as collateral. The purchaser or successor of any license or permit holder shall independently qualify for a license or permit in accordance with this act. The

1 sale of more than 5% of a license or permit holder's voting
2 stock, or more than 5% of the voting stock of a corporation
3 which controls the license or permit holder or the sale of a
4 license or permit holder's assets, other than those bought and
5 sold in the ordinary course of business, or any interest
6 therein, to any person not already determined to have met the
7 qualifications of section 701 voids the license or permit unless
8 the sale has been approved in advance by the division.

9 (k) Authority to expedite applications.--

10 (1) Notwithstanding any other provision of this act to
11 the contrary, the division may expedite the approval of an
12 application submitted by a corporation that has been granted
13 a license from either the State Horse Racing Commission or
14 the State Harness Racing Commission to conduct thoroughbred
15 or harness horse race meetings respectively with pari-mutuel
16 wagering. Any corporation which has been granted such a
17 license on, before or after the effective date of this act
18 and which has been granted a license by the division to
19 operate video gaming shall conduct live horse race meetings
20 on not fewer than 100 days or in accordance with the number
21 of days allocated by the respective commission in accordance
22 with section 207 of the act of December 17, 1981 (P.L.435,
23 No.135), known as the Race Horse Industry Reform Act.

24 (2) In the case of a corporation newly licensed to
25 conduct thoroughbred or harness horse race meetings by either
26 commission and which has been granted a license by the
27 division to operate video gaming, the newly licensed
28 corporation shall schedule a minimum of 100 days of live
29 racing in its initial full calendar year of operation from
30 the first day of the full calendar year in which it has been

1 authorized to conduct live horse racing with pari-mutuel
2 wagering.

3 (3) If a licensed corporation or newly licensed
4 corporation for reasons beyond its control cancels a racing
5 day, the appropriate commission shall grant the licensed
6 corporation the right to conduct that racing day in the same
7 or next ensuing calendar year. The purse for the canceled
8 racing day shall not be used for the purse of any other
9 scheduled racing day of that calendar year and shall be
10 retained in a segregated account. The division may through
11 regulations, prescribe criteria under which video gaming may
12 or may not be authorized at a pari-mutuel racing facility on
13 a day or days on which live racing has been canceled.

14 (4) Nothing in this act shall preclude the division from
15 expediting the application of a newly licensed corporation on
16 the basis that the newly licensed corporation has received
17 authorization to conduct video gaming under the applicable
18 laws and regulations of another state or jurisdiction.

19 (1) Temporary facility.--A licensed corporation which has
20 operated a pari-mutuel racing facility for at least two years
21 before the effective date of this act and which has been granted
22 a license in accordance with the provisions of this act may seek
23 approval from the division to operate video gaming in a
24 temporary facility. A request to operate a temporary facility
25 shall be included as part of the application for a video gaming
26 license and shall include a floor plan of the physical layout of
27 the building in which video gaming will take place and the
28 proposed location of the video gaming terminals within the
29 building. A request to operate a temporary facility shall be
30 subject to approval by the division and commissions and any

1 applicable rules pertaining to public health, safety and general
2 welfare. In the case of a newly licensed corporation, the
3 division may approve the use of a temporary facility only if the
4 corporation has scheduled a minimum of 100 days of live racing
5 in the initial full calendar year of operation from the first
6 day of the full calendar year in which it has been granted
7 authority to conduct horse racing with pari-mutuel wagering. The
8 division shall not approve a request to operate a temporary
9 facility unless and until the applicant has submitted
10 information with the application relating to the building,
11 including mechanical, electrical, building cross-sections, scale
12 drawings and floor plans. A licensee may operate a temporary
13 facility, regardless of whether there is live racing for not
14 more than 18 months with the approval of the division and
15 commissions and upon compliance with any conditions the division
16 and commissions may require.

17 (m) Limitation on issuance of license.--Authorization to
18 continue the operation of video gaming shall be limited to those
19 licensees that:

20 (1) Have a written live racing agreement with a
21 horsemen's organization representing a majority of owners and
22 trainers at the racetrack where the licensed corporation
23 conducts racing dates.

24 (2) Have scheduled 95% of the total number of horse or
25 harness racing days scheduled in 1986 by it or its
26 predecessor at the racetrack where the licensed corporation
27 conducts racing dates.

28 (3) Subject to actions or activities beyond the control
29 of the licensee, conduct not fewer than eight live races per
30 race date during each meet at the racetrack where the

1 licensed corporation conducts racing dates, except for
2 thoroughbred tracks on the day designated as "Breeder's Cup
3 Event Day," when the racetrack shall hold a minimum of five
4 live races. The horsemen's organization representing a
5 majority of owners and trainers at a racetrack may consent to
6 waiving or modifying the provisions pertaining to the
7 required number of racing days under paragraph (2) and races
8 per day scheduled in this paragraph by the licensed
9 corporation at that racetrack.

10 (4) Notwithstanding the provisions of paragraph (1), in
11 the event that a written live racing agreement has not been
12 entered into, permission for any licensee to operate video
13 gaming shall be granted provided that the licensed
14 corporation has continued to conduct live racing or has
15 scheduled to conduct live racing in accordance with
16 paragraphs (2) and (3) and keeps its racetrack open to the
17 general population of owners, trainers and horses currently
18 stabled there for training and stabling on a regular basis
19 during the periods when it is normally open for live racing
20 and during such period pays as purses the applicable
21 statutory percentages of the licensed corporations' retention
22 of moneys from pari-mutuel pools or, if the percentages are
23 not mandated by statute, pays as purses 50% of the licensed
24 corporations' retention of moneys from pari-mutuel pools and
25 50% of the licensed corporations' share of moneys from the
26 simulcasting of its live races to other locations, plus the
27 applicable purse revenue for operating video gaming under
28 this act.

29 Section 703. Duties and responsibilities of video gaming
30 licensees and permit holders.

1 (a) General duties.--All video gaming license and permit
2 holders shall:

3 (1) Immediately report to the division any facts or
4 circumstances related to video gaming operations which
5 constitute a violation of Federal or State law or local
6 ordinance.

7 (2) Conduct all video gaming activities and functions in
8 a manner which does not pose a threat to the public health,
9 safety or welfare of the citizens of this Commonwealth, and
10 which does not adversely affect the security or integrity of
11 video gaming.

12 (3) Hold the division and the Commonwealth harmless from
13 and defend and pay for the defense of any and all claims
14 which may be asserted against a license or permit holder, the
15 division, this Commonwealth or any employee thereof, arising
16 from the license or permit holder's participation in the
17 video gaming authorized under this act.

18 (4) Assist the division in maximizing video gaming
19 revenues.

20 (5) Maintain all records required by the division.

21 (6) If the division may so request, provide the division
22 access to all records and the physical premises of the
23 business or businesses where the license or permit holder's
24 video gaming activities occur, for the purpose of monitoring
25 or inspecting the license or permit holder's activities and
26 the video gaming games, video gaming terminals and associated
27 equipment.

28 (7) Keep current in all payments and obligations to the
29 division.

