



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1313

PRINTERS NO. 3927

PRIME SPONSOR: Moul

### COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	See Fiscal Impact	See Fiscal Impact

**SUMMARY:** House Bill 1313, Printer's Number 3927, amends the Local Option Small Games of Chance Act further providing in local small games of chance for definitions and games of chance, distributor licenses, registration of manufacturers, regulations, licensing of eligible organizations, club licensee, special permits and special location permits, distribution of proceeds, enforcement and revocation of licenses, prize limits and sales limited; providing for pull-tab deal and airport 50/50 drawings; further providing for major league sports drawings, vertical wheel game permits and poker run permits; and further providing in tavern gaming for definitions, license applications and approval, tavern raffle, distribution of net revenue, tavern games tax, host municipality tavern games tax and enforcement.

**ANALYSIS:** This bill makes various changes to the Local Option Small Games of Chance Act authorizing new small games of chance, creating new licensing procedures, requiring special permits, eliminating weekly prize limits and making other technical changes to the act. Furthermore, the legislation authorizes airport 50/50 drawings and makes changes to the current major league sports drawings and tavern gaming.

The definition of "games of chance" is amended to include coin auctions, vertical wheel games, poker runs and event games. Additionally, the definition of "pull-tab" is amended to include progressive pull-tab games, subset pull-tab games and event games. The games of chance aggregate weekly prize limit (any 7-day period) of \$35,000 is eliminated.

A coin auction is a game whereby a participant buys a numbered paddle for a chance to bid on a donated prize with the winner determined by a random drawing of corresponding numbers.

A vertical wheel game is a game in which a participant places a coin or token on a color, number or word or purchases a ticket containing a color, number or word and the vertical wheel spins until the pointer comes to a rest on a section of the wheel designating the winner. Vertical wheel chances may not be sold for an amount in excess of \$10. The term vertical wheel for purposes of this act is not a "table game" as defined in Title 4. A vertical wheel permit must be obtained for an eligible organization to operate a game. The cost of the permit may not exceed \$25 and authorizes the organization to operate a vertical wheel at one location for no more than 7 consecutive days. An eligible organization is eligible for up to 4 vertical wheel permits per calendar year.

A poker run is a game operated by one or more licensed eligible organizations in which a participant purchases a scorecard and meets at a designated location to receive instructions and an explanation of the game destinations. At each destination on the run route, the participant draws or is dealt a playing card and records it on the scorecard. The participant collecting the highest hand or hands is provided a prize at the final destination on the run route. The term poker run for purposes of this act is not a "table game" as defined in Title 4. A poker run permit must be obtained and the cost may not exceed \$25. Each eligible organization must receive a permit if operating a poker run jointly. The total amount of prizes from a single poker run may not exceed \$15,000. No more than 2 poker run permits may be issued to an organization in a calendar year.

Coin auction games, vertical wheel games and poker run games are not required to be purchased from a licensed manufacturer or distributor.

An event game is a type of pull-tab game that is operated in conjunction with bingo whereby prizes on the pull-tab correspond with the drawing of a bingo ball. A progressive pull-tab game is a type of pull-tab game compromised of one or several sets of pull-tabs where unawarded prizes contribute to a jackpot prize. A subset pull-game is a type of pull-game where an entire set of pull-tabs is packaged into small subsets and multiple prizes are awarded.

In addition to the current regular license fee (\$125) which shall be renewed annually and the current monthly license fee (\$25), language is added allowing licensing authorities to issue a triennial license which shall be renewed every 3 years. The fee for a triennial license shall be \$375. Licensing authorities are required to issue unique license numbers which shall have the first number or numbers being uniform county code numbers used by the Department of Revenue for the filing of tax returns. Licenses may be renewed up to 90 days prior to expiration.

