

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 321

PRINTER NO. 717

AMOUNT

See Fiscal Impact

FUND

General Fund
Video Gaming Fund

DATE INTRODUCED

May 6, 2019

PRIME SPONSOR

Senator Martin

DESCRIPTION

Senate Bill 321 amends Title 53 (Municipalities Generally), providing for the option to prohibit the issuance of a video gaming terminal (VGTs) establishment license within a municipality of a Third Class County. Counties of the Third Class include Berks, Chester, Cumberland, Dauphin, Erie, Lackawanna, Lancaster, Lehigh, Luzerne, Northampton, Westmoreland and York.

A municipality may choose to prohibit the location of a VGT establishment licensee by delivering a resolution of the municipality's governing body to the Pennsylvania Gaming Control Board (board) no later than 60 days after the legislation's effective date. The VGT prohibition may occur either prior to the board approving an application and issuing an establishment license within the municipality or after an establishment license has been issued within the municipality.

Act 42 of 2017 permitted counties that host a Category 1, 2, or 3 facility the ability to opt-out of having VGTs located in that county. Dauphin, Erie, Luzerne and Northampton counties have exercised the option to prohibit the placement of VGT establishments.

Senate Bill 321 requires the board to reimburse any fees paid by an establishment if the host municipality of the establishment elects to prohibit gaming within that municipality. This could include fees that were previously collected by the board prior to the prohibition within a municipality.

This act shall take effect immediately.

FISCAL IMPACT

Senate Bill 321 may affect both the future fees collected and revenue generated from VGT establishments in municipalities of Third Class counties. Below are projected fees and revenues that may be impacted by the enactment of Senate Bill 321:

Fees

The application, initial license and license renewal fee schedule for VGT operations was adopted in Act 42 of 2017. These fees are collected by the Board and deposited into the General Fund.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

Application Fees:

- Manufacturer or Supplier License: \$50,000;
- Terminal Operator License: \$25,000;
- Establishment License: \$1,000;
- Key Employee or Principal License: \$500; and
- Any Other Permit: Up to \$100.

Initial License and Renewal Fees:

- Manufacturer or Supplier License: \$10,000;
- Terminal Operator License: \$5,000;
- Establishment License: \$250 per VGT;
- Key Employee, Procurement Agent or Principal License: \$500; and
- Any Other Permit: Up to \$100.

The total amount of application and licensing fees collected on average for a VGT establishment is \$2,950. This estimate assumes each establishment has the maximum of five allowable VGTs on-site. Licensees will also be subject to fees upon their license renewal, which occurs every five years.

In the Third Class counties, which have not previously prohibited the location of VGT establishments, license applications have been received and/or licenses have been conditionally approved or granted for 22 establishments. The board reports that approximately \$67,000 in fees have been collected from establishments in Third Class counties to date.

Revenue

Act 42 of 2017 established the Video Gaming Fund to receive 42% of the gross revenue generated by VGTs, which is subsequently deposited into the General Fund. Revenue generated from VGTs is also subject to a 10% local share tax, which is distributed to the Commonwealth Financing Authority for grants to counties throughout the Commonwealth. The tables below estimate the potential loss of General Fund tax revenue and local share grant money from establishments that may be prohibited to operate upon passage of this legislation.

Total Projected FY 2019-20 Tax Revenue

Based upon Department of Revenue Estimates

Total # of VGTs	FY 2019-20 Total Net Revenue	State Tax Rate	State Tax	Local Share Tax Rate	Local Share Tax
375	\$24,357,143	42%	\$10,230,000	10%	\$2,435,714

Projected Annual Revenue per Licensed VGT Establishment

Assumes the Maximum of Five VGTs per Location

Maximum # of VGTs per Establishment	FY 2019-20 Net Revenue per Location	State Tax Rate	State Tax	Local Share Tax Rate	Local Share Tax
5	\$324,762	42%	\$136,400	10%	\$32,476