30 (b) Duties of vendors.--Each vendor licensed by the division

1 in accordance with this act shall:

2 (1) If the vendor is a manufacturer, manufacture video
3 gaming terminals and associated equipment for placement in
4 this Commonwealth in accordance with the specifications and
5 procedures specified in section 502.

6 (2) Ensure timely delivery of terminals and associated
7 equipment to licensed racetracks.

8 (3) Maintain and provide an inventory of spare parts to
9 assist the timely repair and continuous operation of
10 registered video gaming terminals intended for placement in
11 this Commonwealth.

12 (4) Provide licensed racetracks and permitted service
13 technicians technical assistance and training in the service
14 and repair of video gaming terminals and associated equipment
15 so as to assure the continuous authorized operation and play
16 of the video gaming terminals.

17 (5) Obtain certification of compliance under the
18 provisions of 47 CFR Pt.15 (relating to radio frequency
19 devices) for all video gaming terminals placed in this
20 Commonwealth.

21 (c) Duties of service technicians.--Each service technician
22 that is granted a permit by the division in accordance with this
23 act shall:

24 (1) Maintain all skills necessary for the timely repair
25 and service of registered video gaming terminals and
26 associated equipment so as to ensure the continued, approved
27 operation of such terminals.

28 (2) Attend all division-mandated meetings, seminars and
29 training sessions concerning the repair and maintenance of
30 registered video gaming terminals and associated equipment.

(3) Promptly notify the division of any electronic or mechanical video gaming terminal malfunctions.

(d) Duties of validation managers.--Each validation manager shall:

(1) Attend all division-mandated meetings, seminars and training sessions concerning the validation and redemption of video gaming winning tickets and the operation of all ticket validation terminals and equipment.

(2) Maintain all skills necessary for the accurate validation of video gaming tickets.

(3) Supervise video gaming ticket validation procedures at the applicable licensed video gaming facility.

(e) Floor attendants.--Each floor attendant shall:

(1) Provide change and assistance to video game players in a licensed facility's video gaming play area.

(2) Open video gaming terminal access doors to clear ticket paper jams and to insert new paper ticket tapes into the video gaming terminals.

(3) Open video gaming terminal access doors to clear bill jams from the bill acceptors in video gaming terminals.

(f) Specific duties of licensed video gaming facilities.--Each racetrack that is licensed by the division to operate video gaming under this act shall:

(1) Acquire video gaming terminals by purchase, lease or other assignment and provide a secure location for the placement, operation and play of the video gaming terminals.

(2) Pay the cost of installation and operation of division-approved telecommunications links designed to provide direct dial-up, online or other communications linkage between each video gaming terminal and the division's

1 central control computer.

2 (3) Assure that no person tampers or interferes with the
3 operation of any video gaming terminal.

4 (4) Assure that the telecommunication lines from the
5 division's central control computer to the video gaming
6 terminals located at the licensed video gaming facility are
7 connected at all times and prevent any unauthorized person
8 from accessing or otherwise tampering with or interfering
9 with the operation of the telecommunication lines and the
10 facility's communications system.

11 (5) Assure that video gaming terminals are within the
12 sight and control of designated employees of the licensed
13 video gaming facility.

14 (6) Assure that video gaming terminals are placed and
15 remain placed in the specific locations within the licensed
16 racetrack which have been approved by the division. No video
17 gaming terminal or terminals at a licensed racetrack shall be
18 relocated without the approval of the division.

19 (7) Monitor video gaming terminals to prevent access to
20 or play by any person who is under 21 years of age or any
21 person who is visibly intoxicated.

22 (8) Maintain at all times sufficient change and currency
23 in the denominations accepted by the video gaming terminals.

24 (9) Provide no access by a player to an automated teller
25 machine (ATM) in the area of the racetrack where video gaming
26 games are played, accept no credit card, charge card or debit
27 card from a player for the exchange or purchase of video
28 gaming game credits or for an advance of coins or currency to
29 be utilized by a player to play video gaming games, and
30 extend no credit, in any manner, to a player so as to enable

1 the player to play a video gaming game.

2 (10) Pay for all credits won upon presentment of a valid
3 winning video gaming ticket.

4 (11) Report promptly to the vendor and the division all
5 video gaming terminal or associated equipment malfunctions
6 and notify the division of the failure of a technology
7 provider or service technician to provide prompt service and
8 repair for the terminal or associated equipment.

9 (12) Conduct no video gaming advertising and promotional
10 activities without the prior written approval of the
11 director.

12 (13) Install, post and display prominently at locations
13 within or about the licensed racetrack signs, redemption
14 information and other promotional material as required by the
15 division.

16 (14) Permit video gaming to be played only during those
17 hours established under this act.

18 (15) Maintain general liability insurance coverage for
19 all video gaming terminals in an amount the division may
20 require by regulation.

21 (16) Promptly notify the division in writing of any
22 breaks or tears to any logic unit seals.

23 (17) Assume liability for lost or stolen money from any
24 video gaming terminal.

25 (18) Submit an audited financial statement, which has
26 been approved by the division, to the division when applying
27 for a license or permit and annually thereafter, prior to the
28 time a license or permit is scheduled for renewal.

29 (g) Penalty for violation.--

30 (1) For each violation under this section, the division

1 may impose a civil penalty not exceeding \$5,000 which shall
2 be payable to the fund established under section 1101.

3 (2) Each day that a person is in violation of this
4 section shall be considered a separate offense.

5 (3) To determine the amount of the penalty imposed under
6 paragraph (1), the division shall consider:

7 (i) The seriousness of the violation.

8 (ii) The harm caused by the violation, if any.

9 (iii) The good faith or lack of good faith of the
10 person who committed the violation.

11 Section 704. Refusal, suspension or revocation of license or
12 permit.

13 (a) Refusal, suspension or revocation.--The division may
14 refuse to issue, suspend or revoke a license or permit for a
15 violation of this act or any rule, regulation or guideline
16 adopted under this act or a condition set forth by the division.
17 If the division refuses to issue a license or permit, or
18 suspends or revokes a license or permit, it shall provide the
19 applicant or license or permit holder with written notification
20 of its decision, including a statement for the reasons for its
21 decision, by certified mail, return receipt requested, within
22 five business days of the decision.

23 (b) Hearing and appeal procedure.--Any applicant or licensee
24 or permit holder adversely affected by the refusal, suspension
25 or revocation of a license or permit by the division shall have
26 the right to an administrative hearing before the division in
27 accordance with the applicable provisions of 2 Pa.C.S (relating
28 to administrative law and procedure).

29 CHAPTER 9

30 PROTOCOL INFORMATION, ACCOUNTING AND

DISTRIBUTION OF INCOME

Section 901. Protocol information.

The division shall provide to a technology provider the protocol documentation data necessary to enable the respective technology provider's video gaming terminals to communicate with the division's central control computer for the purpose of transmitting auditing program information and for activating and disabling of video gaming terminals.

Section 902. Electronic transfers.

The proceeds from video gaming terminals shall be under the control of the division and shall be distributed as provided in this chapter. The gross terminal income of a licensed racetrack shall be remitted to the division through the electronic transfer of funds. Each licensed racetrack shall provide the division with all information and bank authorizations required to facilitate the timely transfer of moneys to the division. Licensed racetracks shall provide the division with 30 days' advance notice of any proposed account changes in order to assure the uninterrupted electronic transfer of funds.