A licensed eligible organization, that is not a club licensee, may operate games of chance outside of the organization's home county if a special location permit is obtained. The fee for a special location permit is \$25 and an eligible organization may receive up to 10 permits in a calendar year. An eligible organization that is also a fire, ambulance, rescue or conservation organization may receive up to 12 special permits in a year. Operations of games of chance may not exceed one day per special location permit.

A club licensee may operate games of chance outside its licensed premises, but within the home county, if a special permit is obtained for a fee of \$25. A club licensee may receive no more than 2 special location permits per calendar year which authorizes the operation of games of chance for up to 7 consecutive days.

Major league sports drawings is renamed to be "athletic events drawings" and will now include the following: (1) any other professional sports team that has a sports facility or an agreement with a sports facility to conduct home games at the facility; (2) a stadium, grandstand or bleacher at a closed-course motor facility where spectators are directly observing motor races with NASCAR, Indy, stock or drag racing cars; and (3) a collegiate team which includes a community college, a PASSHE university, Penn State University, University of Pittsburgh, Temple University, Lincoln University, any other institution designated as state-related by the Commonwealth or any accredited private or independent college or university. Athletic event drawing tickets may be purchased with a credit or debit card and may be presold in parking areas adjacent to the facility. Violations of the athletic event drawing does not constitute a violation of the Liquor Code.

Airport 50/50 drawings are authorized for publicly-owned commercial service airports designated by the Federal government as an international airport. The airport may conduct no more than one drawing per day and the drawing must be conducted within public spaces of the airport terminal. Proceeds from the drawing must be provided to a 501(c)(3) charitable organization designated by the airport and disclosed to ticket purchasers.

Act 90 of 2013 authorized small games of chance in taverns (tavern gaming). To date only 53 taverns have applied for the license. This legislation makes changes to tavern gaming by authorizing the following additional small games of chance for a tavern gaming licensee: weekly drawings, race night games, progressive pull-tabs, subset pull-tabs and up to two tavern raffles per month (an increase of one). The application fee is reduced from \$1,000 to \$500. The \$1,000 investigation fee is waived and a background investigation by the PGCB is no longer required. Instead, the LCB will directly conduct the background investigation. Upon issuance of the tavern gaming license, the fee to be paid is reduced from \$2,000 to \$1,000. Finally, the renewal fee is reduced from \$1,000 to \$500. The cost of the game is permitted to be subtracted prior to the imposition of the tax and the tax rate is reduced from 60% to 50%. Civil and criminal penalties are reduced. A liquor code violation does not occur until a licensee has committed three or more violations in a calendar year and the LCB is required to revoke a tavern gaming license if four or more violations occur in a 2-year period.

The act shall take effect in 60 days. Within two years of the effective date, the Department of Revenue shall publish regulations to implement and administer the provisions of this act. The Department of Revenue may not limit the number of pull-tabs that may be sold in a single set of pull-tabs; may establish minimum standards for games of chance (but is not required to approve every game of chance to be sold in the Commonwealth); and may not require the retention of records by club licensees beyond 2 years. Reports regarding games of chance submitted by club licensees do not need to be itemized by week. Beginning January 1, 2017, a club license may annually retain the greater of the following before the 60/40 split of public interest purpose/retention applies: (1) the first \$20,000 in games of chance proceeds or (2) an amount equal to the cost to purchase or repair pull-tab dispensing machines or software related to the recording of games of chance sales.

**FISCAL IMPACT:** In fiscal year 2015-16 a total of \$1,691,202 was collected from the tavern games tax and deposited in the General Fund. It is assumed that the changes to the license application process and fees in this legislation will encourage additional taverns to participate in tavern gaming which will more than offset the loss of revenues from currently licensed taverns who offer tavern gaming as a result of reducing the tax rate. Therefore, it is projected enactment of this legislation making changes to local small games of chance and reforming tavern gaming will have no adverse fiscal impact on Commonwealth funds.

**PREPARED BY:** Ritchie LaFaver  
House Appropriations Committee (R)

**DATE:** September 27, 2016

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*