

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2589 Session of
2002

INTRODUCED BY RUFFING, LAUGHLIN, McGEEHAN, J. WILLIAMS, HORSEY
AND HARHAI, APRIL 18, 2002

REFERRED TO COMMITTEE ON LIQUOR CONTROL, APRIL 18, 2002

AN ACT

1 Authorizing sports wagering at certain retail liquor
2 establishments; providing for disbursements of revenues;
3 imposing duties on the Pennsylvania Liquor Control Board;
4 establishing the Sports Wagering Advisory Committee; and
5 making an appropriation.

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

8 Section 1. Short title.

9 This act shall be known and may be cited as the Sports
10 Wagering Regulation Act.

11 Section 2. Definitions.

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

15 "Applicant." A licensed corporation that applies for a
16 sports wagering license under this act.

17 "Board." The Pennsylvania Liquor Control Board.

18 "Committee." The Sports Wagering Advisory Committee
19 established by this act.

1 "Fund." The Sports Wagering Fund established by this act.

2 "Gross income." The total amount of money collected by a
3 licensee in connection with a sports wagering contest.

4 "License." A license authorizing a retail liquor licensee to
5 conduct sports wagering in its licensed premises.

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

9 "Licensee." A licensed corporation that has obtained a
10 sports wagering license from the Pennsylvania Liquor Control
11 Board under this act.

12 "Major college or professional championship sporting event."
13 As determined by regulation of the board.

14 "Sports wagering." The betting of money on the outcome of
15 major college or professional championship sporting events.

16 "Sports wagering contest." The betting of money on the
17 outcome of one specific major college or professional
18 championship sporting event.

19 Section 3. Sports wagering system.

20 A sports wagering system is hereby established and shall be
21 administered by the board in accordance with this act. A sports
22 wagering fund is hereby created as a segregated fund within the
23 State Treasury.

24 Section 4. Sports Wagering Fund.

25 The Sports Wagering Fund is hereby established in the State
26 Treasury. The fund shall consist of the fees, fines and
27 penalties authorized by this act for deposit into the fund.

28 Section 5. Powers of Pennsylvania Liquor Control Board.

29 (a) General powers.--

30 (1) The board shall establish, administer and ensure the

1 integrity of sports wagering and shall have jurisdiction over
2 the location and operation of sports wagering activities.

3 (2) The board shall employ a director, deputies,
4 secretaries, officers and representatives as it may deem
5 necessary, who shall serve at the board's pleasure. The board
6 shall also employ other employees as the board sees fit and
7 whose duties and compensation shall be prescribed by the
8 board.

9 (b) Specific powers.--The board shall have the following
10 specific powers and duties:

11 (1) Investigate, evaluate and decide upon applications
12 for all sports wagering licenses provided for in this act.

13 (2) Issue licenses pursuant to the provisions of section
14 7.

15 (3) Promulgate regulations as the board deems necessary
16 to carry out the policy and purposes of this act and to
17 enhance the credibility and integrity of sports wagering in
18 this Commonwealth. Notwithstanding any other provisions of
19 law to the contrary and in order to facilitate the prompt
20 implementation of this act, regulations promulgated by the
21 board during the first year of its existence shall not be
22 subject to notice of proposed rulemaking pursuant to section
23 204 of the act of July 31, 1968 (P.L.769, No.240), referred
24 to as the Commonwealth Documents Law. Regulations adopted
25 after the one-year period shall be promulgated, adopted and
26 published as provided by law.

27 (4) Administer oaths, examine witnesses and issue
28 subpoenas on its own behalf or through designated officers,
29 employees or agents of the board, to compel attendance of
30 witnesses and production of all relevant and material

1 reports, books, papers, documents and other evidence relating
2 to the administration and enforcement of this act.

3 (5) Levy and collect a license fee from each licensee of
4 \$100 per sports wagering contest to be operated. This fee
5 shall be deposited into the fund. The fee shall be used to
6 cover the administrative cost of the administration of this
7 act. If the amount collected does not cover the
8 administrative cost in any given year, the board may increase
9 the amount to cover the increased cost. The increased amount
10 shall be published as a notice in the Pennsylvania Bulletin.

