

Regulatory Analysis Form		This space for use by IRRC
(1) Agency Pennsylvania Gaming Control Board		IRRC Number:
(2) I.D. Number (Governor's Office Use) 125 – 82		
(3) Short Title Standards for Independent Audit Committees		
(4) PA Code Cite 58 PA. Code § 441a.24	(5) Agency Contacts & Telephone Numbers Primary Contact: Richard Sandusky 717-214-8111 / rsandusky@state.pa.us	
(6) Type of Rulemaking (check one) <input checked="" type="checkbox"/> Proposed Rulemaking <input type="checkbox"/> Final Order Adopting Regulation <input type="checkbox"/> Final Order, Proposed Rulemaking Omitted	(7) Is a 120-Day Emergency Certification Attached? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes: By the Attorney General <input type="checkbox"/> Yes: By the Governor	
(8) Briefly explain the regulation in clear and nontechnical language. This proposal adds a provision requiring non-publicly traded corporations to establish an independent audit committee and listing the minimum requirements for an independent audit committee.		
(9) State the statutory authority for the regulation and any relevant state or federal court decisions. § 1202(b)(30) of the Pennsylvania Race Horse Development and Gaming Act (4 Pa.C.S. § 1202(b)(30) provide the Board with the authority to adopt regulations necessary for the administration of the Act.		

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

No.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

Adding § 441a.24 will give clear guidance to slot machine licensees concerning who is required to establish an independent audit committee and what minimum standards must be met when establishing an independent audit committee.

Requiring independent audit committees for these slot machine licensees will provide additional protection of the integrity of gaming in the Commonwealth.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

There are no public health, safety, environmental or general welfare risks affected by these amendments.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

The Commonwealth will benefit by having another mechanism (an independent audit committee) available to protect the integrity of gaming.

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(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

There will be costs imposed on some slot machine licensees associated with the creation and operation of an independent audit committee.

Currently, only one slot machine licensee is required to have an independent audit committee; two additional slot machine licensees will be required to establish or revise their independent audit committees to meet the requirements contained in this rulemaking.

(15) 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.)

Any slot machine licensee required to have an independent audit committee will have to comply with the new independent audit committee provisions.

Currently, three slot machine licensees will be required to have an independent audit committee under this regulation.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

No specific public input was solicited prior to the proposal of this amendment.

(17) 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.

A slot machine licensee required to have an independent audit committee will be responsible for the costs associated with the creation and operation of the independent audit committee.

For the one slot machine licensee currently required to have an independent audit committee, the annual costs are estimated to be \$250,000.

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(18) 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.

The Board anticipates that there will be no costs or savings to local governments as a result of this amendment.

(19) 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.

There will be no costs or savings to the Board or other agencies in state government as a result of this amendment.

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(20) 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	\$250,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
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	\$250,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
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

(20a) Explain how the cost estimates listed above were derived.

The costs shown above reflect estimated costs for the independent audit committee of the one slot machine licensee that is currently required to have an independent audit committee and the two additional slot machine licensees that will be required to establish or revise their independent audit committees.

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(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
Board Budget	\$2,900,000	\$13,200,000	\$26,400,000	\$29,984,000

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

While the costs for an independent audit committee may be significant, these costs are expected to be offset by the increased level of oversight that will be provided by the independent audit committee.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

The Board could have relied on the October 2, 2007 order concerning independent audit committees adopted by the Board but believes these standards are more appropriately placed in regulations.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

No other regulatory schemes were considered.

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(24) 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 regulation.

There are no corresponding Federal requirements.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

Nothing in this amendment will put Pennsylvania at a competitive disadvantage with other states.

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

This regulation will add a new § 441a.24 in 58 PA. Code.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No additional hearings or meetings have been scheduled.

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(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

Slot machine licensees that are required to have an independent audit committee will be required to draft a charter for the independent audit committee which must be submitted to the Board for its approval.

Independent audit committee members will be required to file annual certifications with the Board.

(29) 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.

There are none.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

These regulations will be effective upon publication as a final rule in the *Pennsylvania Bulletin*.

It is anticipated that final regulations will be adopted in the third quarter of 2008.

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

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