
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1182 Session of
2015

INTRODUCED BY CALTAGIRONE, THOMAS, BROWNLEE, MASSER, COHEN,
MAHONEY AND DeLUCA, JUNE 10, 2015

REFERRED TO COMMITTEE ON GAMING OVERSIGHT, JUNE 10, 2015

AN ACT

1 Providing for the licensing and regulation of video gaming;
2 prescribing powers and duties of the Pennsylvania State
3 Police and the Department of Revenue; and establishing the
4 State Video Gaming Fund and the Municipal Economic
5 Development Fund.

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

17 CHAPTER 1

18 PRELIMINARY PROVISIONS

19 Section 101. Short title.

20 This act shall be known and may be cited as the Video Gaming
21 Act.

22 Section 102. Definitions.

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

26 "Board." The Pennsylvania Gaming Control Board.

27 "Board member." A member of the Pennsylvania Gaming Control
28 Board.

29 "Chairman." The chairman of the Pennsylvania Gaming Control
30 Board.

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

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

7 "Distributor." An individual, partnership, association or
8 corporation licensed by the Pennsylvania Gaming Control Board to
9 buy, sell, service or distribute video gaming machines. The term
10 does not include a machine vendor or a manufacturer.

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

16 (1) A coin-operated amusement game.

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

19 (3) A slot machine as defined under 4 Pa.C.S. § 1103
20 (relating to definitions).

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

24 (5) A lottery terminal used under the act of August 26,
25 1971 (P.L.351, No.91), known as the State Lottery Law.

26 "Host municipality." A city, borough or incorporated town or
27 township in which a licensed video gaming establishment is
28 located.

29 "Inducement." Consideration from a terminal operator, or an
30 agent of the operator, to a licensed establishment owner as an

1 enticement to solicit or maintain the licensed establishment
2 owner's business. The term includes cash and a gift, loan and
3 prepayment of commission.

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

8 "Manufacturer." An individual, partnership, association or
9 corporation that:

10 (1) Is licensed by the Pennsylvania Gaming Control
11 Board.

12 (2) Manufactures or assembles video gaming machines.

13 "Municipality." A county, city, borough, incorporated town,
14 township or home rule, optional plan or optional charter
15 municipality within this Commonwealth.

16 "Terminal operator." An individual, partnership,
17 association, limited liability company or corporation that:

18 (1) Is licensed by the Pennsylvania Gaming Control
19 Board.

20 (2) Owns, services and maintains video gaming terminals
21 for placement in licensed establishments.

22 "Video gaming terminal." A device or terminal that:

23 (1) Upon insertion of a coin or currency, plays or
24 simulates the play of a video poker, bingo, keno or any other
25 game authorized by the Pennsylvania Gaming Control Board.

26 (2) Utilizes a video display and microprocessors.

27 (3) By the skill of the player or by chance, permits the
28 player to receive free games or credits that may be redeemed
29 for cash.

30 CHAPTER 3

VIDEO GAMING AUTHORIZED

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Section 301. Powers and duties.

The board shall regulate and adopt standards for video gaming as authorized under this act.

Section 302. Video gaming.

The board shall provide for video gaming at licensed establishments. No licensed establishment may operate more than five video gaming machines. 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.

Section 303. Licensing of manufacturers, distributors and terminal operators.

(a) Background investigation.--The board shall, in consultation with 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:

1 (i) Include a partial ownership or voting interest
2 in a partnership, association or corporation.

3 (ii) Bear on the fitness of the applicant for
4 licensure.

5 (b) Application fees.--

6 (1) An applicant that is a manufacturer or distributor
7 must pay a nonrefundable application fee of \$10,000.

8 (2) An applicant that is a terminal operator must pay a
9 nonrefundable application fee of \$5,000.

10 (c) Production of information.--

11 (1) To become a licensee, an applicant must produce
12 information, documentation and assurances as required by the
13 board.

14 (2) Each license applicant must:

15 (i) Consent in writing to and provide for the
16 examination of financial and business accounts, bank
17 accounts, tax returns and related records in the
18 applicant's possession or under the applicant's control
19 that establish the financial stability, integrity and
20 responsibility of the license applicant.

21 (ii) Authorize all third parties in possession or
22 control of accounts or records under subparagraph (i).

23 (iii) Allow for their examination as deemed
24 necessary by the board in conducting background
25 investigations.

