



BILL SUMMARY

<u>COMMITTEE:</u>	Gaming Oversight	<u>DATE:</u>	10/23/13
<u>PRIME SPONSOR:</u>	Payne	<u>BILL NO.:</u>	HB 1098
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A. **SYNOPSIS:**

Amends the Small Games of Chance Act (Act 156 of 1988) to allow 50/50 drawings at minor league home games; clarifies the distribution of proceeds to charity; and provides for tavern gaming.

B. **BILL SUMMARY:**

The Senate amended this bill in the Senate Appropriations Committee. This summary reflects those changes.

House Bill 1098 amends the legislative intent of the Act by declaring that the raising of public funds from games of chance in taverns is in the public interest.

MAJOR LEAGUE SPORTS DRAWING:

HB 1098 amends the Small Games of Chance Act by amending the definitions of "Major League Sports Drawing" and "Major League Sports Team".

A "Major League Sports Drawing" is defined as a 50/50 drawing conducted by a nonprofit affiliate of a major league sports team or racing facility. A "Major League Sports Team" includes:

- (1) A Major League Baseball, National Football League, National Hockey League, National Basketball Association or Major League Soccer team;
- (2) An affiliate to any of those listed in (1);
- (3) Any other professional sports team that has a sports facility or an agreement with a sports facility to conduct home games at the facility.
- (4) A stadium, bleacher or grandstand of a closed course motor facility in which spectators are observing NASCAR, Indy stock or drag racing.

A major league sports drawing may be held by the affiliated nonprofit at a charitable event at the facility of the home team. These drawings can only be held in the spectator areas of the facility, not in ancillary areas like parking lots, restaurants and bars located outside of the spectator area.

Nonprize money from a major league sports drawing may be utilized by the affiliated nonprofit association to:

- (1) Employ or provide payment to employees over the age of 18 that are selling the tickets.
- (2) Pay administrative expenses directly related to the drawing. This expense cannot exceed 2% of the amount collected from ticket sales.

The Department of Revenue may require, through regulation, additional record keeping for major league sports drawings.

CLUB LICENSES:

Reporting:

- Clarifies annual reports (changed from semi-annual) are to be completed by clubs with proceeds in excess of \$30,000.

Distribution of Proceeds:

- Changes distribution of proceeds for clubs to 60% for public interest purposes and 40% for general operating expense (current law split is 70/30);
- Permits club to pay for personnel, other than a bartender or individual who operates games of chance, out of their general operating expenses (the 40% portion);
- Clarifies that small games proceeds from clubs need to be expended within one year of the end of the calendar year in which proceeds were received; and
- Removes language that required the club to describe, in detail, any project for which they were retaining proceeds.

Background Checks/Audits:

- Removes language in which a club licensee was to obtain a background check to obtain a license;
- Changes who can conduct annual random audits of 5% of licensees, from the Bureau of Liquor Control Enforcement (LCE) to the Department of Revenue (DOR).

Repeal:

- Removes language that required a club licensee to maintain records relating to the printing/purchasing of raffle tickets.

TAVERN GAMING:

Definitions:

- Defines a “Restaurant licensee” as a for-profit hotel, restaurant, privately owned public golf course, brew pub or micro brewery licensed under the Liquor Code. The term does not include a grocery store or gas station.
- Defines a “Tavern game” as the conduct of pull-tab games, daily drawings or tavern raffles by a for-profit restaurant licensee;
- Defines a “Tavern raffle” as a raffle held for charitable or public purposes.

Licenses:

- Requires a Restaurant licensee, who wants to sell small games of chance, to apply to the PA Liquor Control Board (PLCB);
- Provides that the application shall include the following information regarding the applicant and all owners of the licensee:
 - Name, address and photo;
 - Current tax lien certificate issued by DOR and a certificate from Department of Labor and Industry that all workman's compensation has been paid;
 - Details of any gaming, slot machine or any casino license applied for or in which an owner has any interest;
 - Consent to conduct a background check and disclosures of all arrests;
 - Financial interest and transactions as required by the Bureau;
 - Information regarding criminal history, including disclosure of all arrests/citations of the applicant for nontraffic summary offenses. The information should include the circumstances of each arrest; the specific offense charged; and the ultimate disposition (ex. dismissal, plea bargain, conviction, ARD, expungement). Note: no applicant is required to provide information on a summary offense;
 - Any other information required by DOR;
- Requires the PLCB to approve or disapprove license within 6 months of receiving the application.

Background Checks:

- Requires an applicant, including each owner and officer, of a proposed license to include information and documentation to establish the applicant and owner's suitability, honesty and integrity. This information should include criminal history information, financial background information, data investigation by the Bureau, regulatory information before the LCE or other Commonwealth agency and other information required by the Bureau;
- Provides that if the Bureau of Investigations and Enforcement (BIE) of the PA Gaming Control Board determines that a criminal history record requires further review, BIE can conduct personal interviews;
- Requires the applicant to cooperate with BIE for the background investigation or the Board can immediately deny the application;
- Requires applicants to reimburse the PLCB and BIE for the actual costs of conducting the investigation. LCE cannot approve an applicant until all costs are paid;
- Requires BIE to make a recommendation to PLCB for approval of the license.

Application:

- Creates an application fee of \$1,000 to be paid to LCB;
- Creates an investigative fee of \$1,000 to BIE and any other additional costs to pay for the background investigations.