11 (6) Provide for the assessment and collection of fines
12 and penalties for violations of this act. All fines and
13 penalties shall be credited for deposit to the fund.

14 (7) Revoke or suspend any license provided for in this
15 act if the board finds by a preponderance of the evidence
16 that a licensee under this act, its officers, employees or
17 agents do not comply with the provisions of this act or the
18 rules and regulations of the board and that it would be in
19 the public interest, convenience or necessity to revoke or
20 suspend the license. None of the licenses provided for in
21 this act shall be transferable or assignable in any manner.

22 (8) Restrict access to confidential information obtained
23 under this act and ensure that the confidentiality of
24 information is maintained and protected.

25 (9) Prescribe financial reporting and internal control
26 requirements for the operations of licensees that relate to
27 sports wagering.

28 (10) Prescribe the manner in which gross revenue must be
29 computed and reported by the licensee that relate to sports
30 wagering.

1 (11) Require audits of the financial statements of the
2 operations of licensees that relate to sports wagering.

3 (12) Require periodic financial reports from licensees
4 consistent with standards and intervals prescribed by the
5 board.

6 (13) Prescribe the procedures to be followed by
7 licensees for cash transactions affecting sports wagering.

8 (14) Prescribe criteria and conditions for the operation
9 of sports wagering.

10 (15) Enforce the prescribed hours for the operation of
11 sports wagering, so that licensees may conduct sports
12 wagering on any day, except Christmas day, between the hours
13 of 10 a.m. on one day until 2 a.m. the next day.

14 (16) Prohibit the offering of free alcohol or free malt
15 or free brewed beverages to patrons engaging in sports
16 wagering.

17 (17) Prohibit sports wagering by persons under 21 years
18 of age.

19 (18) Establish procedures for searching and inspecting
20 any premises in which sports wagering is being conducted to
21 insure that not less than 85% of all money wagered is paid
22 out to contest winners.

23 (19) Prescribe any rule or regulation necessary to
24 administer the provisions of this act.

25 Section 6. Sports Wagering Advisory Committee.

26 (a) Establishment.--There is hereby established an advisory
27 committee within the board to be known as the Sports Wagering
28 Advisory Committee. The committee shall assist the board in
29 developing and discussing proposed regulation, final regulation
30 or policy guidance and shall provide continuing advice on

1 implementing and administering the provisions of this act.

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

4 (1) The Chairman of the Pennsylvania Liquor Control
5 Board of his designee.

6 (2) The Secretary of Revenue or his designee.

7 (3) Five members appointed by the Governor with the
8 advice and consent of the Senate who shall be representative
9 of the interests affected by the provisions of this act.

10 (c) Terms.--The Governor shall appoint the initial members
11 of the committee under subsection (b)(3) within 60 days of the
12 effective date of this act. The members appointed by the
13 Governor shall serve three-year terms, except that the initial
14 appointees shall have staggered terms so that one member shall
15 be appointed for a one-year term, two members shall be appointed
16 for two-year terms and two members shall be appointed for three-
17 year terms.

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

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

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

29 Section 7. Issuance of sports wagering licenses.

30 (a) Authorization.--The board may issue a sports wagering

1 license to a licensed corporation that desires to conduct a
2 sports wagering contest in its licensed premises if that
3 licensed corporation makes application to the board and abides
4 by all of the provisions and regulations of this act.

5 (b) Limitations.--A license shall be valid for only one
6 sports wagering contest. A licensee shall not collect or receive
7 more than \$50 from any one person for a single sports wagering
8 contest. A licensee shall distribute all money that it receives
9 from sports wagering as follows:

10 (1) Ten percent of the gross income shall be donated to
11 one or more nonprofit corporations that are incorporated
12 within this Commonwealth and are registered as charities in
13 accordance with the act of December 19, 1990 (P.L.1200,
14 No.202), known as the Solicitation of Funds for Charitable
15 Purposes Act. Such charity or charities shall be named in the
16 application for the license to conduct the sports wagering
17 contest.

