

<h1 style="margin: 0;">Regulatory Analysis Form</h1> <p style="margin: 0;">(Completed by Promulgating Agency)</p>		<p><i>INDEPENDENT REGULATORY REVIEW COMMISSION</i></p>
<p>(All Comments submitted on this regulation will appear on IRRC's website)</p>		
<p>(1) Agency</p> <p>Pennsylvania Gaming Control Board</p>		
<p>(2) Agency and Identification Number:</p> <p>125-175</p>		<p>IRRC Number: 3040</p>
<p>(3) PA Code Cite: 58 PA.CODE CHS. 421a, 423a, 425a, 427a, 429a, 431a, 433a, 435a, 437a, 440a, 441a, 461a, 465a, 609a, 623a, 633a, 643a and 645a.</p>		
<p>(4) Short Title:</p> <p>Subpart B – Licensing; count room characteristics; credit; table game rules</p>		
<p>(5) Agency Contacts (List Telephone Number and Email Address):</p> <p>Primary Contact: Susan A. Yocum Assistant Chief Counsel Pennsylvania Gaming Control Board P.O. Box 69060 Harrisburg, PA 17101-8323 Phone: (717) 346-8300/ Fax: (717) 703-2988 Secondary Contact: N/A</p>		
<p>(6) Type of Rulemaking (check applicable box):</p> <p><input type="checkbox"/> Proposed Regulation</p> <p><input checked="" type="checkbox"/> Final Regulation</p> <p><input type="checkbox"/> Final Omitted Regulation</p>		<p><input type="checkbox"/> Emergency Certification Regulation;</p> <p><input type="checkbox"/> Certification by the Governor</p> <p><input type="checkbox"/> Certification by the Attorney General</p>
<p>(7) Briefly explain the regulation in clear and nontechnical language. (100 words or less)</p> <p>This rulemaking is a comprehensive amendment package addressing eighteen chapters in Subpart B (relating to licensing), Subpart C (relating to slot machine licensing), Subpart E (relating to slot machines and associated equipment) and Subpart K (relating to table games). This rulemaking should provide clarity, delete redundant provisions, decrease the number of copies of applications required, allow for an increase in ownership of licensees by institutional investors and ensure that a background investigation is completed on nongaming employees every four years.</p>		
<p>(8) State the statutory authority for the regulation. Include <u>specific</u> statutory citation.</p> <p>The general authority for this regulation is in 4 Pa.C.S. § 1202(b)(9) – (23)(relating to general and specific powers) and the specific authority in 4 Pa.C.S. §§ 1205, 1206(f) and (g), 1207(1) and (2), 1208(1)(iii), 1209(b), 1212, 1213, Chapter 13 (relating to licensees), §§ 13A11, 13A12, 13A13, 13A14, 13A15 and 1802.</p>		
<p>(9) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there</p>		

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.

This rulemaking is needed to: reflect agency practice; clarify existing regulations; allow institutional investors to obtain a greater ownership interest in licensees without requiring a waiver from the Board; ensure that nongaming employees remain suitable to hold a registration; and that publicly traded gaming service providers remain eligible for the exemption from the gaming service provider certification and registration requirements.

Most of the revisions contained in this rulemaking were made for clarity or to reflect agency practice which should benefit all individuals and entities that are under the Board's jurisdiction. All entities that apply for a license, permit, certification and registration should benefit from the reduction in the number of copies of applications that are required to be filed. Licensees that are publicly traded will no longer submit copies of SEC filings, which may be voluminous, but will simply provide notice of an SEC filing. Emergency gaming service providers should benefit as they will no longer be required to be certified or registered with the Board provided certain criteria are met. Lastly, manufacturer designees will no longer be required to establish a place of business in the Commonwealth as a condition of licensure.

(11) 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 standards for any of these provisions in this rulemaking.

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

It is not anticipated that this rulemaking will have an impact on Pennsylvania's ability to compete with other states. With respect to institutional investors in particular: institutional investors in Pennsylvania are currently capped at a 10% ownership interest in a publicly traded holding company of a slot machine licensee. To obtain a greater ownership interest, the passive investor would have to file a petition with the Board and receive a waiver prior to acquiring a greater interest. In other gaming jurisdictions, institutional investors typically can acquire a 15% passive ownership interest, if not more, without additional approvals needed. Based on an analysis of other gaming jurisdictions, the passive nature of the ownership interests and the SEC oversight of institutional investors, the Board has increased the allowable ownership interest to 20% provided that information is supplied to the Bureau of Investigations and Enforcement prior to acquiring the interest. Institutional investors will now be capped at 20% as increasing the ownership interest beyond 20% would trigger other statutory provisions.

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

This regulation will not affect any other regulations of the PGCB or any other state agency.

