AN ACT

Amending Title 4 (Amusements) of the Pennsylvania Consolidated Statutes, providing for video gaming; imposing duties on the Pennsylvania Gaming Control Board; establishing the Video Gaming Account; imposing penalties; and providing for funding.

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

Section 1. Title 4 of the Pennsylvania Consolidated Statutes is amended by adding a chapter to read:

CHAPTER 11A

VIDEO GAMING

Sec.

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§ 11A01. Definitions.

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

"Account." The Video Gaming Account established under section 11A14 (relating to establishment of account and distribution of funds).

"Coin-operated amusement game." A machine that requires the insertion of a coin, currency or tokens to play or activate a game, the outcome of which is predominantly and primarily determined by the skill of the player. The term does not include a video lottery terminal.

"Distributor." Any individual, partnership, association, limited liability company or corporation, licensed by the board to buy, sell, lease, service or distribute video gaming terminals. The term does not include a terminal operator or a manufacturer.

"Gaming machine." A device or game that has the outcome of
play primarily determined by chance. The term includes an
antique slot machine under 18 Pa.C.S. § 5513(c) (relating to
gambling devices, gambling, etc.) when used for profit. The term
shall not include any of the following:

(1) A coin-operated amusement game.

(2) A video gaming terminal that has all of its seals or
identification plates.

(3) Slot machines as defined under section 1103
(relating to definitions).

(4) A game of chance under the act of December 19, 1988
(P.L.1262, No.156), known as the Local Option Small Games of
Chance Act.

(5) Lottery terminals used under the act of August 26,
1971 (P.L.351, No.91), known as the State Lottery Law.

"Inducement." Consideration from a terminal operator, or an
agent of the operator, to a licensed establishment owner as an
enticement to solicit or maintain the licensed establishment
owner's business. The term includes cash, gifts, loans and
prepayments of commissions.

"Licensed establishment." A club that has a valid liquor or
malt or brewed beverage license under Article IV of the act of
April 12, 1951 (P.L.90, No.21), known as the Liquor Code.

"Manufacturer." Any individual, partnership, association,
limited liability company or corporation that:

(1) is licensed by the board; and

(2) manufactures, produces or assembles video gaming
terminals or major parts and components of video gaming
terminals.

"Net profits." All money put into a video gaming terminal
minus the cash awards paid out to players.
"Service technician." An individual holding a service technician's license issued by the board allowing the individual to service, maintain and repair video gaming terminals.

"State Lottery." The lottery established and operated under the State Lottery Law.

"Terminal operator." Any individual, partnership, association, limited liability company or corporation that:

1. is licensed by the board; and
2. owns, services and maintains video gaming terminals for placement in licensed establishments.

"Video gaming terminal." A device or terminal:

1. that, upon insertion of a coin or currency, will play or simulate the play of a video poker, bingo, keno or any other game authorized by the board;
2. that utilizes a video display and microprocessors; and
3. in which, by the skill of the player or by chance, the player may receive free games or credits that may be redeemed for cash.

§ 11A02. Powers and duties.

The board shall regulate and adopt standards for all gaming activities in this Commonwealth, including video gaming as authorized under this chapter.

§ 11A03. Video gaming.

The board shall provide for video gaming at licensed establishments. With the exception of tickets indicating credits won, which are redeemable for cash, no video gaming terminal may directly dispense coins, cash, tokens or anything else of value. The winning ticket may, however, be used in other licensed video gaming terminals in the same establishment.
§ 11A04. Licensing of manufacturers, distributors and terminal operators.

(a) Background investigation.--The board shall have the Pennsylvania State Police conduct a background investigation of an applicant for a manufacturer, distributor or terminal operator license as to personal and business character, honesty and integrity. The investigation may utilize information on the applicant compiled by the Pennsylvania Liquor Control Board. The investigation shall include the following:

(1) An examination of criminal or civil records.

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

(3) An examination of personal or business relationships which:

(i) include a partial ownership or voting interest in a partnership, association or corporation; and

(ii) bear on the fitness of the applicant for licensure.

(b) Application fee.--Fees are as follows:

(1) A manufacturer or distributor applicant must pay a nonrefundable application fee of $10,000.

(2) A terminal operator must pay a nonrefundable application fee of $5,000.

(c) Production of information.--An applicant to become a licensee must produce information, documentation and assurances as required by the board. The following shall apply:

(1) Each license applicant must:

(i) consent in writing to and provide for the
examination of financial and business accounts, bank accounts, tax returns and related records in the applicant's possession or under the applicant's control that establish the financial stability, integrity and responsibility of the license applicant; and

(ii) authorize all third parties in possession or control of accounts or records under subparagraph (i) to allow for their examination as deemed necessary by the board in conducting background investigations.

