

Regulatory Analysis Form

(Completed by Promulgating Agency)

**INDEPENDENT REGULATORY
REVIEW COMMISSION**

(All Comments submitted on this regulation will appear on IRRC's website)

(1) Agency:

Pennsylvania Gaming Control Board

(2) Agency Number: 125-137

Identification Number:

IRRC Number: 2884

(3) PA Code Cite: 58 Pa.Code § 603a

(4) Short Title:

Table Game Equipment

(5) Agency Contacts (List Telephone Number and Email Address):

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None

(6) Type of Rulemaking (check applicable box):

Proposed Regulation

Final Regulation

Final Omitted Regulation

Emergency Certification Regulation;

Certification by the Governor

Certification by the Attorney General

(7) Briefly explain the regulation in clear and nontechnical language. (100 words or less)

This proposed rulemaking sets forth the minimum design standards for all gaming chips, plaques, dice, cards, shufflers, Pai Gow tiles and Sic Bo shakers and addresses the requirements on the receipt, storage, distribution, inventory and destruction of table game equipment.

(8) State the statutory authority for the regulation. Include specific statutory citation.

The Board has the authority to promulgate this regulation under the general authority in § 1202(b)(30) (relating to general and specific powers) and the specific authority in 4 Pa.C.S. §§ 1302A(1), (4) and (5) (relating to regulatory authority).

(9) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action.

There are no other applicable federal or state statutes, regulations or court decisions that mandate adoption of these changes contained in this rulemaking.

(10) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit.

Pursuant to the Act, the Board was tasked with establishing standards for table game equipment. The regulation of table game equipment is vital to the integrity of gaming, the protection of patrons participating in table games and the revenues to the facility and thus the Commonwealth.

With this regulation, slot machine licensees that have obtained a certificate to operate table games, as well as manufacturers and suppliers that provide table game equipment, will have a clear understanding of the minimum design standards and the storage, receipt and inventory requirements for table game equipment applicable to all operators.

(11) If data is the basis for this regulation, please provide a description of the data, explain in detail how the data was obtained, and how it meets the acceptability standard for empirical, replicable and testable data that is supported by documentation, statistics, reports, studies or research. Please submit data or supporting materials with the regulatory package. If the material exceeds 50 pages, please provide it in a searchable electronic format or provide a list of citations and internet links that, where possible, can be accessed in a searchable format in lieu of the actual material. If other data was considered but not used, please explain why that data was determined not to be acceptable.

There is no data, as defined under section (3) of the Regulatory Review Act (71 P.S. § 745.3), upon which this rulemaking is based.

(12) Describe who and how many people will be adversely affected by the regulation. How are they affected?

The Board does not anticipate that anyone will be adversely affected by this regulation.

(13) List the persons, groups or entities that will be required to comply with the regulation.

Approximate the number of people who will be required to comply.

Slot machine licensees that have elected to obtain a certificate to operate table games at their licensed facilities as well as table game equipment manufacturers will be required to comply with this regulation. As of September 23, 2011, all ten of the slot machine licensees that have commenced gaming operations have obtained a table game certificate.

(14) Provide a specific estimate of the costs and/or savings to the **regulated community** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

There were significant costs to the regulated community associated with the acquisition of table game equipment. The costs associated with the acquisition of equipment are anticipated to be recovered with revenue generated from table game play. The exact costs, however, varied from facility to facility depending on the type, quality and quantity of table game equipment purchased. Because the design standards contained in this rulemaking are consistent with those in other gaming jurisdictions, the Board does not anticipate that certificate holders will experience any unusual costs associated with purchasing the equipment necessary to conduct table games.

(15) Provide a specific estimate of the costs and/or savings to **local governments** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

It is not anticipated that this specific regulation will require expenditures or provide savings to local governments; however, with the passage of table game legislation, local governments will receive a local share assessment of 2% of a certificate holder's gross table game revenue.

(16) Provide a specific estimate of the costs and/or savings to **state government** associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required. Explain how the dollar estimates were derived.

It is not anticipated that this regulation will require expenditures or provide savings to state government; however, with the passage of table games, state government will receive 14% if a certificate holder's daily gross table game revenue for two years following the commencement of table game operations at a licensed facility. After the first two years, the state will receive 12% of a certificate holder's daily gross table game revenue.