26 (3) Each license applicant must disclose on the
27 application form any criminal convictions for offenses graded
28 above summary offenses covering the 10-year period
29 immediately preceding the filing of the application. The
30 license applicant must also include on the application form a

1 conviction of the gambling laws of any jurisdiction.

2 (4) (i) If the license applicant has conducted a gaming
3 operation in a jurisdiction that permits such activity,
4 the license applicant must produce letters of reference
5 from the gaming or casino enforcement or control agency
6 that specify the experiences of the agency with the
7 license applicant, the license applicant's associates and
8 the license applicant's gaming operations.

9 (ii) If the license applicant is unable to obtain
10 the letters within 60 days of the request, the license
11 applicant may submit a copy of the letter requesting the
12 information, together with a statement under oath or
13 affirmation that, during the period activities were
14 conducted, the license applicant was in good standing
15 with the appropriate gambling or casino enforcement
16 control agency.

17 (5) Each license applicant must provide information,
18 documentation and assurances as required by the board to
19 establish the license applicant's good character, honesty and
20 integrity. Information under this paragraph may relate to
21 family, habits, character, reputation, business affairs,
22 financial affairs, business associates, professional
23 associates and personal associates, covering the 10-year
24 period immediately preceding the filing of the application.

25 (d) Felony conviction prohibition.--No person that has been
26 convicted of a felony may be issued a license under this act.

27 (e) Third-party disclosure.--

28 (1) Each license applicant must accept any risk of
29 adverse public notice, embarrassment, criticism, damages or
30 financial loss, which may result from disclosure or

1 publication by a third party of material or information
2 requested by the board pursuant to action on an application.

3 (2) The license applicant expressly must waive a claim
4 against the board or the Commonwealth and its employees from
5 damages as a result of disclosure or publication by a third
6 party.

7 (f) Hearing upon denial.--A person who is denied a license
8 or the renewal of a license has the right to a hearing before
9 the board in accordance with the provisions of 2 Pa.C.S. Chs. 5
10 Subch. A (relating to practice and procedure of Commonwealth
11 agencies) and 7 Subch. A (relating to judicial review of
12 Commonwealth agency action).

13 (g) Sole proprietor terminal operators.--A sole proprietor
14 terminal operator must comply with all of the following:

15 (1) Be a resident of this Commonwealth for at least two
16 years prior to application for a license.

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

19 (3) Be 18 years of age or older.

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

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

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

29 (1) Be current in the payment of taxes, interest and
30 penalties owed to the Commonwealth and political subdivisions

1 of the Commonwealth. This paragraph excludes items under
2 formal dispute or appeal under applicable law.

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

6 (3) Each partner must comply with all of the following:

7 (i) Be of good moral character and reputation in the
8 community.

9 (ii) Be 18 years of age or older.

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

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

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

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

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

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

28 (i) Be of good moral character and reputation in the
29 community.

30 (ii) Be 18 years of age or older.

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

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

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

7 (2) Be 18 years of age or older.

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

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

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

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

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

24 (3) Have each partner:

25 (i) Be of good moral character and reputation in the
26 community.

27 (ii) Be 18 years of age or older.

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

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

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

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

9 (3) Be 18 years of age or older.

10 (m) Written agreement.--

11 (1) Each licensed establishment shall have a written
12 agreement with a terminal operator for a minimum 60-month
13 term. The agreement shall be approved by the board and on
14 file at the licensed establishment.

15 (2) A licensed establishment may only sign or agree to
16 sign a written agreement with a terminal operator. Unlicensed
17 third parties are prohibited from soliciting written
18 contracts with licensed establishments.

19 (3) No inducement may be offered to a licensed
20 establishment to sign a written agreement.

21 (n) Nonaccessibility to minors.--No video gaming terminal
22 may be in an area easily accessible to minors. A floor-to-
23 ceiling wall shall not be required. The area must be secure and
24 easily seen and observed by the employees or management of the
25 licensed establishment.

26 (o) Advertising prohibited.--No licensed establishment with
27 a video gaming license may advertise gaming in any form in its
28 licensed name.

29 Section 304. Central computer system.

30 The board shall establish and procure a central

1 communications system capable of monitoring and communicating
2 with each licensed video gaming terminal. By agreement between
3 the department and the State Lottery, the department may utilize
4 the central communications system utilized by the State Lottery.
5 All licensed video gaming terminals must be linked to a central
6 communications system by agreement between the department and
7 the State Lottery, at the State Lottery.

8 Section 305. Video gaming machine prototype.

9 (a) General rule.--The department shall develop a prototype
10 video gaming machine that includes hardware and software
11 specifications. The specifications shall include the following
12 provisions:

13 (1) All video gaming machines shall interact with the
14 central communications system.