(2) Each license applicant must disclose on the application form any criminal convictions for offenses graded above summary offenses covering the 10-year period immediately preceding the filing of the application. The license applicant must also include on the application form any convictions of the gambling laws of any jurisdiction.

(3) If the license applicant has conducted a gaming operation in a jurisdiction that permits such activity, the license applicant must produce letters of reference from the gaming or casino enforcement or control agency that specify the experiences of the agency with the license applicant, the license applicant's associates and the license applicant's gaming operations. If the license applicant is unable to obtain these letters within 60 days of the request, the license applicant may submit a copy of the letter requesting the information, together with a statement under oath or affirmation that, during the period activities were conducted, the license applicant was in good standing with the appropriate gambling or casino enforcement control agency.

(4) Each license applicant must provide information,
documentation and assurances as required by the board to
establish the license applicant's good character, honesty and
integrity. Information under this paragraph may relate to
family, habits, character, reputation, business affairs,
financial affairs, business associates, professional
associates and personal associates, covering the 10-year
period immediately preceding the filing of the application.
(d) Felony conviction prohibition.--An individual who has
been convicted of a felony shall not be issued a license under
this chapter.
(e) Third-party disclosure.--Each license applicant must
accept any risk of adverse public notice, embarrassment,
criticism, damages or financial loss, which may result from
disclosure or publication by a third party of material or
information requested by the board pursuant to action on an
application. The license applicant expressly must waive a claim
against the board or the Commonwealth and its employees from
damages as a result of disclosure or publication by a third
party.
(f) Hearing upon denial.--A person that is denied a license,
or the renewal of a license, has the right to a hearing before
the board in accordance with the provisions of 2 Pa.C.S. Chs. 5
Subch. A (relating to practice and procedure of Commonwealth
agencies) and 7 Subch. A (relating to judicial review of
Commonwealth agency action).
(g) Sole proprietor terminal operators.--A sole proprietor
terminal operator must comply with all of the following:
   (1) Be a resident of this Commonwealth for at least two
   years prior to application for a license.
   (2) Be of good moral character and reputation in the
(3) Be 18 years of age or older.

(4) Be current in the payment of all taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(h) Partnership terminal operators.--Partnership terminal operators must comply with all of the following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(3) Each partner must be:

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

(ii) 18 years of age or older; and

(iii) a resident of this Commonwealth for at least two years prior to application for a license.

(4) At all times subsequent to licensing, a majority of the ownership interest in the partnership must be held by residents of this Commonwealth.

(i) Associations, limited liability companies and corporate terminal operators.--An association, limited liability or corporate terminal operator must comply with all of the

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following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(3) Have each shareholder holding more than 10% of the stock of a corporation be:

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

(ii) 18 years of age or older; and

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

(j) Sole proprietor distributors.--A sole proprietor distributor must comply with all of the following:

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

(2) Be 18 years of age or older.

(3) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

(4) Demonstrate sufficient financial resources to support the activities required to sell and service video gaming terminals.

(k) Partnership distributors.--Partnership distributors must comply with all of the following:

(1) Be current in the payment of taxes, interest and
penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

(2) Demonstrate sufficient financial resources to support the activities required to sell and service video gaming terminals.

(3) Have each partner be:

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

(ii) 18 years of age or older.

(4) At all times subsequent to licensing, a majority of the partnership ownership interest must be held by residents of this Commonwealth.

(l) Associations, limited liability companies and corporate distributors.—An association, limited liability company or corporate distributor must comply with all of the following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

(2) Demonstrate sufficient financial resources to support the activities required to sell and service video gaming terminals.

(3) Have each shareholder holding more than 10% of the stock of a corporation be:

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

(ii) 18 years of age or older.

(m) Sole proprietor manufacturers.—A sole proprietor manufacturer must comply with all of the following:
(1) Be of good moral character and reputation in the community.

(2) Be 18 years of age or older.

(3) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(n) Partnership manufacturers.--Partnership manufacturers must comply with all of the following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(3) Have each partner be:

   (i) 18 years of age or older; and

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

(o) Associations, limited liability companies and corporate manufacturers.--An association, limited liability company or corporate manufacturer must comply with all of the following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.
(2) Demonstrate sufficient financial resources to support the activities required to manufacture and sell video gaming terminals through a licensed distributor.

(3) Have each shareholder holding more than 10% of the stock of the corporation or association be:

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

(ii) 18 years of age or older.

(p) Service technician.--A service technician must comply with the following:

(1) Be current in the payment of taxes, interest and penalties owed to the Commonwealth and political subdivisions of the Commonwealth. This paragraph shall exclude items under formal dispute or appeal under applicable law.

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

(3) Be 18 years of age or older.