18 (2) The licensee may retain an amount sufficient to pay
19 for the printing of any printed materials that are used to
20 announce or conduct a sports wagering contest and to cover
21 the cost of the license fee therefore, provided, however,
22 that in no case shall this amount exceed 5% of the gross
23 income from the sports wagering contest.

24 (3) The remainder of the gross income from a sports
25 wagering contest shall be paid out to one or more winners of
26 the sports wagering contest in accordance with contest rules
27 that were published before the commencement of the sporting
28 event that is the subject of the sports wagering contest and
29 a copy of which was attached to the application for the
30 license to conduct the sports wagering contest, provided,

1 however, that in no case shall this amount be less than 85%
2 of the gross income from the sports wagering contest.

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

6 (d) Suspension.--The board shall not issue a license to an
7 applicant until it has complied with all of the requirements of
8 subsection (a) with regard to all previous licenses issued to
9 the applicant under this act, if any.

10 Section 8. Application.

11 (a) General rule.--Any licensed corporation that meets the
12 requirements of section 7 that desires to conduct sports
13 wagering in its licensed premises must file an application form
14 with the board.

15 (b) Form.--The board shall develop an application form that
16 collects such information as deemed necessary by the board.

17 Section 9. Accounting controls and audits.

18 (a) Approval.--A licensed corporation which desires to
19 conduct sports wagering in its licensed premises must first
20 obtain approval of its internal control systems and audits from
21 the board.

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

24 (1) The safeguarding of its assets and revenues,
25 especially the recording of cash and evidences of
26 indebtedness related to sports wagering.

27 (2) The provision of reliable records, accounts and
28 reports of transactions, operations and events, including
29 reports to the board that relate to sports wagering.

30 (3) A procedure whereby assets that relate to sports

1 wagering operations are safeguarded.

2 (4) Financial records that relate to sports wagering
3 operations are accurate and reliable.

4 (5) Transactions that relate to sports wagering
5 operations are performed only in accordance with the
6 management's general or specific authorization.

7 (6) Transactions that relate to sports wagering
8 operations are recorded adequately to permit proper and
9 timely reporting of gaming revenue and of fees and taxes and
10 to maintain accountability for assets.

11 (7) Access to assets that relate to sports wagering
12 operations is permitted only in accordance with management's
13 specific authorization.

14 (8) Recorded accountability for assets that relate to
15 sports wagering operations is compared with actual assets at
16 reasonable intervals and appropriate action is taken with
17 respect to any discrepancies.

18 (9) Functions, duties and responsibilities that relate
19 to sports wagering operations are appropriately segregated
20 and performed in accordance with sound practices by
21 competent, qualified personnel.

22 (c) Internal control.--A licensed corporation which seeks to
23 conduct sports wagering in its licensed premises shall describe,
24 in the manner the board may approve or require, its
25 administrative and accounting procedures that relate to sports
26 wagering operations in detail in a written system of internal
27 control and shall submit a copy of its written sports wagering
28 system to the board. Each written sports wagering system shall
29 include:

30 (1) An organizational chart depicting appropriate

1 segregation of functions and responsibilities.

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

4 (3) A detailed narrative description of the
5 administrative and accounting procedures designed to satisfy
6 the requirements of subsection (a).

7 (4) A written statement signed by the chief financial
8 officer of the licensed corporation and the chief executive
9 officer of the licensed corporation attesting that the system
10 satisfies the requirements of this section.

11 (5) Any other item that the board may require.

12 Section 10. Annual report.

13 The board shall, within 18 months of the effective date of
14 this act and each year thereafter, submit a report to the
15 Governor and General Assembly, which reports on the general
16 operation of the board under this act, all taxes, fees, fines
17 and other revenues collected and disbursed, the number and
18 result of hearings conducted under this act and any other
19 information that the board deems necessary or appropriate.

20 Section 11. Appropriation.

21 The sum of \$1,500,000, or as much thereof as may be
22 necessary, is hereby appropriated to the Pennsylvania Liquor
23 Control Board for the establishment of the sports wagering
24 system. The board shall reimburse the General Fund from the
25 license fees paid under this act.

26 Section 12. Effective date.

27 This act shall take effect in 60 days.