(14) Describe the communications with and solicitation of input from the public, any advisory council/group, small businesses and groups representing small businesses in the development and drafting of the regulation. List the specific persons and/or groups who were involved. (“Small business” is defined in Section 3 of the Regulatory Review Act, Act 76 of 2012.)

The revisions contained in this rulemaking are based on the Board’s experience to date and communications between agency staff and the regulated community. No other persons or groups were involved in the development and drafting of the regulations.

(15) Identify the types and number of persons, businesses, small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012) and organizations which will be affected by the regulation. How are they affected?

Every entity and individual under the Board’s jurisdiction will be impacted by this rulemaking, as the provisions address application and licensing, certification, registration and authorization requirements. The PGCB currently regulates approximately 1,200 Slot Machine Licensees, Management Companies, Gaming Service Providers, Gaming Related Gaming Service Providers, Gaming Junket Enterprises, Manufacturers, Manufacturer Designees and Suppliers, each providing a myriad of goods and services. Most of the revisions contained in this rulemaking were done for clarity or to reduce requirements which should benefit all regulated entities irrespective of whether they are a small business as defined in Section 3 of the Regulatory Review Act.

For example, gaming service providers that provide emergency services to slot machine licensees will no longer be required to be certified or registered with the Board, a cost savings of at least \$2,500. Additionally, manufacturer designees will no longer be required to establish a place of business in the Commonwealth as a condition of licensure which should result in a cost savings to all manufacturer designees.

There will be a nominal cost related to nongaming employee renewals. Nongaming employees will be required to renew their registration once every four years. Nongaming employees are currently the only regulated individuals who do not submit a renewal application and complete a subsequent background investigation. The cost for renewal will be approximately \$40 for a four-year registration and will cover the cost of fingerprinting and a criminal background check with the Pennsylvania State Police.

A majority of nongaming employees are employed by slot machine licensees, which are not small business as defined in 13 CFR § 121.201. Of the 1,200 nongaming employee renewals that are anticipated to be renewed in the 2015/2016 fiscal year, more than 900 of those employees are employed by slot machine licensees, approximately 200 are employed by the 1,100 gaming service providers and the remaining are employed by the 60 manufacturers, manufacturer designees, suppliers, gaming related gaming service providers and gaming junket enterprises. The Board believes that all nongaming employee registrations should be renewed, regardless of the size of the employer, to protect the integrity of gaming, ensure that these individuals remain suitable to hold a registration and to eliminate Board oversight over individuals who no longer work in the gaming industry in a position that requires registration.

Publicly traded gaming service providers will also be required to renew their authorization to conduct business once every four years. The cost will be \$250 for a four-year authorization. There are approximately 100 publicly traded gaming service providers that are presently authorized to conduct business with slot machine licensees. It is necessary to renew authorization for publicly traded gaming service providers to ensure that the entity is still qualifies for the exemption from the gaming service provider certification or registration requirements, a cost savings to all publicly traded gaming service providers of at least \$2,500, and to ensure that the entity is still providing goods and services to slot machine licensees and should therefore remain under the Board's jurisdiction.

(16) List the persons, groups or entities, including small businesses, that will be required to comply with the regulation. Approximate the number that will be required to comply.

Any individual or entity that applies with the Board for a license, permit, registration, certification, authorization or qualification will be subject to the changes made in this rulemaking. A majority of the changes were made for clarity and to delete redundant provisions and will therefore not have a substantive impact on applicants. Nongaming employees, publicly traded gaming service providers and institutional investors will be most impacted by this rulemaking. There are approximately 4,500 nongaming employees who, if still employed in a position that requires registration in four years, will be required to renew their registration. Additionally, there are approximately 100 publicly traded gaming service providers that, if still providing goods or services to a slot machine licensee in four years, will be required to renew their exemption from the gaming service provider registration and certification requirements.

(17) Identify the financial, economic and social impact of the regulation on individuals, small businesses, businesses and labor communities and other public and private organizations. Evaluate the benefits expected as a result of the regulation.

Nongaming employees

Currently registrations do not have an expiration date. Nongaming employees do not submit a renewal application and therefore no subsequent background investigation is conducted beyond initial registration. The Board believes that submission of a renewal application and subsequent background investigation is necessary to protect the integrity of gaming as it will ensure that every nongaming employee remains suitable to hold a registration.

Additionally, placing an expiration date on nongaming registrations will eliminate unnecessary administrative expenses associated with an ever growing number of individuals who no longer work in the gaming industry. There are currently over 4,500 nongaming employees who remain registered with the PGCB and therefore under the Board's jurisdiction but have not worked in a position that requires registration for two years or more.