Section 903. Gross terminal income deduction.

From the gross terminal income remitted by the licensee to the division, the division shall deduct an amount sufficient to reimburse the division for its actual costs and expenses incurred in administering racetrack video gaming at the licensed racetrack based on a schedule determined by the division, and the resulting amount after the deduction shall be the net terminal income. The amount deducted from the gross terminal income by the division for administrative costs and operating expenses of the division may not exceed 1.5% of gross terminal income, which amount shall be deposited in the Video

1 Gaming Fund except for 0.5% of the gross terminal income
2 deducted by the division under this section, which shall be
3 deposited in the State Lottery Fund for use by the Department of
4 Aging to augment funding for the Pharmaceutical Assistance
5 Contract for the Elderly (PACE) and Pharmaceutical Assistance
6 Contract for the Elderly Needs Enhancement Tier (PACENET)
7 programs.

8 Section 904. Net terminal income distribution.

9 (a) General rule.--Net terminal income shall be distributed
10 as set forth in this section. Of the gross terminal income from
11 video gaming terminals after the deduction of the amounts
12 described in section 903, the division shall distribute, based
13 on a schedule developed by it through regulation, net terminal
14 income as follows:

15 (1) Thirty-five percent of net terminal income shall be
16 deposited in the Education Equity 501 Trust Fund for the
17 purpose of funding public education programs in the public
18 school districts in this Commonwealth and allocated to school
19 districts in accordance with a formula developed by the
20 Secretary of Education.

21 (2) A licensee shall receive 40% of net terminal income
22 derived from its operation of video gaming terminals. Of the
23 net terminal income distributed to a licensee under this
24 paragraph, the sum of \$1,000,000 shall be annually deposited
25 in the Backside Improvement Fund.

26 (3) Twenty-five percent of net terminal income derived
27 from the operation of video gaming terminals at a licensed
28 racetrack shall be deposited in a special fund by the
29 licensed racetrack and used for payment of regular purses in
30 addition to other amounts so provided under the act of

December 17, 1981 (P.L.435, No.135), known as the Race Horse Industry Reform Act, and shall be further divided as follows:

(i) One percent of net terminal income shall be deposited in special funds to be established by the respective commissions and used for payment into a pension plan for members of the horsemen's organization at the licensed racetrack. The moneys paid into the special funds under this subparagraph and subparagraph (ii) shall be subject to examination at reasonable times by a designee that represents a majority of horsemen at the licensed racetrack and by the respective commissions.

(ii) One percent of net terminal income shall be deposited into special funds to be established by the respective commissions to be used for the establishment of a health insurance and benefits program for the members of the horsemen's organization representing the owners and trainers at the licensed racetrack and also to fund health insurance and benefits for active and disabled thoroughbred jockeys or standardbred drivers who are or were members of the thoroughbred jockeys' or standardbred drivers' organization at the licensed racetrack.

(iii) The Pennsylvania Breeding Fund created under section 223 of the Race Horse Industry Reform Act shall receive 4% of the net terminal income, and the Pennsylvania Sire Stakes Fund created under section 224 of that act shall receive 4% of the net terminal income.

(iv) Fifteen percent of the four percent of net terminal income provided to the Pennsylvania Sire Stakes Fund under clause (iii) shall be deposited in a

restricted account, which is hereby created in the State Racing Fund, to be known as the Pennsylvania Standardbred Breeders Fund. The Standardbred Breeders Fund shall be administered by the State Harness Racing Commission which shall, in consultation with the Pennsylvania Standardbred Breeders Association, adopt and promulgate rules or regulations to govern the development and administration of a standardbred breeders program, including the administration of a Pennsylvania Stallion Award, Pennsylvania Bred Award and a Pennsylvania Sired and Bred Award. The State Harness Racing Commission shall establish any advisory board or committee it may determine necessary to facilitate the development of a standardbred breeders program and may contract with the Pennsylvania Standardbred Breeders Association as the sole responsible body for the registration and records of Pennsylvania standardbreds. The Pennsylvania Standardbred Breeders Association shall determine the qualifications for Pennsylvania-bred standardbred horses and Pennsylvania standardbred sires. The registration and records of the Pennsylvania Standardbred Breeders Association are hereby declared to be official records of the Commonwealth.

(b) Other allocation.--Notwithstanding the requirements of this section, for any racetrack that does not have a breeder's program supported by the Pennsylvania Breeding Fund, the Sire Stakes Fund or the Pennsylvania Standardbred Breeders Fund, the allocation of net income provided for in this section to such funds shall be deposited in a special account which shall be established by the licensee and used for the payment of regular

1 purses, in addition to any other amounts provided for in this
2 section or under applicable provisions of the Race Horse
3 Industry Reform Act.

4 Section 905. Division of additional income.

5 In the event that a licensed video gaming facility obtains
6 division approval to install and operate additional video gaming
7 terminals under section 1302(a), the net terminal income
8 generated from the operation of additional terminals shall be
9 divided as follows:

10 (1) A licensee shall receive 45% of the additional net
11 terminal income derived from its operation of video gaming
12 terminals.

13 (2) The division shall receive 30% of any additional net
14 terminal income which shall be deposited in the Education
15 Equity 501 Trust Fund.

16 (3) Twenty-five percent of the additional net terminal
17 income shall be deposited in the special fund established
18 under section 904(a)(3) for payment of regular purses in
19 addition to any other amounts provided for under that
20 provision and the applicable provisions of the act of
21 December 17, 1981 (P.L.435, No.135), known as the Race Horse
22 Industry Reform Act.

23 Section 906. Required balance.

24 Each licensed racetrack shall maintain in its account an
25 amount equal to or greater than the gross terminal income from
26 its operation of video gaming terminals, to be electronically
27 transferred by the division at a time that the division shall
28 require by regulation. Upon a licensed racetrack's failure to
29 maintain the required balance, the division may disable all of a
30 licensed racetrack's video gaming terminals until full payment

1 of all amounts due is made. Interest shall accrue on any unpaid
2 balance at a rate consistent with the amount charged for State
3 income tax delinquency under the applicable provisions of the
4 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
5 of 1971, which interest shall begin to accrue on the date
6 payment is due to the division.

7 Section 907. Records and statements of income generated.

8 The division's central control computer shall keep accurate
9 records of all income generated by each video gaming terminal.
10 The division shall prepare and mail to the licensed racetrack a
11 statement reflecting the gross terminal income generated by the
12 licensee's video gaming terminals. Each licensed racetrack shall
13 report to the division any discrepancies between the division's
14 statement and each terminal's mechanical and electronic meter
15 readings. The licensed racetrack is solely responsible for
16 resolving income discrepancies between actual money collected
17 and the amount shown on the accounting meters or the division's
18 billing statement.

19 Section 908. Credit adjustments and discrepancies in
20 accounting.

21 Until an accounting discrepancy is resolved in favor of the
22 licensed racetrack, the division may make no credit adjustments.
23 For any video gaming terminal reflecting a discrepancy, the
24 licensed racetrack shall submit to the division the maintenance
25 log which shall include mechanical meter readings and the audit
26 ticket which contains electronic meter readings generated by the
27 terminal's software. If the meter readings and the division's
28 records cannot be reconciled, final disposition of the matter
29 shall be determined by the division. Any accounting
30 discrepancies which cannot be otherwise resolved shall be

1 resolved in favor of the division.