(q) Written agreement.--Each licensed establishment shall have a written agreement with a terminal operator for a minimum 60-month term. The agreement shall be approved by the board and on file at the licensed establishment. An establishment may only sign, or agree to sign, a written agreement with a terminal operator. Unlicensed third parties are prohibited from soliciting written contracts with establishments. No inducement may be offered to an establishment to sign a written agreement.

(r) Nonaccessibility to minors.--No video gaming terminal may be in an area easily accessible to minors. A floor-to-ceiling wall is not required. The area must be secure and easily seen and observed by the employees or management of the licensed establishment.
(s) Advertising prohibited.--No licensed establishment with a video gaming license may advertise gaming in any form in its licensed name.

§ 11A05. Licensed establishment license.

The board shall issue a license to any licensed establishment upon a showing that its liquor or retail dispenser license is valid and is in good standing with the Pennsylvania Liquor Control Board. The annual fee for a licensed establishment shall be $1,000. The licensed establishment shall also pay an annual fee of $500 per video gaming terminal.

§ 11A06. Limitations on licensed establishments.

(a) Limitations.--Licensed establishments shall be subject to the following limitations:

(1) If the square footage licensed by the Pennsylvania Liquor Control Board is less than 2,500 square feet, the licensed establishment is allowed up to five video gaming terminals. One additional terminal may be placed for each additional 500 square feet over 2,500, with a maximum of 10 gaming terminals.

(2) No applicant may hold more than one type of license authorized by this chapter.

(3) Each licensee is responsible for payment of its license fee. Payment of the fee by a person, partnership, limited liability company or corporation other than the licensee is prohibited.

(b) Unlawful acts.--No licensed establishment shall permit:

(1) An individual under 21 years of age to operate or attempt to operate a video gaming terminal.

(2) An individual under 21 years of age to receive or attempt to receive a prize from a video gaming terminal.
(3) A visibly intoxicated person to play a video gaming terminal.

(4) An individual to tamper with the connection of a video gaming terminal to the central computer.

(c) Summary offense.--In addition to any other penalty provided by law, a person who violates subsection (b)(1), (2) or (3) commits a summary offense.

(d) Seizure, forfeiture and destruction of gaming machines.--A licensee shall have the duty to consent to seizures of its gaming machines. Gaming machines and the proceeds of gaming machines shall be subject to seizure under sections 1517(e) (relating to investigations and enforcement) and 1518(f) (relating to prohibited acts; penalties).

(e) Penalties.--

(1) In the case of a gaming machine seized from a licensed establishment, for a first violation, the penalty shall be at least $1,000 and not more than $5,000 and a suspension of the licensed establishment owner's liquor license for not less than seven consecutive days, and for each subsequent violation, a penalty of $15,000 and a suspension of the liquor license for not less than 14 consecutive days.

(2) In the case of a gaming machine seized from a place of business other than a licensed establishment, for a first violation, the penalty shall be at least $1,000 and not more than $5,000 against the owner of the business from which the gaming machine was seized, and for each subsequent violation, a penalty of $15,000.

§ 11A07. Central communications system.
The board shall establish and procure a central
communications system capable of monitoring and communicating with each licensed video gaming terminal. The board may, by agreement between the Department of Revenue and the State Lottery, utilize the central communications system utilized by the State Lottery. All licensed video gaming terminals must be linked to a central communications system by agreement between the board and the State Lottery, at the State Lottery.

§ 11A08. Video gaming terminal prototype.

The board shall develop a prototype video gaming terminal that includes hardware and software specifications. All video gaming terminals offered for play in this Commonwealth shall conform to an approved model. The board is authorized to utilize the standards approved by other states and may contract for the services of the board's testing laboratory. The board may also contract for services of one or more independent outside testing laboratories that have been accredited by a national accreditation body and that, in the judgment of the board, are qualified to perform such examinations and tests. These specifications shall include:

(1) All video gaming terminals must have the ability to interact with the central communications system.

(2) Unremovable identification plates shall appear on the exterior of the video gaming terminal containing the name of the manufacturer and the serial and model number of the video gaming terminal.

(3) Rules of play shall be displayed on the video gaming terminal face or screen as promulgated by the board.

(4) A video gaming terminal may not directly dispense coins, cash, tokens or any other article of exchange or value except for tickets. Such tickets shall be dispensed by
pressing the ticket dispensing button on the video gaming terminal at the end of one's turn or play. The ticket shall indicate the total amount of credits and the cash award. The player shall be permitted to insert the ticket into another terminal in the same licensed establishment or turn in the ticket for redemption. Redemption shall be made by giving the ticket to the responsible person in charge at the licensed establishment or through the use of an approved redemption machine. A redemption machine is required at the licensed establishment if the establishment has three or more terminals.