The regulation will require that nongaming employee registrations be renewed every four years. The application will be submitted electronically through the PGCB's SlotsLink system. The renewal will cost approximately \$40 which will cover the cost of fingerprinting with the Pennsylvania State Police and the criminal background check. The Bureau of Licensing will use the expiration date on the credential as the renewal date which will ensure that renewals are staggered and will not all occur within the same month or year. If the current number of nongaming employees are still employed in a position

that requires registration at the time their credential expires, the Board anticipates that the renewals will be staggered as follows:

Current FY – no renewals

Year 2015/2016 – approximately 1,200 renewals

Year 2016/2017 – approximately 1,000 renewals

Year 2017/2018 - approximately 1,450 renewals

Year 2018/2019 – approximately 1,400 renewals

To transition licensees into compliance, the Board will utilize the date on each nongaming employee's credential as the renewal date and will provide the licensee with at least 90 days' notice of the employees that are up for renewal. This will ensure that the applications are received at least 60 days prior to expiration, in conformance with the renewal provisions, and will give the employees at least 30 days to complete the renewal application. As the first nongaming employee renewal applications will not be due for approximately 90 days after the regulation is printed as final, the Board does not anticipate any renewals in the current fiscal year 2014/2015.

Publicly traded - gaming service providers (GSP)

In 2010, the Board amended the GSP regulations and exempted publicly traded GSPs from the requirements of certification or registration. To be eligible for the exemption, each publicly traded GSP was required to complete an authorization form to be placed on the authorized GSP list. At that time there was no expiration placed on exemption. Although the Board believes that publicly traded GSPs should still be exempt from the certification and registration requirements, the Board has placed an expiration date on the exemption. Every 4 years, publicly traded GSPs will have to submit the authorization form to verify that the GSP has continued to provide goods and services to licensed facilities and is still eligible for the exemption. There are approximately 100 publicly traded GSPs that would be required to renew their exemption if the publicly traded GSP is still providing goods and services to a slot machine licensee. The renewal fee is currently \$250. If all currently exempt publicly traded gaming service providers are still providing goods and services to a licensee in four years and apply to renew the exemption, the renewals would be staggered as follows:

Current FY – 0 renewals

Year 2015/2016 – approximately 45 renewals (30 of which were authorized more than 4 years ago)

Year 2016/2017 – approximately 15 renewals

Year 2017/2018 – approximately 20 renewals

Year 2018/2019 – approximately 20 renewals

To transition into compliance, for those publicly traded GSPs that were placed on the authorized list less than four years ago and are thus not yet expired, 120 days prior to expiration, Board staff will send notice that the GSP must submit a renewal form at least 60 days prior to the expiration of the authorization as listed in the renewal notice.

For those publicly traded GSPs that were placed on the authorized list more than four years ago, upon publication of the final-form rulemaking, Board staff will send notice that the GSP must submit the renewal publicly traded form within 60 days. There are less than 40 GSPs that will fall under this category.

As the first publicly traded gaming service provider authorization renewal forms will not be due for approximately 60 days after the regulation is printed as final, the Board does not anticipate any renewals in the current fiscal year 2014/2015.

It is not anticipated that the remaining provisions will have a cost impact on the regulated community.

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

This regulation should provide clarity to applicants and holders of a license, permit, registration, certification or authorization. The benefits of requiring renewal of a nongaming employee permit or publicly traded gaming service provider exemption are discussed in detail above.

(19) 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.

It is anticipated that a majority of the revisions contained in this rulemaking will not result in a substantial cost or savings to the regulated community with the exception of nongaming employees and publicly traded gaming service providers. The costs associated with renewal of the registration or the exemption are discussed in (17) above.

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

This rulemaking will have no fiscal impact on local governments.

(21) Provide a specific estimate of the costs and/or savings to the **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.

The Board does not expect that the provisions contained in this rulemaking will have any fiscal impact on the Board or any other Commonwealth agency. The cost to the Pennsylvania State Police for fingerprinting is a reimbursable expense.

(22) For each of the groups and entities identified in items (19)-(21) above, 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.

The renewal form for nongaming employees, which is approximately five questions in length, will be submitted electronically through the PGCB's Slots Link system. The employee can complete the electronic application on any computer or device with internet access, typically in the HR office at their place of employment.

Publicly traded gaming service providers currently complete a three-page form to receive the exemption from the gaming service provider certification and registration requirements. The renewal will be completed on the same form which is available on the Board's website.

As specified in the regulation, an institutional investor that acquires an interest in a licensee is required to complete a one-page Institutional Investor Notice of Ownership form. A component of the form will be the one-page Passive Investor Affirmation.

(23) 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.