2 Section 909. Remittance by mail.

3 Licensed racetracks shall remit payment by mail if the
4 electronic transfer of funds is not operational or the division
5 notifies a licensed racetrack that remittance by mail is
6 required. The licensed racetracks shall report an amount equal
7 to the total amount of cash inserted into each video gaming
8 terminal operated by a licensee, minus the total value of game
9 credits which are cleared from the video gaming terminal in
10 exchange for winning redemption tickets, and remit the amount as
11 generated from its terminal during the reporting period. The
12 remittance shall be sealed in a properly addressed and stamped
13 envelope and deposited in the United States Postal Service mail
14 no later than noon on the day when the payment would otherwise
15 be completed through electronic funds transfer.

16 Section 910. Additional reports.

17 A licensed racetrack may, upon request, receive additional
18 reports of play transactions for their respective video gaming
19 terminals and other marketing information not considered
20 confidential by the division. The division may charge a
21 reasonable fee for the cost of producing and mailing any report
22 other than the billing statement.

23 Section 911. Examination of accounts by division.

24 The division shall have the right to examine all accounts,
25 bank accounts, financial statements and records in a licensed
26 racetrack's possession, under its control or in which it has an
27 interest. The licensed racetrack shall authorize all third
28 parties in possession or control of the accounts or records to
29 allow examination of any accounts or records by the division.

30 Section 912. Reports to General Assembly.

1 On or before September 30, 2005, or within two years of the
2 effective date of this act, whichever is later, the Legislative
3 Budget and Finance Committee shall submit a report to the
4 President pro tempore of the Senate, the Majority Leader and the
5 Minority Leader of the Senate, and the Speaker of the House of
6 Representatives and the Majority Leader and the Minority Leader
7 of the House of Representatives. The report shall:

8 (1) Examine the conduct of video gaming in this
9 Commonwealth.

10 (2) Analyze the way video gaming income is divided to
11 determine if modifications may be necessary to improve the
12 operation of video gaming.

13 (3) Examine the impact of video gaming on the State
14 Lottery.

15 (4) Make recommendations to the General Assembly, which
16 recommendations the Legislative Budget and Finance Committee
17 concludes will improve the conduct of video gaming.

18 (5) Examine the socioeconomic impact of video gaming
19 with specific emphasis on teenagers and young adults between
20 18 and 24 years of age.

21 (6) Analyze the effectiveness of the compulsive and
22 problem gambling program, which shall include a statistical
23 analysis of request for assistance by county, the kind of
24 assistance provided and funds expended.

25 (7) Include any other information which the Legislative
26 Budget and Finance Committee may conclude is relevant to its
27 investigation.

28 CHAPTER 11

29 FUNDS

30 Section 1101. Video Gaming Fund.

1 (a) Establishment of fund.--Notwithstanding any other
2 provision of law to the contrary, beginning on July 1, 2004, and
3 each July 1 thereafter, the amount of moneys deducted from the
4 gross terminal income received by the division for the actual
5 costs and expenses it incurs in administering racetrack video
6 gaming and the net terminal income received pursuant to section
7 904, except the moneys received under section 904(a)(1), shall
8 be deposited in the Video Gaming Fund, which is hereby
9 established as a special account within the State Treasury. All
10 fees collected by the division under section 702(f)(1),
11 penalties and any other moneys received by the division from any
12 other source shall be paid into the Video Gaming Fund. For the
13 fiscal year beginning July 1, 2004, and each fiscal year
14 thereafter, the moneys in the Video Gaming Fund shall be
15 annually appropriated by the General Assembly in accordance with
16 section 904, except that at least 25% of any moneys remaining in
17 the Video Gaming Fund at the end of the State fiscal year
18 beginning on July 1, 2004, after distributions are made under
19 section 904, shall be transferred to the Education Equity 501
20 Trust Fund and 25% of the moneys shall be transferred to the
21 State Lottery Fund for the purposes set forth in section 903.
22 Any money remaining in the Video Gaming Fund after such
23 transfers shall be used by the division for the administration
24 of this act.

25 (b) Additional allocation from fund.--The moneys received by
26 the division from the annual terminal fee paid by a licensee for
27 each video gaming terminal operated by the licensee during the
28 calendar year pursuant to section 702(f)(2) shall be deposited
29 in a special terminal fee account within the Video Gaming Fund
30 and shall be annually appropriated at the end of each fiscal

1 year as follows:

2 (1) Of the moneys received from the annual terminal fee,
3 \$1,000,000 shall be annually appropriated to the Department
4 of Health for the administration and operation of the
5 compulsive and problem gambling program established under
6 section 1501.

7 (2) The county wherein the licensed racetrack conducts
8 video gaming shall receive \$500,000 of the annual terminal
9 fee.

10 (3) The moneys remaining in the terminal fee account
11 shall be divided among the municipalities in which the
12 licensed racetrack is situated on a per capita basis as
13 determined by the most recent Federal decennial census.

14 Section 1102. Education Equity 501 Trust Fund.

15 (a) Establishment.--Moneys received by the division from the
16 operation of video gaming at licensed video gaming facilities
17 under section 904(a)(1) shall be deposited in the Education
18 Equity 501 Trust Fund which is hereby established as a special
19 account within the State Treasury. The division shall credit all
20 moneys received by it pursuant to sections 904(a)(1) and 1101,
21 and any appropriations which may be made by the General Assembly
22 and any and all other deposits, payments or contributions from
23 any other source which may be made available to the fund.

24 (b) Source.--All deposits by the division, appropriations
25 and contributions made to the fund shall be immediately credited
26 in full to the fund, and earnings and moneys held in the fund
27 shall also be credited to the fund for the purposes of
28 subsection (c).

29 (c) Use.--Moneys in the fund shall be annually appropriated,
30 pursuant to a subsidy formula established and annually

1 readjusted by the Department of Education, to the several school
2 districts of this Commonwealth exclusively for the purpose of
3 public school funding, including early childhood education, in
4 order to reduce local reliance on property taxes to fund public
5 education. The subsidy formula established pursuant to this
6 subsection shall be designed to meet equity and adequacy in the
7 provision of public school funding and may be based upon a
8 system designed to provide additional resources for school
9 districts with greater educational needs, give school districts
10 the option to augment State funds with their individual
11 resources to reach their desired level of spending, and ensure
12 the provision of adequate State funds for secondary education.

13 (d) Intent.--It is the intent of the General Assembly that
14 moneys in the Education Equity 501 Trust Fund be appropriated
15 only to school districts in this Commonwealth for the purposes
16 of public school funding and that moneys in the Education Equity
17 501 Fund shall not be used to begin new programs or augment
18 funding of existing programs in this Commonwealth.

19 CHAPTER 13

20 TERMINAL TRAINING, CONTROLS AND CREDITS

21 Section 1301. Video gaming terminal training.

22 (a) Training program required.--No video gaming terminal may
23 be placed in operation in this Commonwealth until the technology
24 provider provides a training program in the service and repair
25 of each approved video gaming terminal model and service
26 technicians complete the training program. Each technology
27 provider shall submit to the division the following information
28 on each training program it conducts:

29 (1) An outline of the training curriculum.