15 (2) Irremovable identification plates shall appear on
16 the exterior of the video gaming machine containing the name
17 of the manufacturer and the serial and model number of the
18 video gaming machine.

19 (3) Rules of play shall be displayed on the video gaming
20 machine face or screen as promulgated by regulation of the
21 department.

22 (4) A video gaming machine may not directly dispense
23 coins, cash, tokens or any other article of exchange or value
24 except for tickets. The tickets shall be dispensed by
25 pressing the ticket-dispensing button on the machine at the
26 end of one's turn or play. The ticket shall indicate the
27 total amount of credits and the cash award, and the player
28 must turn in this ticket to the appropriate person at the
29 licensed establishment to receive the cash award. The cost of
30 the credit shall be 25 cents and the number of credits played

1 per game shall not exceed 10.

2 (5) No cash award for any individual game may exceed
3 \$1,000.

4 (6) All video gaming machines shall be designed and
5 manufactured with total accountability to include gross
6 proceeds, net profits, winning percentages and any other
7 information the department requires.

8 (7) A video gaming machine shall pay out a minimum of
9 85% of the amount wagered.

10 (8) All video gaming machines shall contain a prominent
11 sign on the front of the machine with the following
12 statement:

13 If you or someone you know has a gambling problem,
14 help is available. Call (Toll-free telephone number
15 provided by the State).

16 (b) Agreement with board.--The department may enter into an
17 agreement with the board to develop and verify specifications
18 for video gaming machines.

19 CHAPTER 5

20 FEES

21 Section 501. Fees.

22 (a) Operator license fee.--The annual fee for an operator
23 license shall be \$25,000 for the first 50 video gaming machines
24 and an additional \$500 per video gaming machine in excess of 50.
25 An operator license permits the operator to sell video gaming
26 machines to another licensed operator.

27 (b) Manufacturer license fee.--The annual fee for a
28 manufacturer license shall be \$10,000.

29 (c) Service technician license fee.--The annual fee for a
30 service technician license shall be \$100.

1 (d) Deposit of fees.--All license fees shall be deposited
2 into the fund.

3 CHAPTER 7

4 PROHIBITED CONDUCT

5 Section 701. Unlawful use by minors.

6 (a) Prohibition.--

7 (1) No individual under 21 years of age may use or play
8 a video gaming machine.

9 (2) An individual who violates this subsection commits a
10 summary offense.

11 (b) Licensees.--

12 (1) A licensed establishment may not, regardless of
13 knowledge or intent, permit an individual under 21 years of
14 age to play or use a video gaming machine.

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

17 Section 702. Inducements prohibited.

18 No video gaming operator may offer or give any type of
19 inducement or incentive to a licensed establishment to secure a
20 machine placement agreement.

21 Section 703. Multiple types of licenses prohibited.

22 (a) Manufacturer restriction.--No manufacturer may be
23 licensed as an operator or own, manage or control a licensed
24 establishment. A manufacturer may be licensed only to sell to
25 licensed operators.

26 (b) Operator restrictions.--

27 (1) No licensed operator may:

28 (i) be licensed as a manufacturer; or

29 (ii) own, manage or control a licensed
30 establishment.

1 (2) A licensed operator shall be licensed only to
2 contract with licensed establishments.

3 (3) Nothing in this subsection shall be construed to
4 prohibit a licensed operator from selling used equipment to
5 another licensed operator.

6 (c) Establishment owner restriction.--No owner of a licensed
7 establishment may be licensed as a manufacturer or operator. An
8 owner of a licensed establishment may only contract with an
9 operator or service technician to place and service equipment.
10 Section 704. Illegal activities.

11 No person may sell, distribute, service, own, operate or
12 place on location a video gaming machine unless the person is
13 licensed under this act and is in compliance with all
14 requirements of this act.

15 CHAPTER 9

16 FUNDING AND DISTRIBUTIONS

17 Section 901. State Video Gaming Fund.

18 (a) Establishment.--The State Video Gaming Fund is
19 established in the State Treasury. The money of the fund is
20 hereby appropriated to the department on a continuing basis to
21 carry out the provisions of this act.

22 (b) Deposit of fees.--Fees under section 501(a) and the
23 portion of net profits under section 903(b) shall be deposited
24 into the State Video Gaming Fund.