	FY Year 2014/2015	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:						
Regulated Community*	N/A	\$59,250	\$43,750	\$63,000	\$61,000	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		\$59,250	\$43,750	\$63,000	\$61,000	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

*These figures are contingent on all currently registered nongaming employees and exempt publicly traded gaming service providers applying for renewal or authorization within the next four years (Registrations: 1200 in FY+1; 1,000 in FY+2; 1,450 in FY+3; and 1,400 in FY+4)(Exemptions: 45 in FY+1; 15 in FY+2; 20 in FY+3; 20 in FY+4) at a renewal fee of \$40 and \$250 respectively. It is not known at this time how many nongaming employees or publicly traded gaming service providers would be required to renew their four-year registration or exemption in FY+5.

(23a) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	C FY 2014/2015
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PGCB Overall Budget	\$35,800,000	\$35,501,000	\$36,098,000	\$37,990,000

(24) For any regulation that may have an adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), provide an economic impact statement that includes the following:

- (a) An identification and estimate of the number of small businesses subject to the regulation.

The twelve slot machine licensees that operate in the Commonwealth of Pennsylvania will be impacted by this rulemaking; however, in accordance with the United States Small Business Administration's Small Business Size Regulations, under 13 CFR Ch. 1 Part 121, none of the casinos qualify as a small business.

Applicants for a supplier, manufacturer, manufacturer designee or principal license or gaming service provider certification or registration may qualify as a small business, however, it is not anticipated that this rulemaking will have an adverse impact as this rulemaking primarily reduces or eliminates requirements for all entities regardless of small business status.

- (b) The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record.

A majority of the revisions were made for clarity to the regulated community. It is therefore not anticipated that the regulated community including small businesses will incur additional costs.

- (c) A statement of probable effect on impacted small businesses.

Small business applicants, like all applicants, should see a slight cost savings associated with the number of applications required.

- (d) A description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

None – Less intrusive or costly alternatives identified by the Board that are consistent with the mandates and objectives of the Gaming Act are adopted for all regulated entities.

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

No special provisions have been added.

(26) 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.

Other regulatory approaches were considered with respect to institutional investors. The revisions to the current provisions are consistent with the Act and are similar to the thresholds applicable in comparable

gaming jurisdictions. A majority of the other revisions were made for clarity or to reduce requirements therefore no alternative regulatory approaches were considered.

(27) In conducting a regulatory flexibility analysis, explain whether regulatory methods were considered that will minimize any adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), including:

- a) The establishment of less stringent compliance or reporting requirements for small businesses;

A majority of the provisions in this rulemaking do not increase compliance or reporting requirements, and in many instances reduces the compliance and reporting requirements, for all regulated entities. If the Board identified a less stringent reporting or compliance requirement that is still consistent with the objectives and mandates of the Gaming Act, the less stringent requirements would be adopted for all regulated entities.

- b) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;

The forms for both publicly traded gaming service providers and nongaming employees consist of less than 5 pages each and are available on the Board's website or electronically through the Board's SLOTS Link system. Additionally all entities and employees that will be subject to these renewals will be given at least 30 days' notice to complete the forms. As the renewals request basic updated information, the Board does not believe it necessary to amend its deadlines for filing.

- c) The consolidation or simplification of compliance or reporting requirements for small businesses;

This rulemaking simplifies and consolidates provisions for all business types.

- d) The establishment of performing standards for small businesses to replace design or operational standards required in the regulation; and

N/A

- e) The exemption of small businesses from all or any part of the requirements contained in the regulation.

As it relates to the 1,100 gaming service providers regulated by the Board, the Board has already adopted a tiered structure in which gaming service providers that have fewer sales to slot machine licensees have a less stringent and costly application process (registered GSPs) than those gaming service providers that have a higher threshold of sales to slot machine licensees (certified GSPs). The Board believes that this tiered structure accommodates those entities with lower sales yet ensures regulatory oversight as required under the Gaming Act. The Board does not believe that wholesale exemption of small businesses from regulatory requirements is consistent with the mandates and objectives of the Gaming Act.

(28) 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.

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

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|---|------------------------------|
| A. The date by which the agency must receive public comments: | N/A |
| B. The date or dates on which public meetings or hearings will be held: | N/A |
| C. The expected date of promulgation of the proposed regulation as a final-form regulation: | 2 nd quarter 2015 |
| D. The expected effective date of the final-form regulation: | Upon publication |
| E. The date by which compliance with the final-form regulation will be required: | Upon publication* |
| F. The date by which required permits, licenses or other approvals must be obtained: | Ongoing |

* Compliance with the publicly traded gaming service provider authorization renewal and nongaming employee registration renewal schedules is discussed in detail in answer (17) above.

(30) Describe the plan developed for evaluating the continuing effectiveness of the regulations after its implementation.

This rulemaking is a comprehensive amendment package revising eighteen chapters in Subparts B, C, E and K. This rulemaking is the second comprehensive amendment package that the Board has adopted. The first, 125-168, addressed chapters in Subparts G, I and J. The Board will continue to evaluate existing regulations and amend provisions accordingly. No formal review schedule has been established.