30 (2) A list of the instructors and their qualifications.

1 (3) All instructional materials.

2 (4) The times, dates and locations of the training
3 programs.

4 (b) Notification of training programs.--Technology providers
5 shall notify all licensed racetracks that have purchased or
6 leased that technology provider's video gaming terminals of all
7 scheduled training programs. Training programs shall be
8 scheduled at convenient locations within this Commonwealth to
9 facilitate attendance by service technicians. Technology
10 providers shall inform licensed racetracks of any new technical
11 advances in the service and repair of video gaming terminals and
12 provide appropriate subsequent training programs.

13 (c) Certificates.--The technology provider shall issue
14 training certificates to each person upon successful completion
15 of a video gaming training program. The certificate shall
16 include the name of the person who completed the training
17 program and the date and the location of the training program. A
18 person who successfully completes the training program shall be
19 eligible for a service technician's permit.

20 (d) Information to division.--Each technology provider shall
21 file with the division the following information within two
22 weeks after the completion of a training program:

23 (1) The name of each person who attended and
24 successfully completed the training program.

25 (2) The name of the technology provider offering the
26 course.

27 (3) The technology provider's video gaming terminal
28 models on which training for service and repair was provided.

29 (4) The date and location of the training program.

30 (5) Copies of all certificates of completion.

1 (e) Maintenance log.--A written maintenance log shall be
2 kept within the main cabinet access area in each video gaming
3 terminal. Every person, including division personnel, who gains
4 entry into any internal space of a video gaming terminal shall
5 sign the log, record the time and date of entry, record the
6 mechanical meter readings and list the areas inspected or
7 repaired. Each licensed racetrack shall retain the maintenance
8 log forms for a period of three years from the date of the last
9 entry. The maintenance log shall be available for inspection by
10 the division upon request.

11 (f) Availability of master key.--Each licensed racetrack
12 shall provide the division with a master key for access into the
13 main cabinet door of each video gaming terminal placed in
14 operation in this Commonwealth.

15 (g) Logic box seals.--Logic box seals shall be provided by
16 the division. The seal shall be affixed by division personnel to
17 prevent unauthorized access to the video gaming terminal logic
18 unit.

19 (h) Authorization required for repair or replacement of
20 logic box.--No repairs to, or replacement of, the logic board or
21 circuitry within the logic area may occur unless authorized
22 division personnel are present and observe the repairs or
23 replacement. The logic area seal shall not be broken or tampered
24 with by anyone other than authorized division personnel. Each
25 service technician shall submit a written report within 24 hours
26 after the repair or replacement is completed. The report shall
27 include the serial number of any replacement board and the new
28 logic area seal number. No person may conduct maintenance on any
29 video gaming terminal or associated equipment unless the
30 division has issued a service technician permit to that person.

(i) Testing of software.--The software EPROMs on the logic board of each video gaming terminal shall be tested by the division prior to sealing the logic area.

(j) Damaged seals; notice to division.--Each licensed racetrack or permit holder shall notify the division in writing of any discovered damage, tears or breaks in the logic area seal and, upon receipt of the notice, the video gaming terminal shall be disabled. The video gaming terminal shall remain disabled until completion by the division of an investigation of the seal damage and until any necessary repair or maintenance has been performed.

Section 1302. Number and location of video gaming terminals and security of terminals.

(a) Number of terminals authorized.--A racetrack which has been licensed to conduct video gaming games may install and operate up to 3,000 video gaming terminals at a licensed racetrack. A licensed racetrack may apply to the division for authorization to install and operate more than 3,000 terminals and the division may grant permission for the installation and operation of additional terminals, if it determines that installation of additional terminals is in the best interest of the licensed racetrack, the division and the residents of this Commonwealth. In no case may the division authorize the installation of more than 5,000 terminals at any one licensed racetrack.

(b) Required location of terminals at racetracks.--The licensed video gaming facility operator shall submit to the division for approval a floor plan of the area or areas where video gaming terminals are to be operated and which illustrates terminal locations and security camera mount locations. All

1 video gaming terminals in licensed racetracks shall be
2 physically located as follows:

3 (1) Operational video gaming terminals may only be
4 located in the building or structure in which the grandstand
5 area of the racetrack is located and in the area of the
6 building or structure where pari-mutuel wagering is
7 permitted.

8 (2) In an area which is at all times monitored by the
9 video gaming terminal facility operator or an employee of the
10 operator to prevent access or play of video gaming terminals
11 by persons under 21 years of age. The location of video
12 gaming terminals shall also be continuously monitored through
13 the use of a closed circuit television system capable of
14 recording activity for a continuous 24-hour period. All
15 videotapes shall be retained by the facility operator for a
16 period of at least 60 days or for a longer period of time as
17 the division may by regulation require.

18 (3) No video gaming terminal may be relocated without
19 prior approval from the division.

20 (c) Days and hours video gaming authorized.--

21 (1) Video gaming games may be played at a licensed video
22 gaming facility on days when live horse racing is being
23 conducted, on days when simulcasting of horse races is
24 authorized pursuant to the applicable provisions of the act
25 of December 17, 1981 (P.L.435, No.135), known as the Race
26 Horse Industry Reform Act, and on any nonracing or
27 nonsimulcasting days for at least 360 days of a calendar year
28 in order to counterbalance competition from neighboring
29 states.

30 (2) A video gaming facility operator may operate video

gaming terminals for up to 24 consecutive hours, regardless of whether the facility is conducting live horse race meetings or simulcasting in order to counterbalance competition from neighboring states.

(d) Security.--Security personnel shall be present during all hours of operation at each video gaming facility. Each licensed video gaming facility operator shall employ the number of security personnel that the division shall determine is necessary to provide for safe and approved operation of the video gaming terminals, to ensure the safety and well-being of the players and to ensure that access to the terminal locations is restricted to persons legally entitled by age and sobriety to play video gaming games.

Section 1303. Payment of credits.

(a) Payment of credits awarded.--No payment of credits awarded on a video gaming terminal may be made unless the ticket meets the following requirements:

(1) The ticket is fully legible and printed on paper approved by the division and the ticket contains all information required under this act.

(2) The ticket is not mutilated, altered, unreadable or tampered with in any manner.

(3) The ticket is not counterfeit, in whole or in part.

(4) The ticket is presented by a person authorized to play video gaming games.

(b) Validation manager.--Each licensed video gaming facility operator shall designate validation managers and employees authorized to redeem tickets and to sell and redeem tokens during the business hours of operation.

(c) Redeeming tickets.--Credits shall be immediately paid in

1 cash, by check, by annuitized payments over time or in the form
2 of a noncash prize when a player presents a valid ticket for
3 payment. A valid ticket must be presented for payment no later
4 than 30 days after the ticket is printed. The division shall not
5 be liable for the payment of any video gaming ticket credits.

6 (d) Tickets not redeemable.--A video gaming facility
7 operator shall not redeem tickets for credits awarded on video
8 gaming terminals which are not located on its premises.