(17) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government

for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	\$	\$	\$	\$	\$	\$
Regulated Community	N/A	N/A	N/A	N/A	N/A	N/A
Local Government	N/A	N/A	N/A	N/A	N/A	N/A
State Government	N/A	N/A	N/A	N/A	N/A	N/A
Total Savings	N/A	N/A	N/A	N/A	N/A	N/A
COSTS:	N/A	N/A	N/A	N/A	N/A	N/A
Regulated Community	N/A	N/A	N/A	N/A	N/A	N/A
Local Government	N/A	N/A	N/A	N/A	N/A	N/A
State Government	N/A	N/A	N/A	N/A	N/A	N/A
Total Costs	N/A	N/A	N/A	N/A	N/A	N/A
REVENUE LOSSES:	N/A	N/A	N/A	N/A	N/A	N/A
Regulated Community	N/A	N/A	N/A	N/A	N/A	N/A
Local Government	N/A	N/A	N/A	N/A	N/A	N/A
State Government	N/A	N/A	N/A	N/A	N/A	N/A
Total Revenue Losses	N/A	N/A	N/A	N/A	N/A	N/A

(17a) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
PGCB Budget	\$33,310,000	\$33,744,500	\$35,800,000	\$35,501,000

(18) Explain how the benefits of the regulation outweigh any cost and adverse effects.

The costs related to the acquisition of table game equipment are significant for the operators; however, the regulations are necessary to ensure the integrity of gaming and the protection of the public. Because the design standards contained in this rulemaking are similar to those in other gaming jurisdictions, the Board does not anticipate that certificate holders will experience any unusual costs associated with purchasing the equipment necessary to conduct table games.

(19) Describe the communications with and input from the public and any advisory council/group in the development and drafting of the regulation. List the specific persons and/or groups who were involved.

When the temporary regulations were promulgated, the Board established a 30 day public comment period whereby the industry was invited to provide suggestions for revision to the temporary regulations. Several of the suggestions received were incorporated into subsequent revisions to the temporary regulation while others were incorporated into this final-form rulemaking.

(20) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

Prior to the passage of Act 1 in January 2010, agency staff began the process of evaluating the requirements for table games. Agency staff conducted on-site inspections of table game facilities in another gaming jurisdiction and reviewed the gaming regulations from Missouri, Mississippi, New Jersey and Michigan prior to promulgating any temporary regulations on table games. The Board believes that the requirements contained in the rulemaking reflect standards in the gaming industry, are consistent with the requirements and objectives of the Gaming Act and are necessary for the protection of the public and the integrity of gaming.

The Board did consider and adopt several suggested revisions to the regulations which should save the operators on the expense of purchasing several types of equipment including \$25 backup value chips and additional sets of Pai Gow tiles. Other suggestions were not adopted as the Board weighed the costs associated with personnel versus retaining surveillance recordings for longer durations of time. The Board believes that the options selected in those instances are the more cost effective alternative that will still maintain the integrity of the gaming.

(21) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulations.

There are no corresponding Federal requirements.

(22) How does this regulation compare with those of other states? How will this affect Pennsylvania's ability to compete with other states?

The design standards and inventory control and accounting requirements in this rulemaking are consistent with the requirements in other gaming jurisdictions and should therefore not affect Pennsylvania's ability to compete with other states.

(23) Will the regulation affect any other regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

Upon publication as a final-form rulemaking, this regulation will supersede the temporary regulation on table game equipment found in 58 Pa.Code §§ 523.1 – 523.18.

(24) Submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an explanation of measures which have been taken to minimize

these requirements.

While there are reporting, recordkeeping and other paperwork and procedure requirements associated with this regulation, the certificate holders have discretion as to the types of forms and processes to utilize, provided they are consistent with this regulation. The forms the certificate holders chose to use were submitted to the Gaming Board as part of the certificate holder's internal controls and were approved for use prior beginning live table game play at the licensed facilities. Revisions to a certificate holder's internal controls or submissions of new equipment schematics are submitted electronically through a link on the Board's website.

(25) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

No special provisions have been added.

(26) Include a schedule for review of the regulation including:

- | | |
|---|------------------------------------|
| A. The date by which the agency must receive public comments: | <u>Final-form – N/A</u> |
| B. The date or dates on which public meetings or hearings will be held: | <u>N/A</u> |
| C. The expected date of promulgation of the proposed regulation as a final-form regulation: | <u>1st Quarter 2012</u> |
| D. The expected effective date of the final-form regulation: | <u>Upon publication</u> |
| E. The date by which compliance with the final-form regulation will be required: | <u>Upon publication</u> |
| F. The date by which required permits, licenses or other approvals must be obtained: | <u>Ongoing – N/A</u> |

(27) Provide the schedule for continual review of the regulation.

No formal review schedule has been established. Instead, the Board is constantly reviewing its regulations and proposing amendments as the need arises.