25 Section 902. Municipal Economic Development Fund.

26 (a) Establishment.--The Municipal Economic Development Fund
27 is established in the State Treasury. The fund shall consist of
28 money transferred from the State Video Gaming Fund under section
29 903(b).

30 (b) Use of funds.--The Municipal Economic Development Fund

1 shall be used by the Department of Community and Economic
2 Development exclusively for the purpose of issuing grants. The
3 Department of Community and Economic Development may utilize up
4 to 10% of the total money collected and deposited in the
5 Municipal Economic Development Fund within the fiscal year to
6 cover the administrative costs associated with administering the
7 grant program.

8 Section 903. Distribution of net profits.

9 (a) Calculation.--Net profits shall be calculated by
10 subtracting cash awards from the total consideration played on
11 the machine.

12 (b) Distribution.--The net profits from each video gaming
13 machine shall be deposited into the State Video Gaming Fund and,
14 together with any interest earned thereon, shall be distributed,
15 after payment of administrative expenses under section 904(f),
16 in the following manner:

17 (1) Fifty percent to the licensed establishment.

18 (2) Twenty percent to the licensed vendor.

19 (3) Twenty-nine percent for deposit in the Municipal
20 Economic Development Fund.

21 (4) One percent for deposit in the Host Municipality
22 Video Gaming Share Account established in section 904.

23 Section 904. Host municipality.

24 (a) Establishment of account.--The Host Municipality Video
25 Gaming Share Account is established as a restricted account in
26 the General Fund.

27 (b) Distributions.--The department shall make distributions
28 from the Host Municipality Video Gaming Share Account to each
29 host municipality. Each host municipality shall receive a
30 distribution equal to the revenue remitted into the Host

1 Municipality Video Gaming Share Account by:

2 (1) licenses located within the host municipality; and

3 (2) licensed distributors based on purchases made to
4 licensees in the host municipality.

5 (c) Payments to host municipalities.--The department shall
6 make payments to host municipalities within 60 days of the end
7 of each calendar year.

8 (d) Transfer for compulsive and problem gambling
9 treatment.--Each year, the sum of \$2,000,000 or an amount equal
10 to .002 multiplied by the total gross terminal revenue of all
11 active and operating licensed gaming entities, whichever is
12 greater, shall be transferred from the Host Municipality Video
13 Gaming Share Account to the Compulsive and Problem Gambling
14 Treatment Fund established in 4 Pa.C.S. § 1509 (relating to
15 compulsive and problem gambling program).

16 (e) Transfer for drug and alcohol addiction treatment.--
17 Beginning on the first business day of January of the first year
18 following the effective date of this section, and annually
19 thereafter, the sum of \$3,000,000 shall be transferred from the
20 Host Municipality Video Gaming Share Account to the General Fund
21 to be used by the Department of Health for the purpose of drug
22 and alcohol addiction treatment services, including treatment
23 for drug and alcohol addiction related to compulsive and problem
24 gambling, as set forth in 4 Pa.C.S. § 1509.1 (relating to drug
25 and alcohol treatment).

26 (f) Board funding.--The board shall derive all expenses
27 related to the implementation and enforcement of this act from
28 the State Video Gaming Fund.

29 CHAPTER 11

30 MISCELLANEOUS PROVISIONS

1 Section 1101. Preemption of local taxes and license fees.

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

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

6 (2) The provisions of 53 Pa.C.S. Pt. III Subpt. E
7 (relating to home rule and optional plan government).

8 (3) Any statute that confers taxing authority to a
9 political subdivision.

10 (b) Licensing fees.--

11 (1) Video gaming machines shall be exempt from local
12 licensing fees.

13 (2) Local licensing fees imposed on all other coin-
14 operated amusement machines shall not exceed \$150.

15 Section 1102. Exemption from State gaming laws.

16 Video gaming machines authorized under this act and their
17 authorized use under this act shall be exempt from 18 Pa.C.S. §
18 5513 (relating to gambling devices, gambling, etc.).

19 Section 1103. Exemption from Federal regulation.

20 The General Assembly declares that the Commonwealth is exempt
21 from section 2 of the Gambling Devices Transportation Act (64
22 Stat. 1134, 15 U.S.C. § 1172). Shipments of approved video
23 gaming machines into this Commonwealth in compliance with
24 sections 3 and 4 of the Gambling Devices Transportation Act (64
25 Stat. 1134, 15 U.S.C. §§ 1173 and 1174) shall be deemed legal
26 shipments into this Commonwealth.

27 Section 1104. Effective date.

28 This act shall take effect in 60 days.