9 (e) Destruction of redeemed tickets.--All tickets redeemed
10 by a licensed video gaming facility operator shall be defaced in
11 a manner which prevents any subsequent presentment and payment.

12 (f) Responsibility for terminal malfunctions.--The division
13 shall not be responsible for any video gaming terminal
14 malfunction which causes a credit to be wrongly awarded or
15 denied to players. The licensed video gaming facility operator
16 shall be solely responsible for any wrongful award or denial of
17 credits.

18 Section 1304. Transportation and registration of video gaming
19 terminals.

20 (a) Transportation of video gaming terminals.--No person
21 shall ship or transport by truck, common carrier or any other
22 means a video gaming terminal into this Commonwealth without
23 prior written authorization for such transport from the
24 director. For the purpose of this subsection, transport or ship
25 into this Commonwealth means that the starting point is outside
26 of the geographic boundaries of this Commonwealth and the
27 termination point is within this Commonwealth's geographic
28 boundaries. Any person shipping or transporting a video gaming
29 terminal into this Commonwealth shall provide the division in
30 writing at the time of shipment the following information on

1 forms required by the division:

2 (1) The full name, address and permit number of the
3 person shipping the video gaming terminal.

4 (2) The method of shipment and the name of the carrier.

5 (3) The full name, address and license number of the
6 video gaming facility to which the video gaming terminals are
7 being sent and the destination of the terminals if different
8 from the address.

9 (4) The number of video gaming terminals in the
10 shipment.

11 (5) The serial number of each video gaming terminal in
12 the shipment.

13 (6) The model number and description of each video
14 gaming terminal in the shipment.

15 (7) The expected arrival date of the video gaming
16 terminals at their respective destinations within this
17 Commonwealth.

18 (b) Information to division upon receipt of terminals.--The
19 video gaming facility that purchases or leases a video gaming
20 terminal shall, upon receipt of the terminal, provide the
21 division with the following information on forms prescribed by
22 the division:

23 (1) The full name, address and license number of the
24 licensed video gaming facility receiving the video gaming
25 terminal.

26 (2) The full name, address and permit number of the
27 video gaming technology provider from whom the terminal was
28 received.

29 (3) The serial number of each video gaming terminal
30 received.

1 (4) The model number and description of each video
2 gaming terminal received.

3 (5) The expected date and time of video gaming terminal
4 arrival.

5 (6) The expected date and time of video gaming terminal
6 installation, and if a video gaming terminal is not placed in
7 operation, the licensed video gaming facility shall notify
8 the division of the address where the terminal will be
9 warehoused or otherwise kept. At the time the video gaming
10 terminal is removed from inventory and transported to another
11 location within this Commonwealth, the video gaming facility
12 shall comply with the foregoing requirement by providing the
13 division with the information required under this section.

14 (c) Intrastate transportation of terminals.--

15 (1) Transporting of video gaming terminals within this
16 Commonwealth shall be accomplished by the video gaming
17 technology provider or his designee, with the concurrence of
18 the director. Video gaming facility operators are not
19 authorized to transport video gaming terminals at any time.

20 (2) Any person transporting a video gaming terminal from
21 one location to another location in this Commonwealth, other
22 than for repair or servicing purposes, shall notify the
23 division in writing prior to the transportation of the
24 terminal and shall provide the following information on forms
25 provided by the division:

26 (i) The full name, address and license or permit
27 number of the person transporting the video gaming
28 terminal.

29 (ii) The reason for transporting the video gaming
30 terminal.

1 (iii) The full name, address and license or permit
2 number of the person where the video gaming terminal is
3 currently located.

4 (iv) The full name, address and license or permit
5 number of the person to whom the terminal is being sent
6 and the destination of the video gaming terminal, if
7 different from the address.

8 (v) The serial and model numbers of each video
9 gaming terminal received.

10 (vi) The video gaming machine registration number,
11 if affixed.

12 (vii) The manufacturer of the video gaming machine.

13 (viii) The expected date and time of video gaming
14 terminal installation.

15 (3) The requirements of this subsection shall not apply
16 to the movement of a video gaming terminal from one location
17 within a racetrack to another location.

18 (d) Interstate transportation of video gaming terminals.--
19 Any person shipping or transporting a video gaming terminal to a
20 destination outside of this Commonwealth shall, prior to the
21 shipment or transport, notify the division in writing of the
22 shipment or transport and shall provide the following
23 information on a form prescribed by the division:

24 (1) The full name, address and license or permit number
25 of the person shipping the video gaming terminal.

26 (2) The method of shipment and the name of the carrier.

27 (3) The full name and address of the person to whom the
28 video gaming terminal is being sent and the destination of
29 the video gaming terminal, if different from the address.

30 (4) The serial number of the video gaming terminal being

1 shipped or transported.

2 (5) The model number and description of the video gaming
3 terminal being shipped.

4 (6) The video gaming terminal registration number, if
5 affixed.

6 (7) The name of the manufacturer of the video gaming
7 terminal being shipped.

8 (8) The expected date and time of shipment.

9 (e) Registration decals.--Each video gaming terminal placed
10 in operation in this Commonwealth shall have a gaming
11 registration decal, with the video gaming terminal registration
12 control number placed thereon and permanently affixed thereon
13 prior to the video gaming terminal becoming operational. No
14 person other than authorized division personnel may affix or
15 remove a registration control number. The placement of the
16 registration decal represents that the video gaming machine has
17 been registered, inspected and approved for operation in this
18 Commonwealth. Vendors shall make video gaming terminals and
19 associated equipment available for inspection by the division.
20 No terminal may be transported out of this Commonwealth until
21 authorized division personnel have removed the video gaming
22 registration control number.

23 (f) Declaration of exemption from Federal law.--Pursuant to
24 section 2 of the Gambling Devices Transportation Act (64 Stat.
25 1134, 15 U.S.C. § 1172), the Commonwealth, hereby, and in
26 accordance with and in compliance with the provisions of section
27 2 of the Gambling Devices Transportation Act, declares and
28 proclaims that it is exempt from the provisions of section 2 of
29 the Gambling Devices Transportation Act, as regards to video
30 gaming terminals operated at pari-mutuel racing facilities in

1 accordance with the provisions of this act.

2 (g) Transportation of video gaming terminals deemed legal.--
3 All shipments of video gaming terminals into this Commonwealth,
4 the registering, recording and labeling of which has been duly
5 made by the technology provider thereof in accordance with
6 sections 3 and 4 of the Gambling Devices Transportation Act (64
7 Stat. 1134, 15 U.S.C. §§ 1173 and 1174), shall be deemed legal
8 shipments thereof, for use within the confines of pari-mutuel
9 racing facilities in accordance with this act.

10 CHAPTER 15

11 COMPULSIVE AND PROBLEM GAMBLING

12 Section 1501. Compulsive and problem gambling program.

13 (a) Establishment of program.--The Department of Health
14 shall establish a program of public education, awareness and
15 training regarding compulsive and problem gambling and the
16 treatment and prevention of compulsive and problem gambling. The
17 program shall include:

18 (1) Maintenance of a compulsive gambling advocacy
19 organization's toll-free problem gambling telephone number to
20 provide crisis counseling and referral services to families
21 experiencing difficulty as a result of problem or compulsive
22 gambling.