Approval of License:

- Permits the PLCB, once requirements have been met, to approve the application for license for one year;
- Requires the license to be renewed annually;
- Creates a \$2,000 license fee and \$1,000 renewal fee;
- Adds that the license is not an entitlement and PLCB has sole discretion to issue, renew, condition or deny a license;

- Provides that licenses are non-transferable.

Change in Ownership:

- Requires a licensee to notify PLCB upon any changes in ownership;
- Requires that any new owners must independently qualify for a license, pay the license fee and undergo background investigations;

Prize Limits:

- Creates an individual prize limit of \$2,000
- Creates a weekly prize limit of \$35,000

Bank Account:

- Requires a licensee to maintain a separate bank account to hold the proceeds of tavern games;
- Adds that account records need to show all expenditures and income and be retained for 2 years.

Tavern Raffle:

- The following apply:
 - No more than one per month
 - Must be held for a designated charitable purpose
 - Individuals participating in a tavern raffle must be aware of charitable purpose involved;
 - At least 50% of the revenue from the raffle must be transmitted to the charity within 7 days;
 - Proceeds not transmitted are to be distributed by 60% to the Commonwealth and 40% to the licensee.

Distribution of Proceeds:

- Beginning January 2014, the revenue from tavern games are to be distributed by 60% coming to the Commonwealth and 40% being retained by the licensee.

Tavern Games Tax:

- Imposes a 60% tax on games sold by a licensed distributor for the first two years after enactment.
- Requires the tax to be collected by the distributor. If the game is not purchased from a distributor, the licensee must submit the tax to the Commonwealth;
- Requires the licensee to submit the 60% tax to the Commonwealth on games not purchased from a licensed distributor;
- Requires a distributor or licensee to file a tavern game tax return each quarter with information on the net revenue of the games and the tax due. The return is due by the 20th day following the end of the reporting period. The report should include:
 - For distributors, the total amount of revenue for games sold to licensees in the previous calendar month;
 - For licensees, the total amount of revenue of games not purchased from a licensed distributor
 - The calculation of tax due;
 - For a licensee, the amount from any tavern raffles;
 - Other information required by Revenue;
- Imposes penalties for failing to file the return. Revenue may do the following:

- Assess the amount of tax due;
- Impose and assess an administrative penalty equal to 10% of the tax due but unpaid for each quarter. This should be added to the tax that is due.
- Notify LCE that a licensee has not filed a return or paid the tax;
- Revoke a licensed distributors license
- Requires the tax imposed to be distributed into the General Fund.

Regulation:

- Requires Revenue to enforce the provisions of the Act and promulgate and enforce regulations relating to enforcement, collection of tax and imposition of tax.

Invoice:

- Requires an invoice from a distributor to a licensee listing the games sold, net revenue projected from each game and the tax due. Failure to provide a correct invoice results in a 50% penalty of the tax due to the Commonwealth.

Reports:

- Requires an annual report to LCB on a form created by Revenue. Report shall include:
 - Prizes over \$600;
 - Revenue received from each game, itemized by week;
 - Amount of prizes paid from all games of chance, itemized by week;
 - Amount of tax remitted to Revenue;
 - Amount given to charities from tavern raffles;
 - Other information required by Revenue.

Enforcement:

- Permits PLCB to suspend or revoke a license or impose the following penalties:
 - Civil penalties:
 - Up to \$1000 for first violation;
 - Up to \$3000 for second or subsequent violation;
- Provides for criminal penalties in which a violation of this act is a misdemeanor of the third degree. A second or subsequent offense is a misdemeanor of the second degree;
- Provides that an administrative law judge may impose penalties following the issuance of a citation by the LCE;
- Provides the LCB may, at its discretion, suspend, revoke or deny renewal to any licensee if it received any information that the applicant or owners have provided LCE with false or misleading information.

Prohibitions:

- Provides the following shall apply to any license issued for tavern gaming:
 - No license may be issued to a restaurant in a casino;
 - No license may be issued to a place of business on the grounds where a major league sports team conducts games or races;
 - No license may be issued to a nuisance bar;

- The board is prohibited from issuing a license to a person who has been convicted of a felony offense or misdemeanor gambling offense in any jurisdiction unless the conviction was more than 15 years ago;
- It is unlawful for anyone under 21 to play a tavern game;
- It is unlawful for anyone under 18 to operate a tavern game;
- It is unlawful for an employee of a licensee to operate a tavern game if the employee has been convicted of a felony offense or misdemeanor gambling offense in any jurisdiction unless the conviction was more than 15 years ago.

Lottery Fund:

- Requires Revenue to submit an annual report on the State Lottery Fund and the impact of small games of chance on the State Lottery fund, if any, to the chairman and minority chairman of the Appropriations Committee of the House and Senate.

Effective Date: The changes to “Major League Sports Drawing” and “Major League Sporting Team” and other changes to these drawings take effect immediately. The remainder of the Act is in effect in 60 days.

C. CURRENT LAW:

The Local Option Small Games of Chance Act (Act 156 of 1988) recognizes that certain nonprofit organizations need to raise funds, for the promotion of charitable or civic purposes, by operating small games of chance. The Act establishes the rules, regulations, and guidelines necessary for the conducting of small games of chance.

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