(5) The cost of a credit shall be 1¢, 5¢, 10¢ or 25¢, and the maximum wager played per hand shall not exceed $2.50.

(6) No cash award for any individual game may exceed $500.

(7) All video gaming terminals must be designed and manufactured with total accountability to include gross proceeds, net profits, winning percentages and any other information the board requires.

(8) Each video gaming terminal shall pay out a minimum of 85% of the amount wagered.

§ 11A09. Fees.

(a) Terminal operator license and fee.--The annual fee for a terminal operator license shall be $25,000 for 50 or fewer video gaming terminals. An additional annual fee of $500 shall be charged per video gaming terminal license for more than 50 video gaming terminals.

(b) Distributor license fee.--The annual fee for a distributor license shall be $10,000.

(c) Manufacturer license fee.--The annual fee for a
manufacturer license shall be $10,000.

(d) Service technician license fee.--The annual fee for a service technician license shall be $100.

§ 11A10. Unlawful use by minors.

(a) Minors.--No individual under 21 years of age may use or play a video gaming terminal. An individual who violates this subsection commits a summary offense.

(b) Licensees.--

(1) A licensed establishment may not permit an individual under 21 years of age to play or use a video gaming terminal.

(2) A licensed establishment that violates this subsection commits a misdemeanor of the second degree.

§ 11A11. Inducements prohibited.

(a) General rule.--A terminal operator shall not give, or offer to give, any type of inducement to a licensed establishment to secure a video gaming terminal placement agreement.

(b) Acceptance of inducements prohibited.--A licensed establishment may not accept any inducement from a terminal operator or any other third party, directly or indirectly, associated with a terminal operator.

§ 11A12. Multiple types of licenses prohibited.

(a) Manufacturer restriction.--A manufacturer may not be licensed as a video gaming terminal distributor or a terminal operator, or own, manage or control a licensed establishment, and shall be licensed only to sell to licensed distributors.

(b) Distributor restriction.--A licensed video gaming terminal distributor may not be licensed as a manufacturer or a terminal operator, or own, manage or control a licensed
establishment.

(c) Terminal operator restriction.--A terminal operator may not be licensed as a manufacturer or distributor, or own, manage or control a licensed establishment, and shall be licensed only to contract with licensed distributors and licensed establishments.

(d) Establishment owner restriction.--An owner of a licensed establishment may not be licensed as a manufacturer, distributor or terminal operator and shall only contract with a terminal operator to place and service equipment.

§ 11A13. Illegal activities.

A person may not sell, distribute, service, own, operate or place on location a video gaming terminal unless the person is licensed under this chapter and is in compliance with all requirements of this chapter.

§ 11A14. Establishment of account and distribution of funds.

(a) Video Gaming Account.--A separate account in the State Treasury to be known as the Video Gaming Account is established. Fees and fines under this chapter and the portion of net profits under subsection (b)(3) shall be deposited in the account.

(b) Distribution of net profits.--The net profits from each video gaming terminal shall be distributed in the following manner:

(1) To the licensed establishment, 33%.
(2) To the terminal operator, 33%.
(3) To the General Fund, 34%.

(c) Board funding.--The board shall derive all funding for its operations related to the establishment, enforcement and operation of video gaming from the account.

(d) Payments to municipalities.--The board shall pay each
municipality $1,000 per licensed terminal located in the municipality.

(e) Funding for compulsive gambling programs.--The board shall allocate from the account $1,000,000 annually for the purpose of treating compulsive gambling in this Commonwealth.

(f) Continuing appropriation.--The money in the account is appropriated to the account on a continuing basis and shall not lapse at the end of any fiscal year.

§ 11A15. Preemption of local taxes and license fees.

   (a) Statutes.--Video gaming terminals shall be exempt from taxes levied under the following:


      (2) The act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act.


      (4) Any statute that confers taxing authority to a political subdivision.

   (b) Licensing fees.--

      (1) Video gaming terminals are exempt from local licensing fees.

      (2) Local licensing fees imposed on all other coin-operated amusement games shall not exceed $100.


Video gaming terminals authorized under this chapter and their use as authorized under this chapter are exempt from 18 Pa.C.S. § 5513 (relating to gambling devices, gambling, etc.).

§ 11A17. Exemption from Federal regulation.

The General Assembly declares that the Commonwealth is exempt

§ 11A18. Funding.

The sum of $10,000,000 necessary for the payment of costs associated with the operation of the board and the initial implementation of this chapter and other costs associated with this chapter shall be transferred from the General Fund to the Pennsylvania Gaming Control Board. The transferred funds shall be repaid by the board to the General Fund by June 30, 2019.

Section 2. This act shall take effect in 90 days.