23 (2) The promotion of public awareness regarding the
24 recognition and prevention of problem or compulsive gambling.

25 (3) Facilitation, through in-service training and other
26 means, of the availability of effective assistance programs
27 for problem and compulsive gamblers and family members
28 affected by problem and compulsive gambling.

29 (4) Studies to identify adults and juveniles in this
30 Commonwealth who are or are at risk of becoming problem or

1 compulsive gamblers.

2 (5) A school-based program for educating students in
3 public elementary and secondary schools about the potential
4 problems associated with video gaming and gambling. The
5 Department of Health shall collaborate with the Department of
6 Education in developing the program and shall ensure that the
7 program is made available to students in nonpublic elementary
8 and secondary schools. The school-based program may be
9 implemented through or in conjunction with any program or
10 projects implemented by the Secretary of Education under
11 section 1547 of the act of March 10, 1949 (P.L.30, No.14),
12 known as the Public School Code of 1949, or any similar
13 program.

14 (b) Compulsive and Problem Gambling Treatment Fund.--There
15 is hereby established in the State Treasury a special account to
16 be known as the Compulsive and Problem Gambling Treatment Fund.
17 All moneys in the fund shall be continuously appropriated to the
18 Department of Health to be expended for programs for the
19 prevention and treatment of gambling addiction and other
20 emotional and behavior problems associated with or related to
21 gambling and for the administration of the compulsive and
22 problem gambling program. The fund shall consist of moneys
23 annually allocated to it from the terminal fee established under
24 section 702(f)(2), moneys which may be appropriated by the
25 General Assembly, interest earnings on moneys in the fund and
26 any other contributions, payments or deposits which may be made
27 to the fund.

28 (c) Notice of availability of assistance.--

29 (1) Each video gaming facility operator shall obtain a
30 toll-free telephone number to be used to provide persons with

1 information on assistance for compulsive or problem gambling.
2 Each facility shall conspicuously post signs similar to the
3 following statement: IF YOU OR SOMEONE YOU KNOW HAS A
4 GAMBLING PROBLEM, HELP IS AVAILABLE. CALL (toll-free
5 telephone number). The signs must be posted within 50 feet of
6 each entrance and exit and within 50 feet of each credit
7 location within the facility.

8 (2) Each pari-mutuel facility where video gaming is
9 operated shall print a statement on daily racing programs
10 provided to the general public that is similar to the
11 following: IF YOU OR SOMEONE YOU KNOW HAS A GAMBLING PROBLEM,
12 HELP IS AVAILABLE. CALL (toll-free telephone number).

13 (3) A pari-mutuel racing facility which fails to post or
14 print the warning sign in accordance with paragraphs (1) and
15 (2) shall be assessed a fine of \$1,000 a day for each day
16 such sign is not posted or printed as provided in this
17 subsection.

18 CHAPTER 17

19 PENALTIES AND ENFORCEMENT

20 Section 1701. Offenses and penalties.

21 (a) Prohibited acts.--It shall be unlawful for any person:

22 (1) To knowingly or intentionally tamper with a video
23 gaming terminal with the intent to interfere with the proper
24 operation of the video gaming terminal.

25 (2) To knowingly or intentionally manipulate or attempt
26 to manipulate the outcome, payoff or operation of a video
27 gaming terminal.

28 (3) To knowingly and intentionally place a video gaming
29 terminal into play without the authority of the division.

30 (4) To knowingly use, or assist another in the use of,

1 an electronic, electrical or mechanical device which is
2 designed, constructed or programmed specifically for use in
3 obtaining an advantage at playing a video gaming game.

4 (5) To knowingly conduct, carry on, operate or expose
5 for play or allow to be conducted, carried on, operated or
6 exposed for play any video gaming game, video gaming terminal
7 or other device, equipment or material which has in any
8 manner been tampered with, or placed in a condition or
9 operated in a manner, the result of which tends to deceive
10 the public or tends to alter the normal random selection of
11 characteristics or the normal chance of the video gaming game
12 which could determine or alter the results of the game.

13 (6) For a licensee to employ or continue to employ an
14 individual who has not been issued a permit under this act,
15 in a position with duties which would require a permit under
16 this act.

17 (7) For a person who has not obtained the requisite
18 permit as provided for in this act, to work or be employed in
19 a position with duties which would require a permit under
20 this act.

21 (8) For a licensee to possess any video gaming terminal
22 or other device, equipment or material which the licensee
23 knows has been manufactured, distributed, sold, tampered with
24 or serviced in violation of this act.

25 (9) For a licensee to operate, carry on or expose for
26 play a video gaming game or video gaming terminal after the
27 licensee's license has expired and prior to the actual
28 renewal thereof.

29 (b) Penalties.--A person who violates subsection (a) commits
30 a misdemeanor of the third degree and shall, upon conviction, be

1 sentenced in accordance with the applicable provisions of 18
2 Pa.C.S. Ch. 11 (relating to authorized disposition of
3 offenders).

4 (c) Additional violations.--A person who knowingly violates
5 this act, any guidelines, rules or regulations promulgated under
6 this act or the rules of play or game rules of a video gaming
7 game and who profits thereby in an amount equal to \$1,000 or
8 more commits a felony of the third degree and, upon conviction,
9 shall be sentenced in accordance with the applicable provisions
10 of 18 Pa.C.S. Ch. 11.

11 (d) Age of participants and violation.--

12 (1) It is unlawful for any person under 21 years of age
13 to:

14 (i) Linger in the gaming area of a video gaming
15 facility.

16 (ii) Be present at a video gaming terminal.

17 (iii) Participate, play, be allowed to play or
18 collect winnings, whether personally or through an agent,
19 in or from any video gaming terminal.

20 (2) Paragraph (1) shall not apply to a person employed
21 by the video gaming facility in which the person is present.
22 Nothing in this paragraph shall prevent any person under 21
23 years of age from passing through a video gaming facility to
24 a nongaming area of a facility.

25 (3) It is unlawful for any person to engage in video
26 gaming with, or to share proceeds from video gaming with, any
27 person under 21 years of age.

28 (4) It is unlawful for any licensee to permit any person
29 who is under 21 years of age to:

30 (i) Linger in the gaming area of the video gaming

1 facility.

2 (ii) Be present at a video gaming terminal or other
3 area where video gaming is conducted.

4 (iii) Participate, play, or collect winnings,
5 whether personally or through an agent, in or from any
6 video gaming terminal.

7 (5) Paragraph (4) shall not apply to a person employed
8 by the video gaming facility. Nothing in paragraph (4) shall
9 prevent any person under 21 years of age from passing through
10 a video gaming facility to nongaming areas of a facility.

11 (6) Any person who violates this subsection commits a
12 misdemeanor of the third degree and shall, upon conviction,
13 be sentenced in accordance with the applicable provisions of
14 18 Pa.C.S. Ch. 11.

15 (7) Any person who violates this subsection with a
16 person under 18 years of age may be proceeded against under
17 18 Pa.C.S. § 6301 (relating to corruption of minors).

18 (e) Failure to display operator and premises licenses.--It
19 is unlawful for any person to fail to permanently display in a
20 conspicuous manner:

21 (1) Any license granted by the division.

22 (2) A conspicuous notice in large bold face type which
23 is clearly legible and in substantially the following form:
24 IT IS ILLEGAL FOR ANY PERSON UNDER THE AGE OF 21 TO PLAY
25 VIDEO GAMING GAMES AND TO LINGER IN ANY AREA OF THIS FACILITY
26 WHERE VIDEO GAMING GAMES ARE PLAYED.

27 (f) Civil penalty.--In addition to any other civil penalty
28 provided under this act or any other law, a person who fails to
29 perform any of the duties or obligations created and imposed
30 upon them under this act shall be subject to a civil penalty as

1 may be determined by the division, but which may not exceed
2 \$10,000.

3 Section 1702. Enforcement.

4 (a) Attorney General.--The Attorney General shall provide
5 legal services for the division at the request of the director.
6 The Attorney General shall make reasonable efforts to ensure
7 that there is continuity in the legal services provided and that
8 the attorneys providing legal services to the division have
9 expertise in the field.

10 (b) Director.--The director may request the Attorney General
11 to make civil investigations and enforce civil violations of
12 rules and regulations of the division, on behalf of and in the
13 name of the division, and to bring and defend civil suits and
14 proceedings for any of the purposes necessary and proper for
15 carrying out the functions of the division.

16 (c) Expenses.--Expenses of the Attorney General incurred in
17 the performance of the responsibilities under this section shall
18 be paid from the Video Gaming Fund.

19 CHAPTER 19

20 BACKSIDE IMPROVEMENT BOARD AND FUND

21 Section 1901. Backside Improvement Board.

22 (a) Establishment.--There is hereby established, under the
23 jurisdiction of the commissions, the Backside Improvement Board.
24 The board shall consist of seven members as follows:

25 (1) The President pro tempore of the Senate shall
26 appoint one member.

27 (2) The Majority Leader of the Senate shall appoint one
28 member.

29 (3) The Speaker of the House of Representatives shall
30 appoint one member.

1 (4) The Minority Leader of the House of Representatives
2 shall appoint one member.

3 (5) The State Horse Racing Commission and the State
4 Harness Racing Commission shall appoint one member to
5 represent the Department of Agriculture.

6 (6) One member shall be appointed by the Pennsylvania
7 division of the Horsemen's Benevolent and Protection
8 Association.

9 (7) One member shall be a public member appointed by the
10 Secretary of Agriculture.

11 (b) Chairperson.--The member appointed by the commissions
12 shall serve as chairperson of the board.

13 (c) Expenses.--The members of the board shall serve without
14 compensation, but shall be entitled for reimbursement for all
15 reasonable expenses incurred in the discharge of official
16 business.

17 (d) Personnel.--Personnel necessary to carry out the duties
18 of the board shall be from time to time provided by the
19 commissions. In addition, the board may employ or contract with
20 qualified personnel as may be required to assist the board in
21 carrying out the provisions of this chapter. These persons shall
22 serve at the pleasure of the board and the board shall fix
23 compensation for such personnel. The compensation of personnel
24 employed or contracted with by the board and any necessary
25 expenses incurred by the board in carrying out the provisions of
26 this chapter shall be paid out of the Backside Improvement Fund.

27 (e) Duties of the board.--The board shall administer the
28 Backside Improvement Fund and shall study and make
29 recommendations for improving the backside of harness and
30 thoroughbred horse racing in this Commonwealth and ensure that

1 the recommendations are implemented.

2 Section 1902. Backside Improvement Fund.

3 (a) Establishment.--There is hereby established a special
4 account within the State Treasury to be known as the Backside
5 Improvement Fund which shall be a revolving fund consisting of
6 moneys allocated to it pursuant to section 904 and any other
7 moneys which may be allocated or contributed to it from any
8 other source. Moneys in the Backside Improvement Fund shall not
9 lapse and shall be carried forward in the fund to the succeeding
10 fiscal year.

11 (b) Purpose of fund.--The Backside Improvement Fund shall be
12 used to improve the backside of harness and thoroughbred racing
13 associations averaging \$2,000,000 or less pari-mutuel handle per
14 racing day on live racing. The board shall use the Backside
15 Improvement Fund to promote, enhance and improve the conditions
16 of the backside of eligible racing associations. Conditions
17 considered shall include, but not be limited to, the living and
18 working quarters of backside employees.

19 (c) Regulations.--The commissions may promulgate regulations
20 as may be necessary to carry out this section.

21 CHAPTER 51

22 MISCELLANEOUS PROVISIONS

23 Section 5101. Guidelines and regulations.

24 In order to facilitate the speedy implementation of this act,
25 the director shall have the power and authority to promulgate,
26 adopt and use guidelines to implement this act. The guidelines
27 shall be published in the Pennsylvania Bulletin. The guidelines
28 shall not be subject to review pursuant to section 205 of the
29 act of July 31, 1968 (P.L.769, No.240), referred to as the
30 Commonwealth Document Law, sections 204(b) and 301(10) of the

1 act of October 15, 1980 (P.L.950, No.164), known as the
2 Commonwealth Attorneys Act, or the act of June 25, 1982
3 (P.L.633, No.181), known as the Regulatory Review Act, and shall
4 be effective for a period of not more than two years from the
5 effective date of this act. After the expiration of the two-year
6 period, the guidelines shall expire and shall be replaced by
7 regulations which shall have been promulgated, adopted and
8 published as provided by law.

9 Section 5102. Transfer of video gaming.

10 On or after the effective date of any act of the General
11 Assembly which provides for the creation of a board or
12 commission to supervise, control and administer gambling
13 activities in this Commonwealth, all personnel, allocations,
14 appropriations, contracts, agreements, rights, obligations,
15 equipment, technology, files, records and other materials which
16 are employed, expended or used in connection with the functions
17 performed by the Division of the State Lottery relative to video
18 gaming at pari-mutuel racing facilities pursuant to this act
19 shall be transferred to such gambling board or commission which
20 may be hereafter established by the General Assembly. The
21 transfer of personnel shall be made with the same force and
22 effect as if the personnel had been originally assigned to such
23 gambling control board or commission. The transfer of
24 allocations and appropriations shall be made with the same force
25 and effect as if the allocations and appropriations had been
26 originally made to the gambling control board or commission. The
27 transfer of contracts, agreements, rights and obligations shall
28 be made with the same force and effect as if the contracts,
29 agreements, rights and obligations had been originally those of
30 the gambling control board or commission. The transfer of

1 equipment, files, records, and other materials shall be made
2 with the same force and effect as if the items had been
3 originally the property of the gambling control board or
4 commission.

5 Section 5103. Appropriation.

6 The sum of \$3,000,000, or as much thereof as may be
7 necessary, is hereby appropriated to the Division of the State
8 Lottery for the fiscal year July 1, 2003, to June 30, 2004, to
9 carry out the provisions of this act.

10 Section 5104. Severability.

11 The provisions of this act are severable. If any provision of
12 this act or its application to any person or circumstance is
13 held invalid, the invalidity shall not affect other provisions
14 or applications of this act which can be given effect without
15 the invalid provisions or application.

16 Section 5105. Effective date.

17 This act shall take effect immediately.